



Section 2

Medium Term Financial Strategy

2023-24 to 2027-28

cambridgeshire.gov.uk

Contents

This strategy is broken down into 12 chapters:

- 1: Executive summary
- 2: National context
- 3: Local context
- 4: Revenue strategy: Local government funding
- 5: Revenue strategy: Building the budget
- 6: Revenue strategy: Balancing the budget
- 7: Financial overview
- 8: Capital
- 9: Reserves policy and position
- 10: Risks & sensitivities
- 11: Business Plan roles and responsibilities
- 12: Fees & Charges Policy

Chapter 1 - Executive summary

The Council's strategic financial framework is comprised of three distinct, but interdependent, strategies set out within this Business Plan:

- Medium-Term Financial Strategy (MTFS) (Section 2, this document)
- Capital Strategy (Section 6)
- Treasury Management Strategy (Section 7)

This Medium-Term Financial Strategy sets out the financial picture facing the Council over the coming five years, the resources available to the Council, and the Council's strategy for managing its resources effectively.

As well as outlining the Council's revenue strategy, MTFS includes the organisation's Fees and Charges Policy, Reserves Policy & Strategy and Flexible Use of Capital Receipts Policy.

Budget figures over the MTFS period in this business plan generally show recurring changes. For example, an increase in budget of £100k in 2023-24 will carry over into future years' budgets. Changes for one year only, or that will be for only part of the MTFS period, are shown with a reversing figure in the year the budget is to come out.

The current economic climate, particular rising inflation and public spending constraints, alongside government reforms and the residual effects of the Covid-19 pandemic make forward planning with any degree of certainty extremely challenging. At the start of the process for this planning round our projected budget shortfall in 2023-24 nearly double to over £30m as a result of the inflation. The impact of inflation on our large contracts, staff pay, care costs and powering our buildings & streetlights had a massive impact that we received very little help from government to address, and which we are therefore having to mitigate. Our budget gap over the rest of the five-year medium-term plan has risen as well. At the same time, there is a need to invest in some services to improve outcomes, and to delivery longer-term sustainability or financial benefit, but our capacity to do this is now very limited.

The impact of inflation and fiscal tightening are expected to extend through most of this MTFS period. This is coupled with the longer-term impacts of Covid-19 that we are seeing feeding through into demand for services. Some of

the specific challenges that the Council expects to face over the next five years are:

- Potential for growing regional and more local inequalities as a result of the economic fallout from the pandemic
- Ongoing lower levels of fees and charging income, as well as reduced local taxation receipts and increasing default on taxation or charge payments
- Uncertainty about local government funding levels, particularly whether they will rise with inflation
- Viability of business providing services to the Council at current costs
- Providing additional support for our local care markets to ensure sufficient appropriate care provision remains available

In June 2019, the Government legislated for reaching net zero carbon emissions by 2050, and locally the Council's joint administration has put responding to the climate emergency at the centre of our priorities. We have a target to make the Council net zero by 2030 and to work alongside partners to make the county net zero by 2045. Meeting this commitment will require a transformation of our procurement and commissioning practices, establishing a framework for financing the necessary investment, and developing productive relationships with public sector and other partners.

To help meet this commitment, and to ensure a wider ability to help Cambridgeshire move to more sustainable future, we established the Just Transition Fund in 2022. This £14m investment fund is available for work to meet our priority of creating a greener, fairer Cambridgeshire, and already has committed over £9m of funding to work such as our net zero programme and establishing more localised home care.

In the Autumn Statement of November 2022, the Chancellor of the Exchequer set out economic projections that confirmed the challenging context in which we set this business plan, with inflation expected to peak in 2022 at over 10% and remain at over 7% into 2023. He also addressed the public spending deficit of over £55bn, with plans to close that over five years through public sector spending constraint and increasing tax receipts. He confirmed that the UK is forecast to be in a recession through 2023/24.

In terms of public spending, we are expecting departmental budgets to grow by around 3.7% over the current spending review period (to end of 2024-25), with growth in budgets beyond that at a lower rate than growth in the overall

economy. For local government, new grants were announced that we await full allocations of, and we are particularly concerned that the rate of growth in funding will not reflect pressures we face. Government policy is for councils to meet their pressures increasingly through higher local taxation, as they will permit a 5% increase for social care authorities in 2023/24 and expect 95% of councils to take that up fully.

Reforming local government funding allocations to reflected up to date needs and populations has not been mentioned by the current government as a priority. Cambridgeshire continues to receive much less per head of population than the average Council, and if it had the average funding of other county councils we might have an additional £20m per year of funding. The lack of reform in this area continues to be a major issue for Cambridgeshire.

The emerging results of the 2021 census are confirming that Cambridgeshire was one of the fastest growing areas of the country over the last decade. As a result of that we have faced rising demands from the number of people accessing our services. The general population is also ageing due to increased life expectancies which puts pressure on the ability of service users to contribute to the long-term costs of their care. In addition to this background population growth, the needs of those requiring care packages are becoming more complex and therefore costly. The uncertainty around this has been increased by the government's proposed reforms to care funding, both in terms of implementation timescales and the funding that will be made available to local government. The census has also confirmed that funding received by Cambridgeshire from central government has not reflected the full scale of our population growth and the needs of our population.

Where possible, we will aim to set a budget with some balance over the medium-term. The current annual nature of local government funding makes this difficult, however, as additional funding and taxation limits tend to be confirmed as late as December of the preceding financial year. Where feasible, though, we will look to longer-term transformation work and mitigations to demand pressures to bring later years of the medium-term closer to balanced. In this plan, over £10m of savings are in years 2-5.

In balancing our budget, some service reductions are inevitable, but we will always focus on reforming services or bringing in additional income rather than cutting services within this approach. The Council will seek to shape proposals so that the most vulnerable are the least affected. The Council has a statutory

responsibility to set a balanced budget each financial year and the proposals that are already within the Business Plan for 2023-28 do contain some proposals that reflect considerable risk and uncertainty. This strategy sets out the issues and challenges for the next five financial years and creates a framework within which the detailed budgets will be constructed.

The key elements of this Strategy, on which basis the Business Plan is predicated, are set out below:

- An assumed increase in Council Tax of 4.99% for 2023-24 and 2% each year thereafter.
- An assumed increase in the tax base of 2% for council tax, and variably by district for business rates
- The strategic approach to closing budget gaps to support the business plan will continue to evolve, focussing on reducing demand for our services, increasing income, disinvesting from low priority services, decentralisation, finding efficiency and maintaining a medium-term outlook
- Funding for invest to save schemes or for service reform will continue to be made available through reserves, or capital where appropriate, subject to robust business cases
- The general reserve will be held at 4% of non-schools expenditure, and we will adopt a prudent approach in our reserves strategy to offsetting risks faced by the Council
- Staff pay inflation has been assumed to be 5% for 2023-24 and 3.5% thereafter, with an expected rise at the lower end to keep pace with the real living wage
- Fees and charges will be reviewed annually in line with the Fees and Charges Policy and where appropriate subject to inflationary increases
- The capital programme will be developed in line with the framework set out in the capital strategy, and the level of prudential borrowing by the Council over the medium-term will be reviewed
- Opportunities for cross-sector and organisational working that drive end to end efficiencies and/or improvements in service delivery will be pursued
- Business rates pooling will be fully explored with district councils and the Combined Authority where there is a mutual financial benefit to do so
- The Council will continue to lobby central government for fair funding leading into any national replacement of the current funding formula.

The Council's budget is divided into five main service blocks, and it is in these blocks that detailed budgets are shown in Section 3 of the business plan:

- People Services. This includes Children, Education & Families, and Adults, Health & Commissioning.
- Public Health
- Place and Sustainability
- Strategy & Partnerships
- Finance & Resources

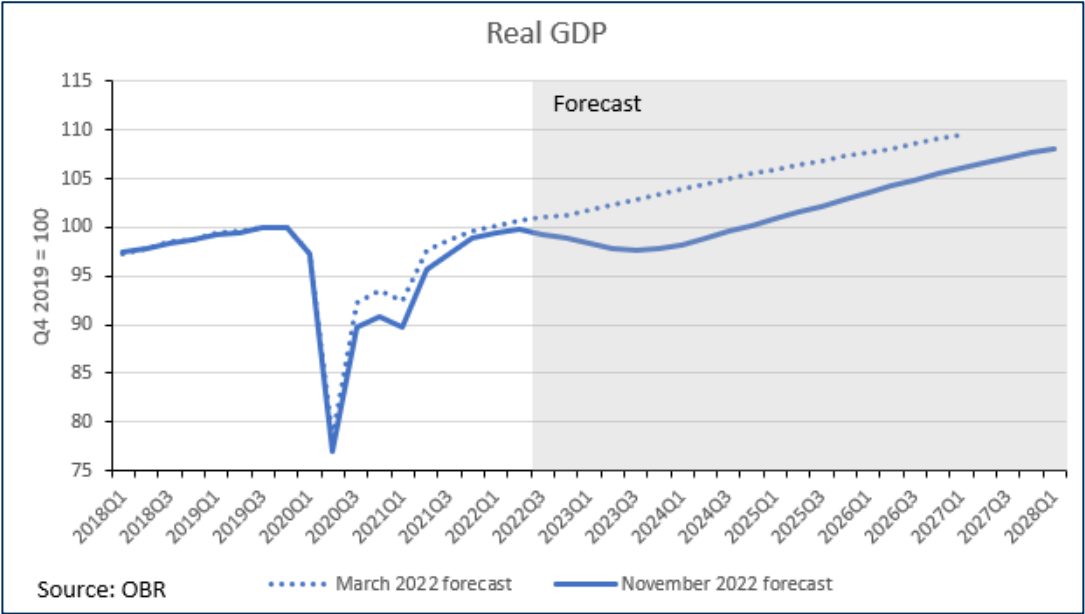
2 – National Context

The Council’s business planning process takes place within the context of the national economic environment and the government’s public spending plans. This chapter of the MTF5 explores that national picture. The national economic position is important in considering the Council’s finances as it affects cost drivers such as inflation and demand for services and can impact public spending.

National Economic Outlook

Business planning for 2023-28 is being done at a time when the country is facing economic shocks from rising inflation, and at the beginning of recession expected to last until at least the third quarter of 2023. The economic shock caused by the Truss government’s economic policy and international reaction to it has impacted the overall economic outlook. The economy is projected to contract by 2% during this recession, moving back the point at which the country is expected to return to its pre-pandemic level of GDP to around mid-2024. This lengthy effect of Covid ‘scarring’ the economy for several years, compounded by recent developments, has impacted on household income and will impact on public expenditure levels.

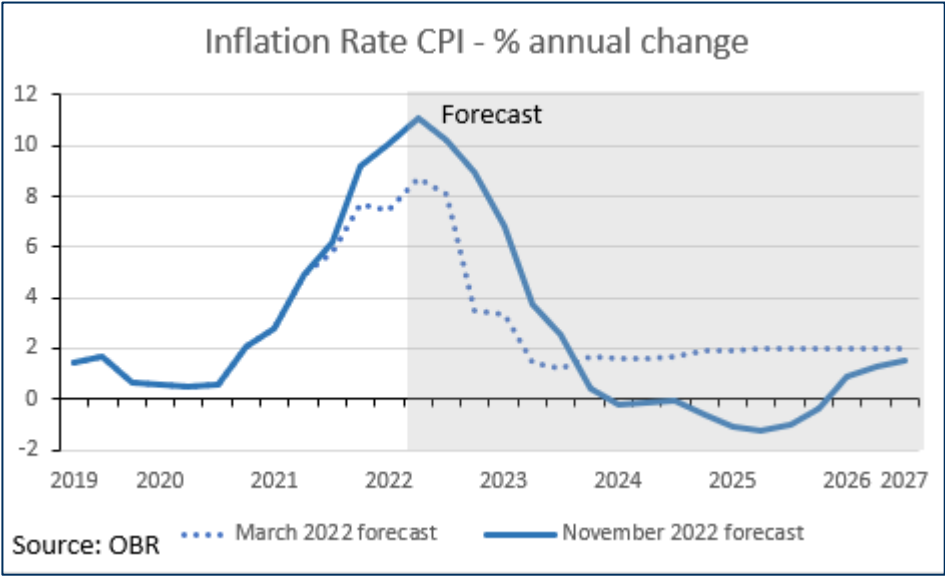
Figure 2.1: Monthly real GDP outturns and near-term forecast



A key driver of the economic picture is inflation levels. Driven by the return to growth after the pandemic, and then compounded by the Russian invasion of Ukraine, inflation levels are higher in the near-term than at any point for

decades. This increases the prices we pay as a council for goods and services, and impacts on people’s household budgets. Over the medium-term, inflation is expected to drop significantly, but the overall inflationary period will have permanently increased prices. Inflation projections have also increased recently versus projections made earlier in the year. The Office of Budgetary Responsibility (OBR) was predicting in March 2022 that the Consumer Price Index (CPI) measure of inflation would be around 2.5% on average in 2023/24, but by November 2022 were predicting it would be around 5%. The delay in updated economic projections meant that our inflation assumptions internally had to be amended much later in the planning process than usual.

Fig 2.2: Annual growth in CPI inflation



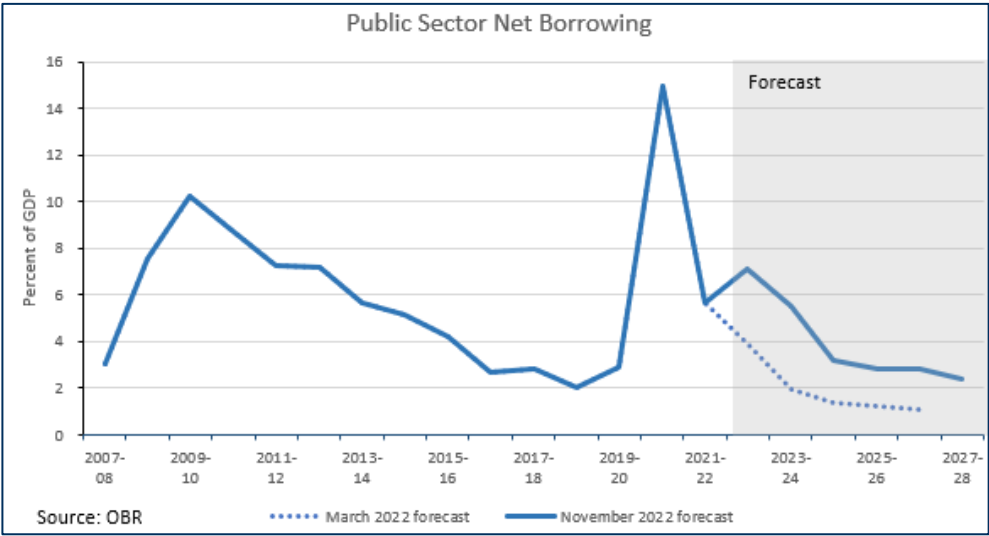
Alongside lower than expected GDP growth, average living standards will reduce by 7% over 2022 and 2023, and even by 2028 they will not have fully returned to pre-pandemic levels. We are also expecting interest rates to increase to combat inflation, which will impact on costs the Council faces for borrowing.

Public sector spending and debt

The total level of public sector debt in the UK has risen significantly compared to pre-pandemic levels. Much of this increase was due to the direct support provided during the pandemic, and debt levels did reduce as normality was restored to the economy. Borrowing had been projected to continue falling throughout 2022-23, but the increased government support provided to households and business to help with energy inflation resulted in borrowing starting to increase again. Latest projections show borrowing peaking in 2023

and falling thereafter, but not getting back to the lower levels predicted in March, or pre-pandemic levels, in the medium-term.

Fig 2.3: Public Sector Net Borrowing



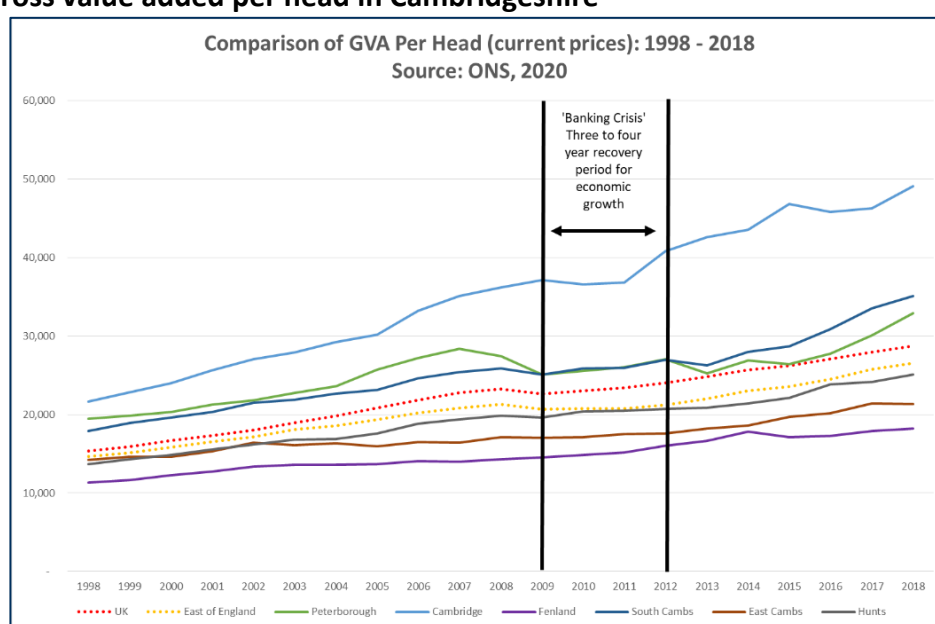
Public sector borrowing is also becoming more expensive as interest rates increase and reflecting the confidence shock caused by the Truss government’s economic policies. This reduces the amount of money available to other government departments and is partly behind the fiscal tightening factored into current government spending plans.

3 – Local Context

Economic context

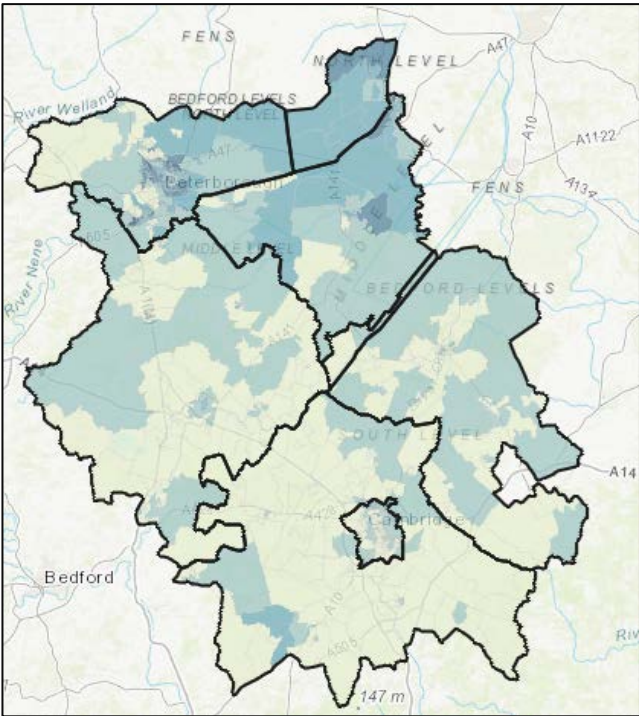
Economic growth in Cambridgeshire has outpaced both the East of England and UK over the last decade. This has been driven primarily by rapid business creation and growth in Cambridge and South Cambridgeshire. Innovation-rich Cambridgeshire businesses have attracted significant investment from overseas, promoting an attractive business environment and high economic and population growth.

Fig 3.1: Gross value added per head in Cambridgeshire



Deprivation across Cambridgeshire is not evenly distributed, with the north of the county on average being more deprived and having access to fewer job opportunities than in the south. This is also the case for people's health and links to the levels of services that need to be accessed from the Council. Despite this geographic difference, there is high levels of deprivation within the southern part of the county, with Cambridge City and Fenland in particular having some of the most deprived areas in Cambridgeshire. In Cambridge City, high deprivation areas can sit in close proximity to very prosperous ones.

Figure 3.2: Deprivation by area (including Peterborough) – dark is more deprived

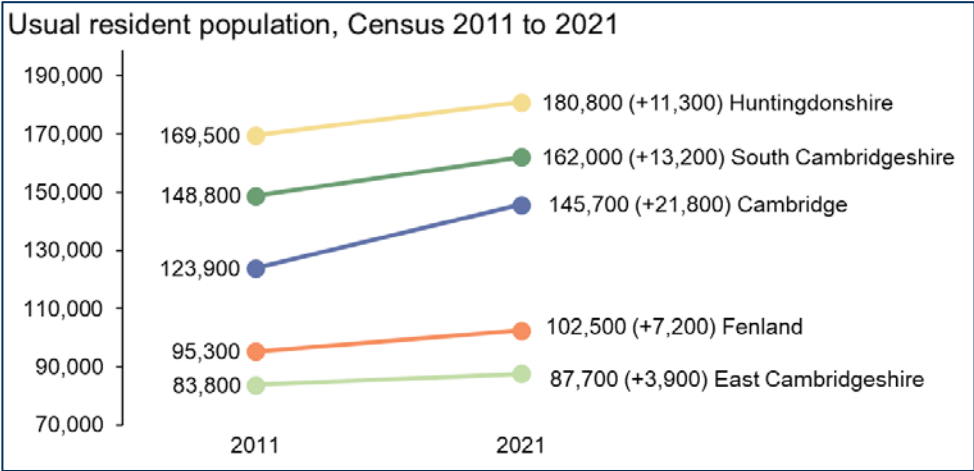


Source: Cambridgeshire Insight

Population

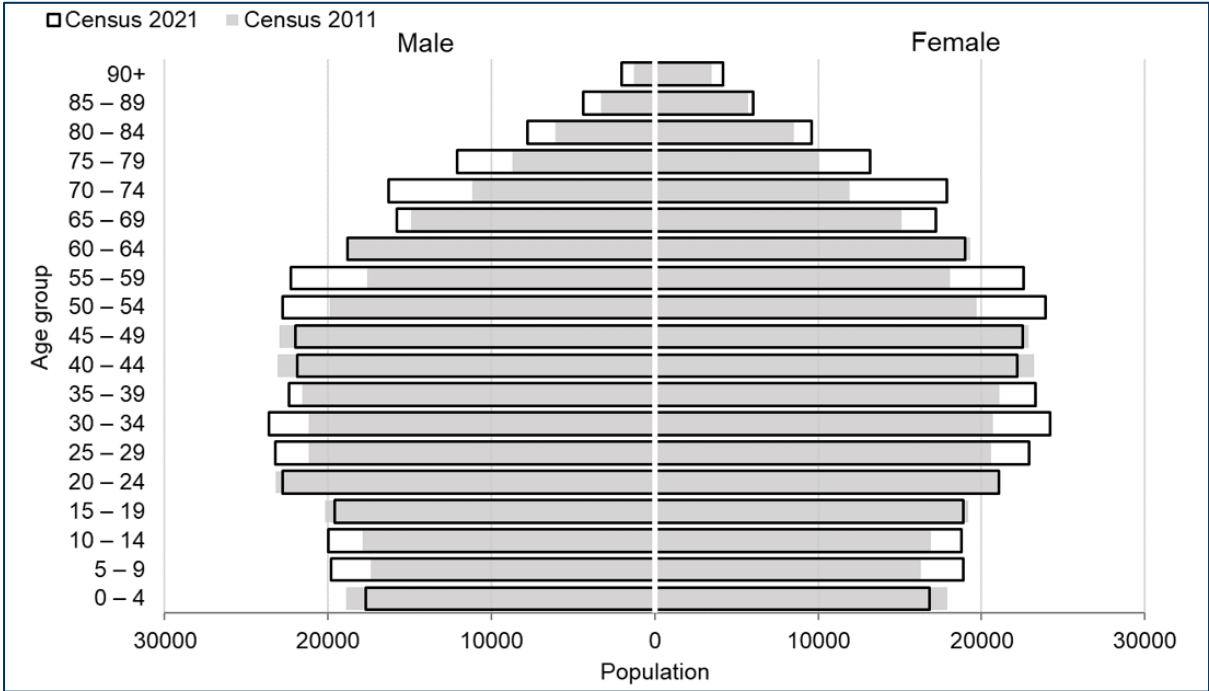
The release of results from the 2021 Census has highlighted that Cambridgeshire’s population has grown recently by much more than the average for England and was one of the fastest growing areas in the country. As at that census, the county’s population is around 679,000 which is up from around 621,000 ten years ago. All areas of the county have seen growth, but the increase East Cambridgeshire was lower than the national average; Cambridge City grew by 17.6% in those ten years.

Figure 3.3: Population change by district



As well as the overall population growing, we are seeing high growth in the number of older people in the county. Over the next ten years, there will be tens of thousands more elderly residents in Cambridgeshire compared to the last ten years. This increase will likely drive demand for Council services such as social care, and particularly as the average age increases the cost to support each individual will increase on average.

Figure 3.4: Population per age bracket in Cambridgeshire



As with overall population growth, the growth in older residents is not even across the county. Growth in 65+ age brackets is more pronounced in Fenland, East Cambridgeshire and Huntingdonshire which have ageing populations, whereas in Cambridge and South Cambridgeshire growth is more evenly spread across all ages.

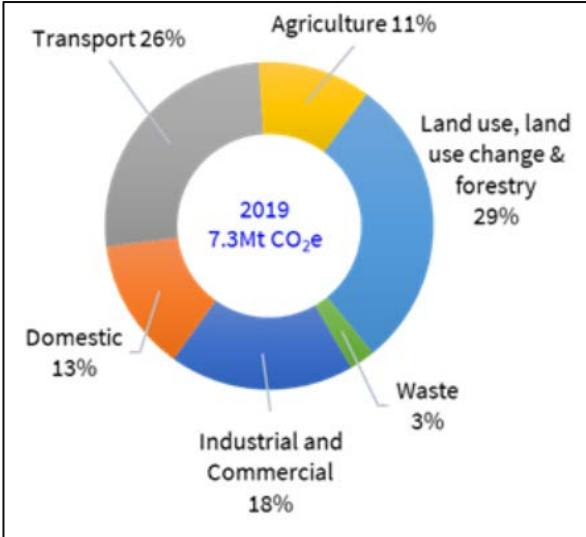
As much of government funding to councils is based on outdated population and relative needs estimates, there is a compounding effect from our growing population. Being able to balance our budget will become increasingly more challenging as we progress through the period of this strategy.

We are refreshing our internal population forecasts for the coming ten years based on the census data. We expect to continue growing at a high rate overall, and also expect the increase in average age to continue.

Climate Change

Recent government datasets show the carbon footprint for Cambridgeshire as a region was around 7.3 million tonnes of CO₂e in 2019, the largest element of which came from land use and land use change.

Figure 3.5: Carbon emissions in Cambridgeshire by type



All public sector bodies have a duty to limit the negative impact of climate change by reducing carbon emissions, and the Council has a role to play in reducing them across the whole county. Government has set a legal target of 78% carbon reduction by 2035 compared to 1990 levels, and this duty is increasingly a central part of our financial strategy.

In Cambridgeshire, we have allocated funding to a Just Transition Fund to provide resources for work to reduce our own carbon emissions. We aim to be a carbon neutral council by 2030 and are working towards a carbon neutral county by the mid 2040s.

4 – Revenue Strategy: Local Government Funding

Forecasting our financial resources over the medium term is a key aspect of the revenue strategy, allowing us to understand the context in which the Council must operate. We have carried out a detailed examination of the revenue resources that are available to the Council. Revenue funding comes from a variety of national and local sources, including grants from Central Government and other public bodies, Council Tax, Business Rates and other locally generated income.

In 2023-24, Cambridgeshire is expected to receive £889m of funding excluding grants retained by its schools. The key source of funding is Council Tax, which is budgeted to rise by 4.99% in 2023-24 and 2% in the remaining four years of the planning period. Including business rates and charges, locally generated funds account for 58.5% of our overall non-schools funding.

Figure 4.1: Medium-term funding forecast

	2023-24	2024-25	2025-26	2026-27	2027-28
	£m	£m	£m	£m	£m
Schools Grants ¹	259	259	259	259	259
Council Tax ²	374	386	401	417	432
Fees & Charges	169	177	182	183	183
Business Rates	£66	69	70	72	74
Government Grants	142	141	140	140	140
Revenue Support Grant ³	0	0	0	0	0
Other Grants	108	107	106	106	106
Better Care Funding	35	35	35	35	35
Total gross budget	1,010	1,032	1,052	1,071	1,088

1. This includes schedule 2 dedicated schools grant, retained by the Council under regulations to support schools and education functions, and grant funding used to purchase traded services from the Council. The majority is passed to schools.
2. Assumed to increase by 4.99% in 2023-24 and 2% thereafter
3. Unlike many councils, Cambridgeshire receives minimal revenue support grant from government.

As is evident from Figure 4.1, the Council will continue to face a challenging funding environment over the medium term. In 2023-24, we are expecting an increase of 8.38% on 2022-23 on the total funding we receive from all sources, despite significant demand and inflationary pressures. The Council expects to see an overall increase in funding (excluding schools grants) of 15.96% to 2027-28, primarily due to increases in Council tax. However inflationary pressures,

population growth and increased demand for services are expected to result in much higher additional budget pressures over the same period. This leaves a residual unfunded pressure of £76m.

In recent years local government funding has stabilised following a period of significant fiscal tightening from 2010. During this period income from government grants fell sharply; the Revenue Support Grant, worth £86m a year to the Council in 2013-14, is expected to be just £27k in 2023-24. Additional ring-fenced funding for social care has recently been forthcoming, acknowledging the acute pressures faced by the social care system due to an aging population, increasing complexity of need and the requirement to work more closely with the NHS. Other grants are received from government for a range of services. Despite the reduction in general government grant, these additional ring-fenced grants mean that we still have a dependency on central government funding; with the government capping Council Tax increases this dependency is growing.

The economic and fiscal outlook is challenging and so there is a risk that the local government sector will face further tightening of government funding sources. The current government department spending limits make it clear that funding will not be rising at a level to match inflation, and so while funding streams may not reduce in cash terms they are likely to in real terms.

The government has also committed to reforming Adult Social Care, in particular to cap the level of payments that an individual will need to make towards the cost of their care. This will also involve equalising the prices paid for care between individuals and local authorities (who typically buy care at a cheaper price). These reforms have been repeatedly delayed, with them now expected to come in fully for 2025. We are expecting a substantial increase in costs when the reforms do take place, with a reliance on government providing funding to us. Government had set out a funding stream to this but it was re-allocated in Autumn 2022 and so it is now unclear to what extent funding will be provided. This is a key risk to our medium-term financial position.

Sources of Funding

Council Tax, and Adult Social Care Precept (37% of funding)

Council Tax is a key source of funding for local government and is the main locally raised income stream for Cambridgeshire. It is a tax on domestic

properties. The tax rate is set based on the difference between our spending requirement and the other projected income streams, within constraints set by central government.

Council Tax is collected by District Councils on behalf the County Council, and we rely on them for projections of the number of taxable properties in their district and the expected collection rate. District Councils have a ‘taxbase’, which is the number of taxable households in the area, weighted by band.

In recent years, the rate of growth in Council Tax has been effectively capped by central government at between 2% and 3%. Any growth beyond that would require a referendum locally. The specific referendum limit is set by government each year.

Council Tax receipts can also increase if the underlying taxbase increases. Parts of the County are seeing growth in their taxbase, and these are factored into our funding assumptions using projections supplied by District Councils.

Since 2016, central government has permitted councils with Adult Social Care responsibilities to levy a further element of Council Tax, called the ‘Adult Social Care Precept’. This tax has usually been a further 2% or 3% increase and is ringfenced for adult social care services. Other than being hypothecated to funding adult social care services, this ASC precept is functionally identical to Council Tax.

The table below sets out the current assumptions about Council Tax and the ASC Precept over the planning period.

Table 4.2: Council Tax Assumptions

	2023-24	2024-25	2025-26	2026-27	2027-28
Council Tax	2.99%	2.00%	2.00%	2.00%	2.00%
ASC Precept	2.00%	0.00%	0.00%	0.00%	0.00%

Based on District Council projections, we assume a rate of growth in housing stock in each district, which increases the local taxbase. Any shortfall, or surplus, on expected collection rates by each District results in a deficit or surplus on the collection fund. The collection fund is generally returned to its desired balance each year, which can have an impact on the amount of income we get. We are reliant on District Council projections for our estimated income

from Council Tax over the medium-term and any fluctuations in those will need to be met from, or released to, the Council's revenue budget. Fluctuations in collection fund values, which are one off changes, will be met from or returned to a dedicated earmarked reserve where possible.

Council Tax Requirement

The current Council Tax Requirement (and all other factors) gives rise to a 'Band D' Council Tax of £1,542.87. This is an increase of 4.99% on the actual 2022-23 level which comprises a 1.99% increase in the general precept and 3% increase in the Adult Social Care Precept. This figure reflects information from the districts on the final precept and collection fund.

Table 4.3: Build-up of recommended Council Tax Requirement and derivation of Council Tax precept 2023-24

	2023-24 £000
Revised base budget	957,624
Inflation	33,143
Demography & Demand	12,166
Pressures	13,273
Investments	9,449
Savings	-11,006
Change in reserves/one-off items	-4,758
Total budget	1,009,891
Less funding	
Business Rates plus Top-up	66,353
Revenue Support Grant	27
Dedicated Schools Grant	248,545
Unringfenced Grants (including schools)	66,761
Ringfenced Grants	86,280
Fees & Charges	169,312
Surplus/deficit on collection fund	671
Council Tax requirement	371,942
District taxbase	241,071.60
Band D	1,542.87

Taxes for the other bands are derived by applying the ratios found in the table below. For example, the Band A tax is 6/9 of the Band D tax.

Table 4.4: Ratios and amounts of Council Tax for properties in different bands

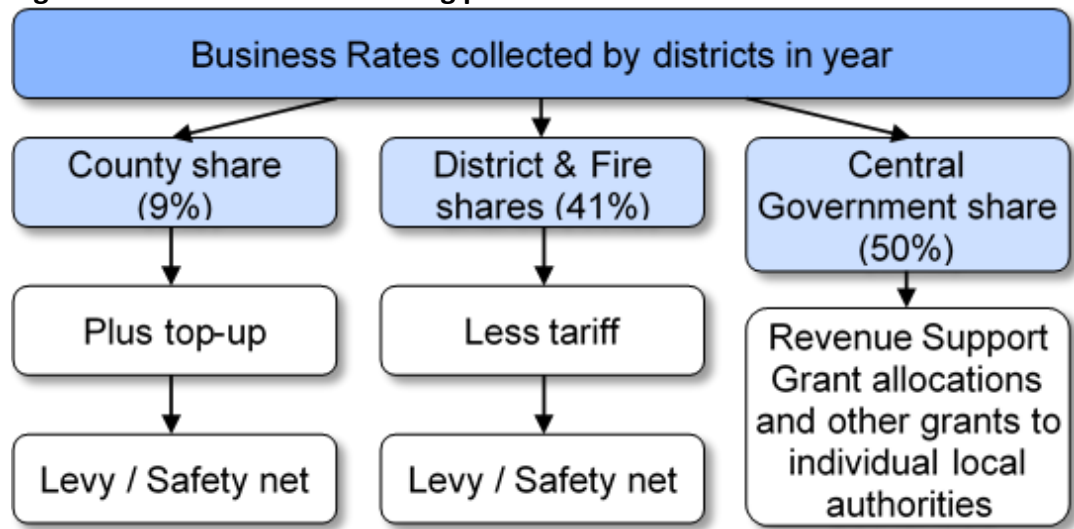
Band	Ratio	Annual Amount £	Increase on 2022-23 £
A	6/9	1,028.58	48.84
B	7/9	1,200.01	56.98
C	8/9	1,371.44	65.12
D	9/9	1,542.87	73.26
E	11/9	1,885.73	89.54
F	13/9	2,228.59	105.82
G	15/9	2,571.45	122.10
H	18/9	3,085.74	146.52

Business Rates (7%)

Business rates are a tax on non-domestic property. Since 2013, councils have retained a portion of the business rates collected locally (the Business Rates Retention Scheme). Business rates collected during the year by billing authorities are split 50:50 between Central Government and Local Government. Central Government's share is used to fund Revenue Support Grant (RSG) and other grants to Local Government.

This is a historic approach that was intended to increase the self-sufficiency of local government and provide an additional incentive for local authorities to invest in local economic growth. It links an element of local authority income to a share of the Business Rates collected in their area. County Councils currently receive a 9% share of Business Rates as compared to the District Councils' share of 40% which provides some stability against the variability of Business Rates. However, this means that County Councils retain a lower proportion of business rates growth and therefore receive smaller increases in funding than Districts with high levels of growth. Figure 4.5 illustrates how the current scheme works:

Figure 4.5: Business rates funding process



In two tier areas such as Cambridgeshire, the County Council will receive a top-up from the Government on top of business rates income and the district authorities will pay a tariff to central government. Tariff and top-ups are designed to realign business rates baselines with assessed need.

Business rates are collected by District Councils, and so we rely on their estimates of collection rates in our funding projections. Any changes in estimates will need to be factored into business planning. Like Council Tax, there is a collection fund for business rates that can have an impact on the amount of income we get, but these one-off adjustments will be factored into the balance on a dedicated earmarked reserve.

There is a revaluation of properties for business rates purposes taking place in 2023. This is overdue and could have some impact on the overall level of rates collected in Cambridgeshire.

For several years we have been expecting further government announcements about the future of business rates, particularly around the retention of a greater proportion of business rates locally. This would provide more incentive to generate economic growth, but reforms have not yet been set out by government.

Ring-fenced Grants (9%)

These are grants received from central government for a specific purpose. If we receive a ringfenced grant, these are passed straight to the relevant service. This funding is managed by the appropriate Service Area and the Council's ringfenced grants are set out within part 7 of Table 3 of the relevant Service Area in Section 3 of the Business Plan. The two largest ring-fenced grants are the Public Health Grant (over £28m) and Better Care Funding (over £35m, funding adult social care).

Unless we have good reason to assume otherwise, we will project ring-fenced government grants forward throughout the MTFS on a flat cash basis. Government grants are usually not confirmed beyond a single year, and even then can be confirmed quite late and it would be imprudent based on experience to assume that these grants will end.

We assume the Public Health Grant will remain ringfenced until 2025-26, at which point it is expected to be rolled into the shift to increased business rates retention. Planning collaboratively across directorates on an outcomes basis should enable the Council to reach a position where the presence or absence of the ringfence becomes less important. However, there may be a risk that when the ringfence is removed, Public Health England will require achievement of performance and activity targets which require more funding to deliver than we are currently allocating. The allocation of any increase to the Public Health Grant will be agreed by Strategy & Resources Committee despite being a ringfenced grant as it is a large source of funding that covers services across the whole Council.

Non-ringfenced Grants (6%)

These grants are received from government without strict conditions for spending. They go to the corporate centre and are used to fund services generally. In some cases, these may be allocated out to a specific service.

The MTFS is currently predicated on the assumption that the Council will receive £56.195m in unringfenced grants in 2023-24, excluding schools grants, an increase of £12.583m on the total 2022-23 allocation of £43.612m. This is predominantly due to the £12.738m increase of Social Care Support Grant.

The government has confirmed the temporary Services Grant as continuing, at a level reduced to reflect the now-cancelled increase in national insurance, for which Councils were compensated in 2022-23 via this grant.

Unringfenced government grant funding is typically announced late in the financial year during the local government finance settlement (usually late December). This has an impact on our ability to draft the business plan as a key funding source remains unclear until close to the end of the planning process.

Table 4.6: Unringfenced grants for Cambridgeshire 2023-24

	2023-24 £000
Social Care Support Grant	31,623
Services Grant	2,540
Section 31 grants and local taxation support ¹	15,457
New Homes Bonus	1,011
Education Services Grants	1,951
Other unringfenced grants	3,613
Total unringfenced grants	56,195

1. Section 31 grants are those given under s31 of the Local Government Act 2003, and in this table are generally narrow-focussed grants linked to taxation, such as government reimbursing us where they require exemptions from business rates

Fees & Charges (17%)

A significant, and increasing, proportion of the Council's income is generated by charging for some of the services it provides. The Council reviews its charges on an annual basis, with proposals presented to Members. Local authorities faced significant shortfalls in sales, fees and charges income in 2021-22 as a result of national restrictions imposed in response to the coronavirus pandemic. While in some areas income generation has quickly returned to normal, in other services it is still slow to recover. The pandemic has also accelerated shifting behavioural trends, such as online purchasing and working from home that could impact the Council's fees and charges income and reshape our non-statutory service provision for years to come.

Some of the income we receive is from statutory charging regimes such as in Adult Social Care. In these cases, charging rates are generally defined nationally and we will have a specific policy about how that works in Cambridgeshire. Those policies will define how charges are calculated and how they may be increased year-on-year.

The Fees & Charges Policy forms part of this strategy, in chapter 12.

Dedicated Schools Grant (25%)

The Council receives the Dedicated Schools Grant (DSG) from the Government, and it is therefore included in our gross budget figures. However, this grant is ringfenced to pass directly on to schools, other education providers and services. This plan therefore uses the figure for “total budget excluding grants to schools”.

Due to the continuing increase in the number of children and young people with an EHCP, and the complexity of need of these young people, the overall spend on the High Needs Block element of the DSG funded budgets has continued to rise. At the end of 2021/22 there was a net DSG overspend of £12.43m to the end of the year. When added to the existing DSG deficit of £26.83m and following prior-year adjustments in relation to early years a revised cumulative deficit of £39.32m was brought forward into 2022/23. Current forecasts predict a further overspend of around £12m in 2022/23, bringing the total DSG deficit carried forward into 2023/24 to around £51m.

In 2020-21 the DfE introduced the safety valve intervention programme in recognition of the increasing pressures on high needs. The programme is being expanded in 2022-23 and Cambridgeshire are part of the current round of applications. The programme requires local authorities to develop substantial plans for reform to their high needs systems, with support and challenge from the DfE, to rapidly place them on a sustainable footing. If the authorities can demonstrate sufficiently that their DSG management plans create lasting sustainability and are effective for children and young people, including reaching an in-year balance as quickly as possible, then the DfE will enter into an agreement with the authority, subject to Ministerial approval.

If an agreement is reached, local authorities are held to account for the delivery of their plans and hitting the milestones in the plans via quarterly reporting to the DfE. If adequate progress is being made, authorities will receive incremental funding to eliminate their historic deficits, generally spread over five financial years. If the conditions of the agreement are not being met, payments will be withheld.

Table 4.7: Parameters used in modelling future funding

Funding Source	Parameters
Business Rates	<ul style="list-style-type: none"> Assumed 0.5% taxbase growth in Cambridge City, and 0.25% growth in South Cambridgeshire, with no growth in other districts National CPI inflation for 2023-24 onwards
Top-up	<ul style="list-style-type: none"> 2.6% increase in either top-ups or commensurate compensation from government, unless we have confirmed numbers from government
General Council Tax	<ul style="list-style-type: none"> Level set by Council for 2023-24 (1.99%), and 2% thereafter Occupied Cambridgeshire housing stock (1.68% – 2.23% annual increase, as per District Council forecasts)
Adult Social Care Precept	<ul style="list-style-type: none"> Level set by Council for 2023-24 (3%), no increase thereafter Same growth assumption as general council tax
Government grants	<ul style="list-style-type: none"> Grants allocated by individual government departments assumed to be flat cash unless otherwise known
Fees & charges	<ul style="list-style-type: none"> Charges set by Council (National RPIX inflation for 2023-24 onwards)

Local Government Finance Settlement

In November 2022, the government announced its Autumn Statement setting out changes to public finances. This announced that government spending would rise by less than inflation over the medium-term, as part of a plan to return the national budget closer to balance. The financial implications of the headline funding announcements for individual local authorities were set out in the provisional Local Government Finance Settlement published by the Government in December 2022. This settlement only covered one year in detail with some national allocations confirmed for 2023-24.

The Council's core spending power will increase by 9% next year according to government figures accompanying the settlement. However, half of this relates to the additional Council Tax that the government is allowing councils to levy. Overall, government funding is going up by less than the increased pressures we are facing.

The Council will receive an additional £23.84m of grant in 2023-24, with no further increases announced for 2024-25 or 2025-26. £17m is unringfenced and is mainly due to the £11.6m increase in the Social Care Support Grant. £6m is ringfenced and relates to an increase in the Market Sustainability and Fair Cost of Care Fund and the new Adult Social Care Discharge Fund.

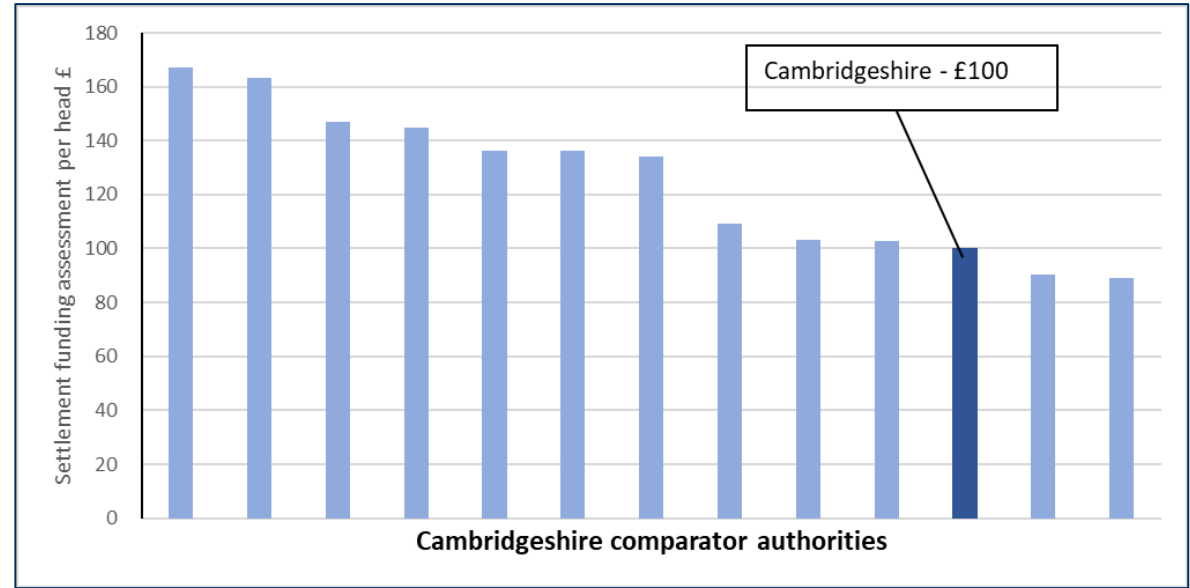
Table 4.8: Comparison of Cambridgeshire's government funding 2018-19 to 2023-24

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
Revenue Support Grant	3,915	-	-	-	-	-
Covid Grants	-	-	-	27,538	-	-
Other Unringfenced Grants	11,305	14,645	23,831	26,296	43,886	56,195
Better Care Funding	24,744	27,854	31,675	31,675	33,809	34,681
Other Ringfenced Grants	38,312	38,140	43,079	43,059	44,260	51,599
Government Revenue Funding (excl schools)	78,276	80,639	98,585	128,568	121,955	142,475
Difference	-3,512	+2,363	+17,946	+29,983	-6,613	20,533
Percentage Increase	-2.4%	+3.02%	+22.25%	+30.41%	-5.14%	16.84%

The Council's core revenue funding is described as its Settlement Funding Assessment (SFA) and comprises Business Rates, Top-up grant and Revenue Support Grant. For 2022-23 Cambridgeshire's SFA award per head of population will be the third lowest of our group of similar, comparator authorities, with an SFA of £100 per head compared to the average for the group of £125.

If Cambridgeshire received the average level of SFA per head of population, we would receive £25m more in Government grant funding for 2022/23.

Figure 4.9: SFA per capita 2023-24 for comparator authorities



Fairer Funding Model

The current tariffs and top-ups for business rates were set in 2013-14 based on the previous ‘Four Block Model’ distribution and increased annually by September’s CPI inflation. Cambridgeshire County Council has long been concerned about the use of the Four Block Model, particularly in reflecting accurately the costs and benefits of growth as well as the relative efficiency of local authorities and the pockets of deprivation in some areas of Cambridgeshire.

A consultation on the review of local authorities’ relative needs and resources was released as part of the 2019/20 provisional settlement. The Government was minded to implement a per capita foundation formula alongside seven service-specific funding formulas covering key areas of spending such as adult social care and highways maintenance. An Area Cost Adjustment would adjust for differences in labour and business rates costs between local authority areas and will also assess the impact of remoteness and accessibility of services.

It is likely that a notional Council tax level will be used to account for the relative resources of local authorities and to adjust reallocated income accordingly. Shire Counties stand to benefit from this adjustment as they levy relatively high levels of Council Tax and will therefore lose a smaller proportion of their funding via an adjustment set at an average level.

The tier split of business rates between upper and lower tier authorities is one of the most contentious issues to be addressed during the consultation. Shire

Counties have long argued for a larger proportion of business rates income however any change in the current allocations will be limited by the financial sustainability for District Councils. Transitional arrangements and damping adjustments will limit any significant short-term changes to local authority funding. Additionally, as Cambridgeshire has historically ranked relatively close to average in terms of relative need and relative resources, any changes in funding allocation are unlikely to substantially impact the deliverability of the business plan over the medium term.

In April 2020, the government announced that it would delay the move to 75% Business Rates Retention and the implementation of the fair funding review due to the shift in resources required to respond to the pandemic. Since then, no further update has been given by government to indicate when reforms will take place.

5 – Revenue Strategy: Building the Budget

Forecasting the cost of providing current levels of services over the medium term is the second key aspect of our revenue strategy. This allows us to assess the sustainability of current service provision and the level of savings and additional income that we will need to balance the budget over the medium-term. Our cost forecasting takes account of pressures from inflation, demographic and demand changes, amendments to legislation and other factors, as well as any investments the Council has opted to make.

This process has proven challenging for 2023-24 and beyond due to the extensive disruption caused to the global and national economy from events that have taken place in 2022 and in particular their effect on inflation.

Inflation

Calculating and projecting our inflationary pressures over the medium-term have been the most challenging and possibly the most important part of drafting this business plan. Inflation levels in the UK are the highest for decades, and this is impacting on the prices we pay for goods and services, as well as having an impact on the people of Cambridgeshire.

Rising inflation in the economy has a direct and broadly proportionate impact on our costs. Overall CPI inflation is expected to be around 5% on average through 2023-24, but we are also having to address inflationary pressures in 2022-23 that exceeded budget allocations in that year and have increased the baseline cost of services.

The exact inflationary impact on our costs is variable depending on the specific service or budget line. For example, much of our costs are employee related and linked to national negotiations around pay, and we may be bound by contracts that have specific inflationary uplifts each year or are part of a local market that sees different supply & demand issues affecting prices. National changes, such as the effect on supply chains of an increasing minimum wage, can exceed inflation rates and are generally budgeted for as pressures (as they result from government policy changes rather than general economic conditions).

Estimates of inflation in this business plan have been based on indices specific to each service or type of spend, factoring in the national inflation outlook,

local trends, and uplifts built into contracts. We calculate nearly a hundred inflation indices that apply to all spend across our budgets to calculate the overall inflationary pressure. We also need to take into account where other changes, such as increases in the minimum wage, will potentially override the effect of inflation. The starting point for many inflation indices has been linked to an average CPI projection for 2023-24 of around 5.5%, but specific inflation rates are calculated for each service. As noted above, cost increases due to policy changes can replace inflationary pressures which can reduce the overall inflation number.

The table below shows expected overall inflation levels for the Council:

Table 5.1: Inflation pressures

	2023-24	2024-25	2025-26	2026-27	2027-28
Inflationary cost increase (£000)	33,143	11,179	9,810	9,600	11,026
Inflationary cost increase (%)	5.1%	1.6%	1.4%	1.3%	1.5%

Demand Pressures

Increases in demand for services can result from changes in population numbers and changes in population need. The underlying general population growth in Cambridgeshire is forecast to be around 0.3% per year across the MTFS period. The demand pressures set out in the table below relate to circumstances where:

- Services cannot absorb the financial impact of general population growth
- Service user population growth exceeds that of the general population
- Needs of service users are expected to increase, resulting in more care being provided or a more expensive mix of care types

Our demand projections are underpinned by models for each service area that are reviewed annually, and factor in demographic information, price projections, trend analysis and knowledge of likely future trajectories.

Table 5.2: Demand pressures

	2022-23	2023-24	2024-25	2025-26	2026-27
Demand cost increase (£000)	12,166	13,065	13,873	14,565	15,269
Demand cost increase (%)	1.9%	1.9%	1.9%	2.0%	2.0%

Covid continues to have an impact on our demand projections and contributes to some uncertainty around costs in future years. Many of our demand models make assumptions about the impact of Covid, and as with any assumptions there is a risk that actual costs faced will be different.

Other Service Pressures

There are some other unavoidable cost pressures that we will have to meet. Where possible services are required to manage pressures, if necessary being met through the achievement of additional savings or income. If this is not possible, particularly if the pressure is caused by a legislative change, pressures are funded corporately, increasing the level of savings that are required across all Council services. Specific pressures are set out in the budget tables for the relevant service. Examples of these pressures include the rising minimum wage and changing environmental regulations around disposal of certain categories of waste. Negative numbers in the table show where temporary pressures are reversed.

The largest pressure in the table below relates to increasing minimum wage levels.

Table 5.3: Other pressures

Service	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Peoples Services	13,924	10,717	5,159	5,626	6,011
Place & Sustainability	-436	-362	-10	33	1,049
Finance & Resources	-297	-231	-163	-	-
Strategy & Partnerships	82	-	-	55	-
Total Pressures	13,273	10,124	4,986	5,714	7,060
Pressure cost increase (%)	2.03%	1.43%	0.69%	0.77%	0.93%

Investments

Despite the challenging financial position that the Council is in, there remains a need to invest in some services. This may be to improve service outcomes,

promote a better financial position over the medium-term, or improve sustainable use of natural resources.

Where investments result in a permanent increase in a service's budget requirement, this is ultimately funded by savings or additional income across the Council. For time-limited investments, it is appropriate to use reserves funding. Chapter 9 of this MTFS provides more detail on the source of reserves funding used for investments that require only short-term budget. As with pressures above, negative numbers in the table below show temporary pressures being reversed.

Table 5.4: Investments

Service	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Peoples Services	1,346	-342	5,159	-49	-49
Place & Sustainability	796	2,694	-10	170	-35
Finance & Resources	674	1,036	-163	-35	-35
Strategy & Partnerships	602	-	-	-	-
Total Investments	3,418	3,388	2,558	86	-119
Investment cost increase/reduction (%)	0.52%	0.48%	0.35%	0.01%	-0.02%

Financing of Capital Spend

All capital schemes have a potential three-fold impact on the revenue position due to interest payments on borrowing, costs of making a revenue provision for the repayment of borrowing, and the ongoing revenue impact of the asset (pressures, or savings / additional income). Therefore, to ensure that available resources are allocated optimally, capital programme planning is determined in parallel with the revenue budget planning process. Both the borrowing costs and ongoing revenue costs and savings of a scheme are considered as part of a scheme's Investment Appraisal, and therefore, the process for prioritising schemes against their ability to deliver outcomes.

In addition, the Council is required by CIPFA's Prudential Code for Capital Finance in Local Authorities to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to guarantee that it achieves this, at the start of each Business Planning Process the Council determines what proportion of revenue budget is spent on services and the corresponding maximum amount to be spent on financing borrowing. This is achieved by setting an advisory limit on the annual financing costs of borrowing (debt

charges) over the life of the Plan. Future changes to the code will be factored into future business plans.

Once the service programmes have been refined, if the amalgamated level of borrowing and thus debt charges breach the advisory limit, schemes will either be re-worked in order to reduce borrowing levels, or the number of schemes included will be limited according to the ranking of schemes within the prioritisation analysis.

Due to the Council's strategic role in stimulating low carbon economic growth across the county through infrastructure investment, any capital proposals able to reliably demonstrate revenue income or savings at least equal to the debt charges generated by the scheme's borrowing requirement, are excluded from contributing towards the advisory borrowing limit. These schemes are called 'Invest to Save' or 'Invest to Earn' schemes and will be self-funded in the medium term.

The estimated impact of the capital programme on revenue through debt charges over the medium-term is shown in table 5.5 below:

Table 5.5: Capital financing charges – absolute and change year on year

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
2022-23 Business Plan	38.3	44.9	44.1	44.3	43.2

Savings & Income Generation

This business plan contains some savings and additional income generation proposals that were agreed in previous years' medium-term financial plans. Proposals carried over from previous plans are reviewed to assess deliverability and value of expected savings/income. Table 5.6 below sets out which saving and income lines in service budgets were agreed in a previous business plan.

Table 5.6: Savings and income proposals agreed in previous business plans

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
Peoples Adults	-353	-1,846	-4,233	-2,040	-412
Peoples Children	-665	-345	-	-	-
Place & Sustainability	-5,284	-4,319	719	1,123	1,069
Finance & Resources	-2,667	-883	-660	-330	-330
Total Income and Savings Proposals	-8,969	-7,393	-4,174	-1,247	327

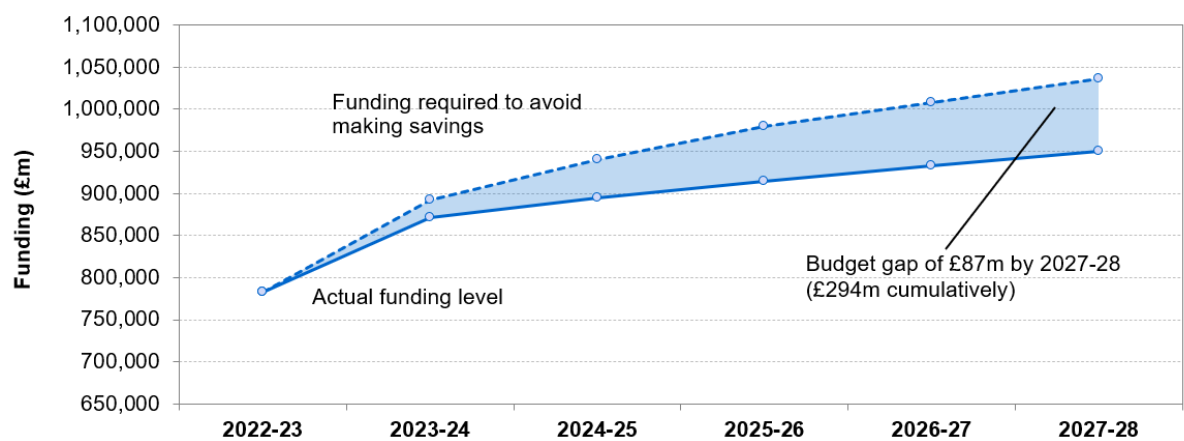
New savings and income proposals to balance 2023-24's budget and close the budget gap over the medium term are described in chapter 6 below.

6 - Revenue Strategy: Balancing the budget

Every local authority has a legal obligation to set a balanced budget every year. It is the Section 151 Officer’s statutory responsibility to provide a statement on the robustness of the budget proposals when they are considered by Council.

Inevitably, cost pressures are forecast to outstrip available resources over the medium-term, given the rising costs caused by inflation, growth and associated demand pressures and renewed pressure on levels of funding for local government from public sector spending restraint. Consequently, we will need to make significant further savings, or generate significant additional income, to close the budget gap next year and over the medium-term.

Figure 6.1: Current Budget gap before savings/income



Note: This graph shows the budget gap before the effect of savings or additional income being applied.

Closing this budget gap over the next five years means making tough decisions on which services to prioritise. Sufficient savings and income generation plans are included in this draft business plan in order to balance the first year’s budget, with some included in later years.

During the last few years, services have made significant savings through increasing efficiency and targeting areas that are not our highest priority with the aim of minimising the impact on our service users.

We are facing inflationary pressures that are unprecedented in recent years, and demand pressures that are increasing year-on-year, as well as an uncertain economic outlook.

Savings to be made from incremental efficiencies are likely to be minimal as we have had reducing government funding and cost pressures for over a decade. The easy savings have mostly been made, and so more difficult savings opportunities are increasingly the option available to us. We must therefore focus on reviewing any service areas where we can disinvest, drive more innovative and transformative change across the medium-term, ensure appropriate funding of services between public sector bodies, and maximise the income that can be generated locally.

We do not have a medium-term funding settlement for local councils given by central government, which is a key risk in our medium-term financial planning. We therefore cannot rely on any future increases in government funding to close our budget gap unless we have had confirmation of it or can reasonably expect it based on experience.

In working to balance the budget, we have worked in a cross-council way to identify the areas for saving or additional income. Individual services do not have a savings target, and it is the responsibility of senior leaders to identify together the best ways to balance the budget across the whole council. We prioritise the resources available to us to meet the changing and growing needs of communities, and only consider service reductions as a last resort.

Services review their budgets each year to identify any areas that have been given budget in excess of that needed to deliver the service. This is particularly the case in demand-led budgets, where estimates of growth or demand patterns will have been used and may subsequently change. In undertaking this review, services should bear in mind the corporate reserves position and the general provision for risk, and not assume an excessive amount of risk or contingency needing to be met within service budgets.

The Council also undertakes an annual budget review and rebaselining during the first quarter of each financial year to reassess the budget position in light of developments from the point at which the business plan is approved by Full Council in the preceding February. This allows the budget to be flexed to take account of material changes in circumstances such as significant increase in inflationary pressures or any new legislative requirements. This can contribute towards closing the budget gap in future years if budgets are reduced. If savings are identified and made in the current financial year but were not planned for, for example a reduction in cost on a new contract, then these will

be factored into the business plan for the next financial year. In the meantime, they can be used to mitigate other pressures or funding can be transferred to the general reserve, but they should not be reinvested into ongoing costs.

In generating additional income, we will ensure the Fees & Charges policy is reviewed annually and should assume that by default, charges should go up by inflation each year if permitted.

We will also consider whether services are funded appropriately, or whether any changes can be made. An example of a change would be capitalising expenditure currently funded by revenue. Provided this is within capital financing regulations, it can defray revenue cost over the life of the linked asset.

As well as considering further savings or generating additional income, we need to ensure our projections for income from taxation are accurate. We will work with District Council colleagues, who collect local taxation on our behalf, at several stages throughout the year to receive updated projections for tax base levels and collection rates. Strategy & Resources Committee will also consider an updated approach to the level of Council Tax.

Savings and income generation proposed, or already included in the business plan, to close the budget gap in 2023-24 and reduce the gap in future years are summarised below (and reconcile back to Finance Tables in section 3 of the Business Plan):

Table 6.2: New savings and additional income proposals

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Peoples Adults	-1,875	-362	0	0	0
Peoples C&YP	-2,010	0	-200	0	0
Place & Sustainability	-4,218	-1,923	2,384	-85	391
Finance & Resources	-1,392	270	-55	0	0
Strategy & Partnerships	-230	0	0	0	0
Total	-9,725	-2,015	2,219	-85	391

The total savings and income proposals contained in this draft business plan are shown below, adding together table 5.6 and 6.2).

New table 6.3 – all savings and income generation proposals

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Peoples Adults	-2,228	-2,208	-4,233	-2,040	-412
Peoples C&YP	-2,675	-345	-200	0	0
Place & Sustainability	-9,502	-6,242	3,103	1,038	1,460
Finance & Resources	-4,059	-813	-715	-330	-330
Strategy & Partnerships	-230	0	0	0	0
Total	-18,694	-9,608	-2,045	-1,332	718

After these changes, budget gaps remain in years 2023-24 to 2027-28, shown below.

Table 6.4: Budget gap 2023-24 to 2027-28

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Budget Gap	0	16,372	17,610	9,686	15,078

7 – Financial Overview

Funding Summary

The Council's revenue spending is funded from a range of sources, both national and local. A summary of forecast funding levels over the next five years is set out in Table 7.1 below.

Table 7.1: Total funding 2023-24 to 2027-28

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Business Rates plus Top-up	66,353	68,635	70,409	72,137	73,676
Council Tax	372,613	386,612	401,334	416,603	432,072
Revenue Support Grant	27	27	27	27	27
Other Unringfenced Grants	56,168	54,968	82,146	82,146	82,146
Dedicated Schools Grant (DSG)	248,545	248,545	248,545	248,545	248,545
Other grants to schools	10,593	10,593	10,593	10,593	10,593
Better Care Funding	34,681	34,681	34,681	34,681	34,681
Other Ringfenced Grants	51,599	51,581	23,367	23,367	23,367
Fees & Charges	169,312	176,667	181,523	183,305	182,663
Total gross budget	1,009,891	1,032,309	1,052,625	1,071,404	1,087,770
Less grants to schools ¹	-259,138	-259,138	-259,138	-259,138	-259,138
Schedule 2 DSG plus income from schools for traded services to schools ²	120,822	120,822	120,822	120,822	120,822
Total gross budget excluding schools	871,575	893,993	914,309	933,088	949,454
Less Fees, Charges & Ringfenced Grants	-376,414	-383,751	-360,393	-362,175	-361,533
Total net budget	495,161	510,242	553,916	570,913	587,921

1. The Dedicated Schools Grant (DSG) and other grants to schools are received by the Council from Government but are ringfenced to pass directly on to schools. Therefore, this plan uses the figure for "Total budget excluding schools".
2. The Council retains some DSG (schedule 2 DSG) to fund services to all schools (predominantly high needs services) as well as earning income through trading services to schools. Budget for these services is added back in here.

Expenditure Summary

The Council's projected revenue spending by department is summarised in table 7.2 below.

Table 7.2: Service net budgets 2023-24 to 2027-28

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
People Services	344,317	367,400	386,185	406,776	430,231
Place & Sustainability	71,326	69,912	74,157	75,936	79,988
Finance & Resources	18,925	7,490	-4,115	-9,535	-20,142
Strategy & Partnerships	16,270	16,298	17,992	18,080	18,106
Financing Debt Charges	38,263	44,857	44,087	44,333	43,247
Public Health	0	0	27,035	27,035	27,035
Environment Agency Levy	442	451	460	469	478
Combined Authority Levy	9,976	10,174	10,376	10,582	10,792
Net movement on reserves	-4,358	-6,340	-2,261	-2,763	-1,814
Total budget	495,161	510,242	553,916	570,913	587,921
% Change in budget	8.7%	3.1%	8.6%	3.1%	3.0%

Robustness of Estimates

The Council's s151 Officer is required to report annually on the robustness of estimates made in drafting the Council's budget and for setting its Council Tax precept. A separate formal report on robustness of estimates is provided to the Council meeting that considers the draft budget, and the table below sets out the key assumptions and context used in preparing this business plan.

	Budget Assumption	Explanation of Approach
1	Inflation	<p>5% has been assumed for staff pay inflation in 2023-24 and 3.5% across the rest of the medium-term. The Council is part of national arrangements for setting some pay scales and therefore pay awards will be influenced by any national agreements reached. Other pay scales are set locally. Each 1% increase in staff pay costs around £1.4m. As a proxy, we have tried to use estimates of CPI in 2023-24 to set that year's staffing inflation.</p> <p>Chapter 5 above sets out the approach to service inflation projections. Bespoke inflation indices are calculated for key services and reviewed annually. The relationship between general inflation and cost rises for our services is not linear, as set out in chapter 6 above.</p>

	Budget Assumption	Explanation of Approach
2	Interest rates	Interest rate projections for our borrowing are based on discussions with the Council's external treasury management advisor. Most borrowing is at a fixed rate, and interest rate fluctuations only affect new borrowing or refinancing. We are anticipating, and budgeting for, interest rates on new borrowing to increase, and we expect to use more short-term borrowing for the next few years to minimise ongoing exposure to these rates.
3	Demand & demographic change	Pressures arising from increased demand for our main services are modelled annually and are based on demographic projections, trend analysis and review of activity data. The main areas of demand pressures are in social care (mainly Adults but also Children's), home to school transport and increasing waste tonnage.
4	Legislative changes	<p>We estimate the cost of legislative changes on a case-by-case basis, depending on the certainty and materiality of them. For example, we know that the increasing minimum wage is an annual change made by the government and we take steps to estimate its trajectory, using the Low Pay Commission's estimates as a basis.</p> <p>Where there are discreet changes to legislation proposed by government that will present new costs to the Council, we generally assume these will be funded in part through the new burdens principle.</p>
5	Policy decisions	Policy decisions by the Council can increase costs in our budget, either through new services or increasing spend on existing services. Officers work with senior councillors through the year to advise on and quantify policy decisions. Proposals are scrutinised for affordability and value for money.

	Budget Assumption	Explanation of Approach
6	Savings	<p>Savings development follows a rigorous process of business case development and scrutiny, through both individual services and at a corporate level. The Finance Service is involved in quantification, and amounts should not end up being budgeted for as savings unless there is a plan for delivery at that point in time and confidence in it. Recognising that some savings are later not fully deliverable in practice, there is an officer board that routinely looks for further savings in-year that can be brought forward to mitigate.</p> <p>We aim to provide savings lines to close later years in the medium-term as well as the first year. We also review actual spend in services against budgets and have a process for re-baselining services that are deemed to not need the full budget allocation.</p>
7	Additional income	<p>Inflationary increases in fees and charges for our services should be applied as a matter of course each year where this is allowed.</p>
8	Funding changes	<p>The Local Government Finance Settlement provided only one-year allocations of funding covering 2023-24. There is uncertainty about the allocation of funding beyond that year, as well as the review of the business rates system. These both mean that there is funding uncertainty facing the Council in 2024-25 and beyond.</p> <p>There are several grants that have not yet had allocations confirmed for 2023-24 and where this is the case we generally do not provide for them in the budget.</p> <p>We are particularly concerned about the cost of adult social care reform from 2025. We do expect government to fund this (funding has been earmarked for the reforms to be implemented in 2023) but are concerned that there is now no national allocation identified and a risk that any funding will be insufficient.</p>
9	Financial risks inherent in any significant new contracts, capital schemes or partnerships	<p>Financial risks are included in our assessment of the prudent level of the general reserve in this strategy, along with some earmarked reserves to mitigate risks held in some of the more volatile services. Consequently, we intend not to budget for financial risks at a service level. We closely monitor revenue and capital spend to determine whether risks are materialising.</p>

	Budget Assumption	Explanation of Approach
10	Availability of funds to deal with major events	The Council's general reserve has been assessed as part of this strategy and increased above its level in the previous MTFS. All reserves are reviewed annually. The council also has recourse to the national Bellwin Scheme in the event of disasters and emergencies.
11	Capacity to manage budget pressures	The Council's general reserves provides some cushion against unforeseen budget pressures in the short-term, providing enough time to establish plans to address pressures in a sustainable way. Our reserves level generally benchmarks quite low against our statistical neighbours, but we increased the baseline level in last year's MTFS. We also retain earmarked reserves that could be redirected to bolster the general reserve if needed. In recent years, the Council has delivered a close to balanced position at year end, or an underspend, showing some capacity to deal with pressures as they arise in year.
12	Strength of financial reporting arrangements	<p>The Council has a well-established process for monthly financial reporting, feeding from regular reviews by individual budget managers. This results in monthly Finance Monitoring Reports that contain budgets, actual spend and forecasts that are published at committee meetings. Training on budget managers on financial processes takes place, and the central Finance Service prioritises support to the most complex, risky or volatile budget areas.</p> <p>The Council's accounts are reviewed annually by our external auditors and reported on.</p>

8– Capital

The full capital strategy forms section 6 of this business plan, but key elements of the capital programme are summarised below.

The 2023-24 ten-year capital programme worth £715.9m is budgeted to be funded through £517.1m of external grants and contributions, £75.5m of capital receipts and £123.2m of borrowing (Table 8.1). This is in addition to previous spend of £552.6m on some of these schemes creating a total Capital Programme value of £1.3 billion. The related revenue impact of prudential borrowing is due to increase from £38.3m in 2023-24, to £43.2m by 2027-28. This includes some offset by the forecast income from the various Invest to Earn schemes.

Table 8.1: Funding the capital programme 2023-24 to 2032-33

	Previous years £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	Later years £000	Total £000
Grants	170,751	62,036	47,767	34,806	31,290	30,154	44,954	421,758
Contributions	89,207	76,482	27,350	21,541	37,124	38,848	64,760	355,312
General capital receipts	15,130	2,343	26,187	25,000	3,000	3,000	16,000	90,660
Prudential borrowing	161,998	117,781	47,598	42,293	22,507	6,303	1,892	400,372
Prudential borrowing (repayable)	115,469	-1,016	122	-392	-27,879	-36,846	-49,126	332
Total funding	552,555	257,626	149,024	123,248	66,042	41,459	78,480	1,268,434

Section 3 later in the Business Plan sets out the detail of the 2023-24 to 2032-33 capital schemes which are summarised in the tables below.

Table 8.2 summarises schemes according to start date, whereas Table 8.3 summarises capital expenditure by service. These tables include schemes that were committed in previous years but are scheduled to complete from 2023-24 onwards. Total expenditure for 2023-24 onwards on major new investments underway or planned includes:

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

Table 8.2: Capital programme for 2023-24 to 2032-33

	Previous Years £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	Later Years £000	Total £000
Ongoing	5,421	-7,359	7,661	9,860	18,690	21,950	42,344	98,567
Commitments	547,124	256,081	124,933	66,817	21,067	7,818	32,136	1,055,976
New starts:								
2023-24	10	8,904	13,049	25,434	7,550	4,177	4,000	63,124
2024-25	0	0	3,381	21,037	17,385	6,564	0	48,367
2025-26	0	0	0	100	1,350	950	0	2,400
2026-27	0	0	0	0	0	0	0	0
2027-28	0	0	0	0	0	0	0	0
Total spend	552,555	257,626	149,024	123,248	66,042	41,459	78,480	1,268,434

Table 8.3: Services' capital programme for 2023-24 to 2032-33

Scheme	Previous Years £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	Later Years £000	Total £000
People Services	59,875	170,089	87,447	80,590	42,926	18,405	45,760	505,092
Place & Sustainability	320,231	76,276	57,788	41,392	22,316	22,254	18,800	559,057
Finance & Resources	159,171	7,716	2,436	1,260	800	800	13,920	186,103
Strategy & Partnerships	13,278	3,545	1,353	6	0	0	0	18,182
Total	552,555	257,626	149,024	123,248	66,042	41,459	78,480	1,268,434

Flexible Use of Capital Receipts Policy

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. The flexibility was extended to the end of 2024-25.

This flexibility applies as long as the Council complies with the following:

- The expenditure is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years; and
- The expenditure is properly incurred for the financial years that begin on 1 April 2016 to 1 April 2023 (anticipated to be extended to 1 April 2024), and can only be met from capital receipts which have been received in the years to which this direction applies.

It is important to note that avoiding/reducing costs and demand in later years is an increasingly large part of our transformation plan in respect of capital receipts funded costs.

We will use this direction to fund those members of staff, primarily in the Business Improvement Directorate, who are working on designing and delivering service change. This will be used up to £1.656m per year from 2022-23 to 2024-25. The Council funded £2.9m of expenditure in 2017-18 using this

direction, £3.9m in 2018-19, £2.7m in 2019-20, £1.5m in 2020-21, £1.3m in 2021-22 and is forecasting to spend £1.7m in 2022-23.

We expect this funding to be applied in 2023/24 to the following work:

Table 8.4: Change work funded in total to date by capital receipts, along with savings to date, and budgeted use of capital receipts and associated savings in 2022/23

Scheme	Total Actual Cost £000	Total Budgeted Saving £000	Total Actual Saving £000	2023-24 Budgeted Cost £000	2023-24 Budgeted Saving £000
Adult Social Care Transformation	3,350	-22,798	-16,423	288	-525
Learning Disability Transformation	112	-930	-843	292	-203
Commissioning	449	-7,136	-6,745	120	-1,111
Children's transformation	1,512	-3,978	-3,612	100	0
Children's Centres & Children's Health Services Transformation	207	-1,022	-1,022	0	0
Learning Transformation	1,054	-819	-719	0	0
Communities	140	-310	-310	0	0
Public Health Transformation	0	-189	-189	0	0
Transport Transformation	404	-2,889	-2,881	150	-570
Assets / Facilities work stream / Property projects	1,689	-2,115	-1,765	0	-120
Automation	339	-397	-191	0	0
Organisational Structure Review	1,192	-1,893	-2,312	0	0
Commercialisation	2,367	-7,851	-3,648	75	-134
Waste Transformation	13	-1,085	-310	96	0
Libraries Transformation	222	-230	-230	0	0
Shared Services	445	-1,615	-537	0	0
IT Strategy	113	0	0	0	0
Contract management	250	-310	-628	110	0
Streetlighting transformation – saving in later years				175	0
Other, including savings in later years	635	0	-47	250	0
	14,493	-55,567	-42,412	1,656	-2,663

As a result of using capital receipts in this way rather than applying all capital receipts to the capital programme, prudential borrowing undertaken by the Council for the years 2017-18 to 2024-25 is budgeted to be between £1.5m and £3.9m higher in each respective year. This affects the Council's Prudential Indicators as follows:

Table 8.5: Effect of using Capital Receipts on Prudential Indicators

Prudential Indicator	2017- 18 £m	2018- 19 £m	2019- 20 £m	2020- 21 £m	2021- 22 £m	2022- 23 £m	2023- 24 £m	2024- 25 £m
Capital Financing Requirement	+2.9	+6.9	+9.6	+11.1	+12.5	+14.2	+15.8	+17.5
Operational Boundary (Total Borrowing)	899	985	1,058	1,063	1,044	1,060	1,140	1,160
Authorised Limit (Total Borrowing)	929	1,015	1,088	1,093	1,074	1,090	1,170	1,190

9 - Reserves Policy & Position

We need reserves to protect and enhance our medium-term financial sustainability. In particular, reserves are necessary to:

- maintain a degree of in-year financial flexibility
- enable us to deal with unforeseen circumstances and incidents
- set aside monies to fund major developments in future years
- enable us to invest to transform and improve service effectiveness and efficiency
- set aside sums for known and predicted liabilities
- enable us to deal with any unexpected changes in legislation or court judgements
- provide operational contingency at service and school level

We must also bear in mind the risks and sensitivity of assumptions outlined in chapter 10 below.

Creation and use of reserves is governed by our financial regulations, with additions or draw-downs above £175k requiring approval by Strategy & Resources Committee.

Reserve types

The Council maintained the following types of reserve coming in to 2021/22:

- General reserve – a working balance to cushion the impact of uneven cash flows. The reserve also acts as a contingency that we can use in-year if there are unexpected emergencies, unforeseen spending or uncertain developments and pressures where the exact timing and value is not yet known and/or in the Council's control. The reserve also provides coverage for grant and income risk.
- Earmarked reserves – reserves we have set aside to meet known or predicted liabilities (such as insurance claims or ongoing litigation), or that we set aside for specific and designated purposes (such as a reserve for risks within adult social care, or one off investments into services). These can also include grant reserves, sinking funds or income smoothing reserves.

- School reserves – we encourage schools to hold general contingency reserves within advisory limits. The Council, in collaboration with Schools Forum, monitors schools above the advisory limits, and takes steps to encourage appropriate deployment. However, the Council's powers to intervene and insist on spending within delegated and ring-fenced schools budget is limited by legislation. It is also notable that after taking account of the carried forward deficit on the High Needs Block of the Dedicated Schools Grant, the consolidated schools balance is now negative. The Council is taking steps to manage demand on the high needs block and has engaged with government in the safety valve process.
- COVID-19 related – the Council received additional one-off funding from government related to the pandemic in advance of spending requirements. We earmarked some of that funding to offset the medium- and longer-term effects of the pandemic and recovery.
- Just Transition Fund – a fund created to enable investments to be made into providing a fair and green transition to a low-carbon and more equal society. This allows for one-off investments that have a high return in line with the aims of the fund.
- Post-pandemic Recovery & Budgeting Account – a reserve created in 2022/23 to provide mitigation against unexpected pressures resulting from exiting the pandemic (and recovering services), and changes in economic conditions. This is not committed to spend and will be reviewed in light of the bulge in inflationary pressures faced in the early years of this medium-term plan.
- Business Change Reserve – a reserve created in 2022-23 to provide one off resource to enable organisational change and invest to save proposals.

In considering planning for 2023-28, we are mindful of the additional uncertainty that we face, particularly from:

- The international economic situation, particularly high inflation and the extent to which cost projections are volatile.
- The long-term effects of COVID-19, and the costs we might face as we recover from the pandemic, bearing in mind the earmarked reserve for COVID-19 costs that we have
- The growing deficit on the High Needs Block of the Dedicated Schools Grant, which is projected to be around £51.1m at the start of 2023/24

- Projections for rising interest rates
- Announced government reforms, particularly in adult social care funding, where we do not yet have full details and where any government funding is uncertain
- The ongoing effects of the United Kingdom's exit from the European Union
- Potential for further unpredictable disruptions to global supply chains, increasing prices or causing shortages of goods
- Climate change and the need to move towards being a net-zero county

We also need to consider the general economic conditions, the certainty of these conditions, and the probability and financial impact of service and business risks specific to the Council in order to calculate the level of reserves we need to hold.

At the same time, we do need to ensure there are sufficient reserves to enable the funding of one-off costs that enable innovative or transformative pieces of work to take place, particularly where they contribute towards the longer-term financial sustainability of the Council.

We therefore conduct an annual review in this business plan of the levels of our reserves.

Adequacy of the general reserve

In 2022-23, the Council set the general reserve at 4% of gross non-school expenditure. This was an increase on the previous policy, due to the context of increased uncertainty resulting from the COVID-19 pandemic and worsening economic conditions.

We have reviewed the level of this reserve in the context of the potentially significant risks set out above, and that we benchmark relatively low in terms of reserves against similar authorities. As we retain several other more specific reserves, and typically there are minimal calls on the general reserve, we believe that the current level is sufficient and that it does not need to be increased. The general reserve will therefore be set at 4% of the gross budget for 2023/24 as estimated in December 2022.

If any of the general reserve is required to be used in a given year to meet a revenue pressure, it will be topped-up as a matter of course in the subsequent business planning round.

If the general reserve is above its targeted level at the end of a financial year, we will consider it as part of the next business planning round.

The table below sets out some of the known risks presenting themselves to the Council and their indicative values. There will inevitably be other, unidentified, risks and we have made a limited provision for these as well.

We consider this level to be sufficient based on the following factors:

- The Council continues to hold rolled-forward COVID-19 grant funding, which can be used in a sustainable way to offset COVID-19-related pressures
- We retain other reserves that, while earmarked, are not necessarily committed to expenditure
- We are in discussions with central government to address our accumulated high needs block deficit.

Table 9.1: Target general reserve balance for 2023-24

Risk	Source of risk	Value £m
Inflation	2% variation on Council inflation forecasts.	5.9
Demand	4% variation on Council demand forecasts.	7.8
Interest rate change	1% variation in the Bank of England Base Rate.	0.9
Council Tax	Inaccuracy in District tax base forecasts and collection levels.	2.0
Business Rates	Inaccuracy in District tax base forecasts of County share of Business Rates to the value which triggers the Safety Net.	1.3
Business Rates payable	Impact of revaluation on Business Rates payable.	0.7
Unconfirmed specific grant allocations	Value of (as yet unannounced) specific grants different to budgeted figures.	1.5
Deliverability of savings against forecast timescales	Risk to contract savings due to financial challenges faced by suppliers, increase in service user need due to the pandemic, shortfall in commercial income due to economic downturn	5.0
Non-compliance with regulatory standards	Eg Information Commissioner fines.	0.6
Major contract risk	Eg contractor viability, misspecification, non-delivery.	3.2
Target general reserve balance		28.9

High Needs Block Deficit

The deficit on the High Needs Block is estimated to be around £51.1m at the start of 2023-24. This is partly offset by balances held by maintained schools but is still in overall deficit. This deficit is currently ring-fenced to the DSG, and we are not currently required to use general reserves to offset it. Many Councils now have deficits on the High Needs Block, so it is a national issue.

The statutory instrument on treatment of this deficit expires at the end of 2022-23, but government has announced its intention to extend this by two further years. We are working to reduce the growth in the deficit year-on-year through a programme of transformation working alongside the Department for Education as part of the 'safety valve' process.

We earmarked a reserve in 2022-23 to partially offset deficit, providing some funding to offset the risk this deficit, and we expect to be required to use at this much of Council resources as part of any deal agreed with central government. This reserve is retained at the existing level as an earmarked reserve in this plan.

There is a risk that government requires councils to meet their High Needs Block deficits. Although that is considered a worst-case outcome, if that were to happen, it could potentially overwhelm our general reserve provision causing significant medium-term disruption to our financial planning. It is more likely that government will require councils to meet part of their accumulated deficit. Depending on the scale of this requirement, we may need to consider other reserves to use as well as the earmarked offset reserve.

Other reserve movements

There are several other movements in earmarked reserve balances that form part of this plan:

- Legacy transformation fund: this reserve was closed in 2022-23 and mostly reallocated to form the new Just Transition Fund, other than a residual balance for any committed activity due to receive funding from this reserve. We now estimate there to be around £1.5m of funding needed from this reserve in 2023-24 for projects, and will re-allocate the residual balance above this.
- Winter reserve: we propose to create a £600k reserve to mitigate against risks of difficult winters on Council services, particularly in the highways and gritting departments.
- Highways investment: we propose to earmark £1.5m over several years for an investment in Highways, specifically rural road drainage works and a cohort of apprentice highways engineers.
- Free School Meals: we will earmark funding to continue the current level of support to eligible families for free school meals during school holidays in 2023-24.
- We will hold funding in the specific risks reserve to provide for the costs expected from guided busway litigation, the short-term costs of waste management plant closure while odour management works take place, and business rates liabilities for council properties awaiting disposal.

Table 9.2: Estimated revenue reserves balances over 2023-28

	1 April 2023	1 April 2024	1 April 2025	1 April 2026	1 April 2027	31 March 2028
General reserves ¹	29	30	31	31	32	32
Earmarked reserves ²	82	60	49	45	43	43
Covid Grant reserve ³	13	9	5	3	3	0
School reserves ⁴	-36	-41	-44	-45	-45	-45
Just Transition Fund	10	8	5	2	1	-0
Total	99	65	46	37	34	30

1. Throughout all these years, the general reserve balance is set at 4% of the Council's gross non-schools budget
2. Includes reserves for balances held by individual services for specific matters, such as litigation risk, insurance claims, service risk offset, temporary investments, or sinking funds.
3. Un-ringfenced government grant funding given during early stages of the pandemic, to be applied to relevant spend over the MTFS period.
4. This comprises individual maintained school balances held as part of their delegated budgets (which are not available to the Council centrally) set against the accumulated high needs block deficit. Under current regulations this leads to a negative balance overall. Reducing this accumulated negative balance forms part of discussions with the Department for Education, and within Earmarked Reserves is a balance to offset part of this risk.

10 - Risks & Sensitivity

In providing budget estimates, we have carefully considered financial and operational risks. The key areas of risk, and the basic response to these risks, are as follows:

- Containing inflation to funded levels – we will achieve this by closely managing budgets and contracts and further improving our control of the supply chain. We will also ensure our inflation projections are robust.
- Managing service demand to funded levels – we will achieve this through clearer modelling of service demand patterns using numerous datasets that are available to our internal Research Team and supplemented with service knowledge. A number of the proposals in the Business Plan are predicated on averting or suppressing the demand for services.
- Delivering savings to planned levels – we will achieve this action plans and detailed reviews. All savings – efficiencies or service reductions – ought to be recurrent. We have built savings requirements into the base budget, and we monitor these monthly as part of budgetary control.
- Containing the revenue consequences of capital schemes to planned levels – capital investments sometimes have revenue implications, either operational or capital financing costs. We will manage these by ensuring capital projects do not start without a tested and approved business case, incorporating the cost of the whole life cycle.
- Future funding changes – our plans have been developed in the context of continued uncertainty due to delays in the introduction of significant reforms to local government funding and other government reforms with potentially significant implications.
- Managing future carbon liabilities – the Council has committed to deliver net-zero carbon emissions by 2050 as part of its pledge to tackle the climate emergency. There is a risk that additional financial resources may be required to achieve this aim which have not been fully accounted for within the MTFS. The funding allocated to deliver the Climate Change and Environment Strategy will be reviewed annually in light of progress towards achieving the Council's net-zero carbon commitment.

- Responding to social care reforms – we will estimate the cost of these reforms and make budget provision for them when we are able to. We will work closely with NHS partners to ensure that additional funding provided to the health and social care system locally is appropriately used to meet the cost of government reforms.

In addition to these risks, there remains a general risk around recovery from the pandemic and the speed of economic recovery, as well as the prospects for the economy over the medium term. This may increase costs the Council faces, increase demand for our services, and reduce income (through lower charging income or taxation relief).

There is also a risk of sensitivity in all of the assumptions made throughout this strategy. The level of sensitivity of key assumptions is shown in the following table:

Table 10.1 – Sensitivity analysis

Variable	Estimated impact
10% savings delivery variance	+/- £1.9m
+/- 1% pay inflation	+/- £1.4m
+/- 3% general inflation	+/- £9.0m
+/- 1% Council Tax base	+/- £3.4m
+/- 1% Council Tax collection rate	+/- £3.2m
+/- 1% Business Rates base	+/- £0.7m
+/- 1% income from sales, fees & charges	+/- £1.3m
+/- 5% on cost of borrowing	+/- £1.0m
Range of sensitivity	+/- £21.2m

Uncertainties remain throughout the planning period in relation to the above risks. In line with good practice, we intend to maintain reserves that we can use throughout and beyond the planning period. This is set out in section 9 above. Together with a better understanding of risk and the emerging costs of future development proposals, this will help us to meet such pressures.

11 - Business Plan roles and responsibilities

The Business Plan is developed through the Council's committee structure. It is therefore beneficial to clarify the respective roles and responsibilities of committees within this process. These are defined in the Constitution but are set out below in order.

Full Council

Council is the only body that can agree the Council's budget and the associated Council Tax to support the delivery of that budget. It discharges this responsibility by agreeing the Business Plan in February each year. In agreeing the Business Plan the Council formally agrees the budget allocations for the service blocks (currently based on a departmental structure). The Business Plan includes both revenue and capital proposals and needs to be a 'balanced' budget. The following is set out within Part 3 of the Constitution – Responsibility for Functions.

Council is responsible for:

- “(b) Approving or adopting the Policy Framework and the Budget
- (c) Subject to the urgency procedure contained in the Access to Information Procedure Rules in Part 4 of this Constitution, making decisions about any matter in the discharge of a committee function which is covered by the Policy Framework or the Budget where the decision-making body is minded to make it in a manner which would be contrary to the Policy Framework or contrary to, or not wholly in accordance with, the Budget
- (d) Approving changes to any plan or strategy which form part of the Council's Policy Framework, unless:
 - i. that change is required by the Secretary of State or any Government Minister where the plan or strategy has been submitted to him for approval, or
 - ii. Full Council specifically delegated authority in relation to these functions when it approved or adopted the plan or strategy”

Strategy & Resources (S&R) Committee

S&R has the responsibility for the delivery of the Business Plan as agreed by Council. It discharges this responsibility through the service committees. In order to ensure that the budget proposals that are agreed by service committees have an opportunity to be considered in detail outside of the Council Chamber, those proposals will be co-ordinated through S&R, though Full Council remains responsible for setting a budget. S&R does not have the delegated authority to agree any changes to the budget allocations agreed by Council save for any virement delegations that are set out in the Constitution.

The following is set out within Part 3 of the Constitution – Responsibility for Functions.

“The Strategy and Resources Committee is authorised by Full Council to co-ordinate the development to Full Council of the Strategic, Policy and Budget Framework, as described in Article 4 of the Constitution, including in-year adjustments.”

“Authority to lead the development of the Council’s draft Business Plan (budget), to consider responses to consultation on it, and inform the draft Business Plan to be submitted for approval by Full Council.”

“Authority for monitoring and reviewing the overall performance of the Council against its Business Plan.”

“Authority for monitoring and ensuring that Policy and Service Committees operate within the policy direction of the County Council and making any appropriate recommendations.”

S&R is also a service committee in its own right and, therefore, also has to act as a service committee in considering proposals on how it is to utilise the budget allocation given to it for the delivery of services within its responsibility.

Service Committees

Service committees have the responsibility for the operational delivery of the Business Plan as agreed by Council within the financial resources allocated for that purpose by Council. The specific functions covered by the committee are set out in the Constitution but the generic responsibility that falls to all is set out below:

“This committee has delegated authority to exercise all the Council’s functions, save those reserved to Full Council, relating to the delivery, by or on behalf of, the County Council, of services relating to...”

12 – Fees & Charges Policy

Fees and charges are a very important source of income to the council, enabling important services to be sustained and provided. As the overall cost of service provision reduces, the proportion of costs that are recovered through fees and charges is likely to grow. In order to sustain the delivery of some services in the future this revenue is essential.

This policy will be revised following a corporate review of fees and charges across the Council. The policy and Best Practice Guidance set out the approach to be taken to fees and charges where the Council has discretion over the amounts charged for services provided and for trading activities.

The purpose of this policy is to provide a consistent approach in setting, monitoring and reviewing fees and charges across the authority. This will ensure that fees and charges support Council objectives and are set at a level that maximises income generation in accordance with the Commercial Strategy. The policy currently incorporates the following Charging Principles:

1. Council Priorities

A Schedule of Fees and Charges shall be maintained for all charges where the Council has discretion over the amounts charged for services provided and for income generating activities. All decisions on charges for services and income generating activities will be taken with reference to and in support of Council priorities and recorded as delegated decisions, as appropriate.

2. Charge Setting

In setting charges, any relevant government guidance will be followed. Stakeholder engagement and comparative data will be used where appropriate to ensure that charges do not adversely affect the take up of services or restrict access to services. Full consideration will be given and documented to the full costs of delivery and the opportunities for improving efficiency and reducing bureaucracy.

3. Subsidy

In general, fees and charges will aim to recover the full cost of services except where this is prevented by legislation, market conditions or where alternative arrangements have been expressly approved by the relevant Director. A proportionate business case should be created for all charges that a subsidised

by the Council. Approval for the level of subsidy should be obtained from the relevant Service Director, in consultation with the Chief Finance Officer.

4. Charging Levels

A number of factors should be considered when determining the charge and these are documented in the accompanying Best Practice Guidance.

5. Charging Exemptions

All services provided by the Council will be charged for unless prevented by statute, detailed as exempt in the Best Practice Guidance or under exceptional circumstances agreed exempt by the relevant Director, in consultation with the Chief Finance Officer.

6. Concessions

Concessions to priority and target groups will be considered where appropriate, in accordance with any relevant government guidance and will take account of the user's ability to pay. All concessions should be fully justified in terms of achieving the Council's priorities. Wherever possible we will aim to provide concessions consistently across the Authority, in line with the Best Practice Guidance.

7. Review of Charges

All charges and the scope for charging will be reviewed at least annually within the service area, though charges within the same service area may need reviewing at separate times in the year. The review will include those services which could be charged for but which are currently provided free of charge. The annual review will be undertaken in accordance with the Best Practice Guidance.

The Council receives revenue income for the provision of services from a very diverse range of users. These range from large corporate organisations to individual residents. Some charges are set at the total discretion of the Council whereas other charges are set within a strict national framework.

Overall, however, fees and charges income is both an invaluable contribution to the running costs of individual services and a tool for assisting the delivery of specific service objectives. Either way, it is important for the level of charges to be reviewed on an annual basis. This will not necessarily result in an increase but to not do so should be as result of a conscious decision rather

than as an oversight. Detailed schedules of fees and charges have been reviewed by relevant services during 2022-23:

- People Services schedule of fees and charges
- Place & Sustainability schedule of fees and charges
- Strategy & Partnerships schedule of fees and charges

For business planning purposes the standard assumption is that all fees and charges will be increased in line with RPIX (a national inflation index that removes mortgage costs) which is around 5% for 2023-24 and 3% for remaining years covered by the Business Plan however some prices are subject to other indexation or must reflect changes to the underlying cost base that may be above or below this average inflation. If a decision is taken to not increase some fees and charges the budget shortfall that this creates will need to be bridged through other operational and cost savings. Conversely, if charges are increased above inflation this can contribute to departmental savings targets.

When considering increases services must take into account elasticities of demand. Whilst the majority of Council services are unaffected by market factors there will be some price sensitivities in all of the services that are provided, albeit many of these may only be short term.