

2024-29 Financial Sustainability Assessment

To: Strategy, Resources and Performance Committee

Meeting Date: 30 January 2024

From: Executive Director of Finance and Resources (Section 151 Officer)

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Executive Summary: This report provides Committee with the Section 151 Officer's assessment of Cambridgeshire County Council's financial standing in line with the statutory duty of that role under Section 25 of the Local Government Act 2003. Overall, this concludes that:

- the reserve levels are considered to be adequate for 2024/25 (subject to the final 2023/24 outturn position).
- compared to other county councils, Cambridgeshire remains in the middle of the resilience range.
- reserves will need to be further strengthened over the medium term to cover the Council's risks, such as the High Needs deficit as well as underpinning commercial ventures and disputes.
- the level of reserves will require continuous monitoring considering the ongoing risks from the wider economic circumstances.
- the Council cannot be complacent and must continue to maintain financial rigour, particularly with regard to accumulated borrowing and associated financing costs, which have in recent years benefitted from internal borrowing to a large degree.

Recommendation: The Committee is recommended to scrutinise the Section 151 Officer's assessment and note the conclusions in consideration of the proposed Budget for 2024/25 to Full Council, and the proposed level of reserves set out at Appendix 1.

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1. Creating a greener, fairer and more caring Cambridgeshire

1.1 This report assesses and ensures the financial sustainability of the Council in order for it to deliver its vision and seven ambitions as set out in the [strategic framework for 2023-28](#).

2. Background

2.1 Section 25 of the Local Government Act 2003 requires the Section 151 officer (for Cambridgeshire this is the Executive Director of Finance and Resources) to formally give an opinion as to the robustness of the budget estimates and the level of reserves held by the Council. The Act also requires that the Council must give consideration to this report when making decisions about the budget.

2.2 It is essential that the budget includes an assessment of the potential financial risks facing the Council and that the Council has adequate reserves should those risks materialise.

2.3 The Council holds two types of reserves:

- a general reserve for unforeseen and unplanned circumstances or events, such as flooding
- a range of earmarked reserves within which there are a number of classes:
 - Strategic Framework priorities - to deliver the Council's ambitions.
 - Risk eventualities - funds set aside to cover foreseen or likely events and risks.
 - Ringfenced grants and contributions – monies from Government and third parties for specific purposes such as Public Health, Dedicated Schools Grant and s106 contributions.
 - Capital items - reserves to enable the delivery of the capital programme.
 - Sinking funds – to cover future liabilities, such as Private Finance Initiative (PFI) equalisations.

2.4 The proposed 2024-29 medium term financial plan includes both draws on and contributions to reserves and are summarised in Appendix 1. This is a revised way of reporting reserves and there is an audit trail from the previous reporting format to this at Appendix 2

2.5 A further category of 'unusable reserves' is included in the detail appended to this report. That accounts for £0.264 million and relates to the Pupil Referral Unit (PRU) school balances and will be fully utilised by 2027/28 and is thus not available for other purposes.

2.6 In carrying out the assessment of these reserves there has been consideration of:

- The Council's Constitution and Financial Regulations, including contract procedure rules, to govern and control the financial position of the Council.
- The Council's current financial procedures and standards to control finances, alongside Internal and External Audit findings.
- The Council's Annual Governance Statement (AGS).
- Codes of practice, including International Financial Reporting Standards (IFRSs).
- The known risks and likelihood of need for reserves to enable those risks to be managed to protect the financial standing of the Council.
- The 2023/24 Financial Outturn

- The budget proposals being considered by the Committee which will likely be proposed to Council in February 2024.
- The current and forecast position of reserves, including comparison to other peer authorities.
- The known risks facing the Council in running its day-to-day operations, including:
 - Demand and inflation, including the Dedicated Schools Grant (DSG)
 - Failure to deliver approved savings or manage income
 - Delivery of the Capital Programme
 - Capital, Treasury Management and changing economic environment
 - Commercial Ventures, contractual risks and disputes
 - The medium-term financial plan, including funding uncertainties
 - Ringfenced conditions
- Preparedness for unknown risks, in particular environmental events.
- The overall financial standing and sustainability assessment.

3. Main Issues

- 3.1 The following sections set out the assumptions and considerations to enable conclusions to be made about the level of reserves and use going forward to support the medium-term financial plan and ensure the financial standing of the Council remains robust.

The 2023/24 Outturn

- 3.2 As noted elsewhere on the same agenda as this paper the latest forecast for 2023/24 is an overspend of £5.6 million. The Corporate Leadership Team (CLT) is undertaking actions to recover this position to balance at year end. At this stage £5.5 million has been assumed will need to be funded from the General Fund reflecting the November 2023 forecast position, see more detailed analysis of the General Fund risk coverage at Appendix 3.
- 3.3 The impact of this would be to reduce the General Fund to £25.1 million on 31 March 2024. Going forward the risk of overspends for whatever reason is covered in specific Finance Risk reserves discussed later in this report. Note there is a planned £0.8 million contribution within the budget proposals for 2024/25 which increases the opening 2024/25 balance as at 1 April 2024 to £25.9 million.
- 3.4 A longer term assessment of the General Fund reserves at Appendix 3 identifies that this potential draw down will have an impact on the later years resilience of the Council to deal with unforeseen events and as such it is preferable to manage the overspend in 2023/24 by the year end to relieve this pressure in future years. If this is not done the General Fund reserves will need to be added to in future years. If overspend can be avoid in full or part this will relieve that later year need.
- 3.5 Going forward future delivery of in year budgets will be essential given the level of reserves. As such continued improvements in monitoring and managing budgets is important.

The current and forecast position of reserves, including comparison to other peer authorities.

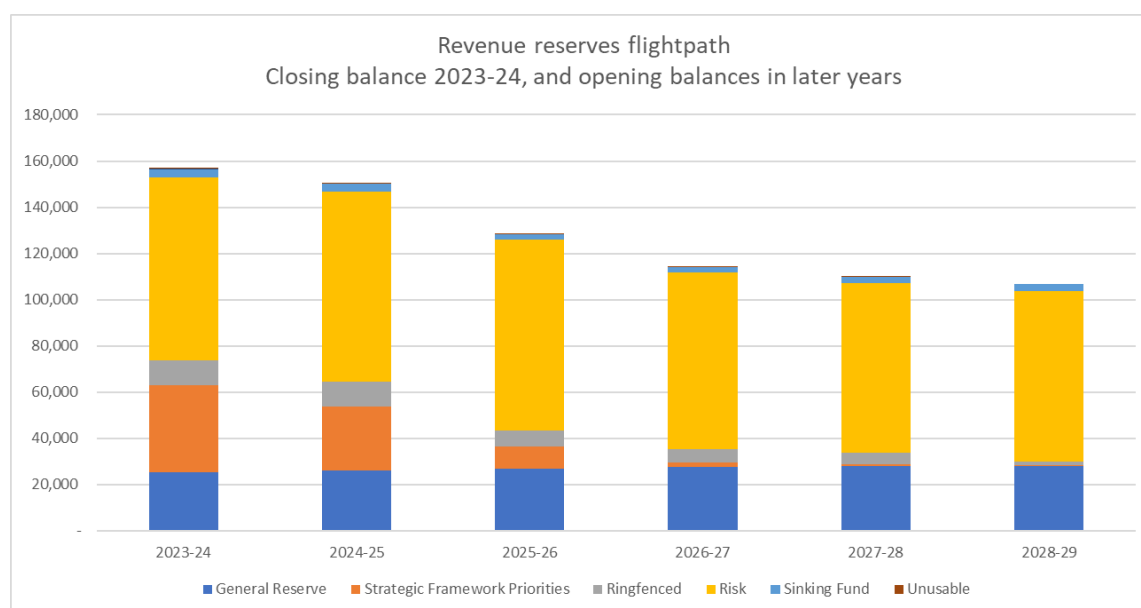
- 3.6 The forecast opening position as at 1 April 2024 for all reserves, excluding the DSG deficit discussed later in this report, is expected to be around £150.462 million across all classifications as follows:

Table 1: Forecast Reserves at 1 April 2024 (Detailed analysis at Appendix 1)

| Fund Description | Balance at 30 Sept 2023 £000s | Forecast Opening balance 1 April 2024 £000 | Change £000 | Change % |
|--------------------------------|----------------------------------|-----------------------------------------------|----------------|------------|
| General Reserve | 30,661 | 25,999 | -4,662 | -15% |
| Strategic Framework Priorities | 40,738 | 27,862 | -12,876 | -32% |
| Ringfenced | 20,441 | 10,827 | -9,614 | -47% |
| Risk | 66,077 | 82,068 | 15,991 | 24% |
| Sinking Fund | 3,964 | 3,443 | -522 | -13% |
| Trading | 46.72 | 0 | -47 | -100% |
| Unallocated | 500 | - | -500 | -100% |
| Unusable | 309 | 264 | -45 | -15% |
| | 162,736 | 150,462 | -12,274 | -8% |

3.7 This shows a significant fall in reserves due to the continued use in particular of specific ringfenced grants, which increased during the pandemic, as well as the increased spending since the pandemic ended on schemes suspended during that time. This trend is expected to continue as shown by Chart 1 below:

Chart 1: Forecast level of reserves 2023-29



3.8 The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced its annual Financial Resilience Index, noting that this uses data from 2022/23. This identifies that Cambridgeshire’s level of reserves continues to be in the middle of the pack, although the risks are associated with the level of borrowing discussed later on in this report.

Table 2: CIPFA Financial Resilience Index analysis of Cambridgeshire reserves compared to peers

| Indicators of Financial Stress | | Indicator | Min | Indicator Value | Max |
|--------------------------------------------------|--|---------------------------------------------------|-----------|-----------------|-------------|
| ← Higher Risk | | | | | |
| Lower Risk → | | | | | |
| Reserves Sustainability Measure | | Reserves Sustainability Measure | 23.06 | 100.00 | 100.00 |
| Level of Reserves | | Level of Reserves | 28.91% | 43.33% | 75.72% |
| Change In Reserves | | Change In Reserves | -11.51% | 91.17% | 143.96% |
| Interest Payable/ Net Revenue Expenditure | | Interest Payable/ Net Revenue Expenditure | 1.50% | 3.94% | 4.59% |
| Gross External Debt | | Gross External Debt | £263,069k | £839,559k | £1,024,870k |
| Social care ratio | | Social care ratio | 72.03% | 74.59% | 85.52% |
| Fees & Charges to Service Expenditure Ratio | | Fees & Charges to Service Expenditure Ratio | 5.29% | 7.72% | 12.16% |
| Council Tax Requirement / Net Revenue Expendi... | | Council Tax Requirement / Net Revenue Expenditure | 68.35% | 83.09% | 100.36% |
| Growth Above Baseline | | Growth Above Baseline | 2.01% | 5.88% | 8.39% |

Auditors VfM Assessment
 Refer to local authority website

Children's Social Care Judgement
 Requires Improvement



Source: CIPFA’s Financial Resilience Index - [Financial Resilience Index \(cipfa.org\)](https://www.cipfa.org/financial-resilience-index)

3.9 Analysis carried out by the Association of Local Authority Treasurers (ALATs), co-ordinated by the Society of County Treasurers (SCT) looked at the forward projection against similar classifications noted in this report. This identifies that compared with peers, Cambridgeshire’s projected decrease in its reserves is in line with other councils.

The budget proposals being considered by the Committee

3.10 Due diligence of all proposals for 2024/25 budget and future years has been undertaken by Finance, that includes any estimations, net costs/savings/income and timescales to implement. Further information on the due diligence carried out is set out in the Medium-Term Financial Strategy which is on the same agenda as this paper. Overall, this has concluded that there is a lower risk of non-delivery. Although further specific commentary on the key risks facing next year and future years are set out in the following paragraphs.

Demand and inflation, including the Dedicated Schools Grant risks

- 3.11 An assessment of the growth needed for 2024 and beyond has been applied to the budget requirements in consideration of setting the budget for 2024/25. This has been based on current and forecast levels of demand. However, whilst this has been tested and assessed recent history would suggest that in a post pandemic and worldwide economic situation there continues to be a risk of increased unforeseen demand and inflation.
- 3.12 Demand continues to prove volatile in four critical areas of spend:
- Adult social care
 - Children’s social care
 - Home to school transport
 - Special educational needs and disabilities (SEND) as well as high needs
- 3.13 Consequently, a mixture of earmarked and general risk reserve provision has been made based on likelihood and unforeseen cases.
- 3.14 In the case of earmarked provision, the following earmarked reserves have provision to ensure any delay in change programmes can be managed, particularly in adult and children’s safeguarding and care where saving proposals require close working with other partners, such as the NHS. In addition, there remains provision for High Need costs as part of the Safety Valve agreement with the Department for Education as part of the Council’s recovery plan. A similar volatile demand reserve exists for the coroner’s inquests within the specific reserves of £0.250 million, which have seen cases rise in recent years but remain unpredictable in terms of costs and thus for which a risk reserve exists.

Table 3: Call on risk reserves for demand and inflation

| Reserve | Opening forecast balance 1 April £m | Potential draw 2024/25 £m | Balance remaining 1 April 2025 £m | Balance remaining 1 April 2028 £m |
|---------------------|-------------------------------------|---------------------------|-----------------------------------|-----------------------------------|
| Adults Safeguarding | 4.66 | -0.51 | 4.15 | 3.75 |
| Childrens | 3.10 | -3.10 | 0.00 | 0.00 |
| High Needs | 8.19 | -1.75 | 6.44 | 2.94 |
| Coroner inquests | 0.25 | -0.25 | 0.00 | 0.00 |
| Total | 16.20 | -5.61 | 10.59 | 6.69 |

- 3.15 There always remains the risk that even with good budget monitoring and management, the call on Council services can be significantly affected in any year through unforeseen external events. As such there is a provision within the General Fund to manage for such events, as set out in Appendix 3, in order that the services can manage operationally and not be drawn from change programmes.

Delivery of the Capital Programme

- 3.16 The capital programme is underpinned by a number of grants ringfenced for specific schemes which are due to or have started and under current plans are expected to be spent by 2028/29 as shown in the table below.

Table 4: Capital reserves forecast 2024-2029 (Detailed analysis at Appendix 1)

| £000 | Forecast closing balances 1 April £,000 | | | | | |
|------------------------------------------|-----------------------------------------|---------------|---------------|---------------|--------------|----------|
| Fund Description | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| Children, Education and Families | 28,290 | 18,290 | 8,290 | 0 | 0 | 0 |
| Adults, Health and Commissioning | 33 | 0 | 0 | 0 | 0 | 0 |
| Place & Sustainability | 35,138 | 23,138 | 11,138 | 5,138 | 0 | |
| Finance and Resources | 718 | 350 | 0 | 0 | 0 | 0 |
| Corporate | 46,342 | 35,000 | 25,000 | 15,000 | 5,000 | 0 |
| Capital Useable Reserves subtotal | 110,521 | 76,778 | 44,428 | 20,138 | 5,000 | 0 |

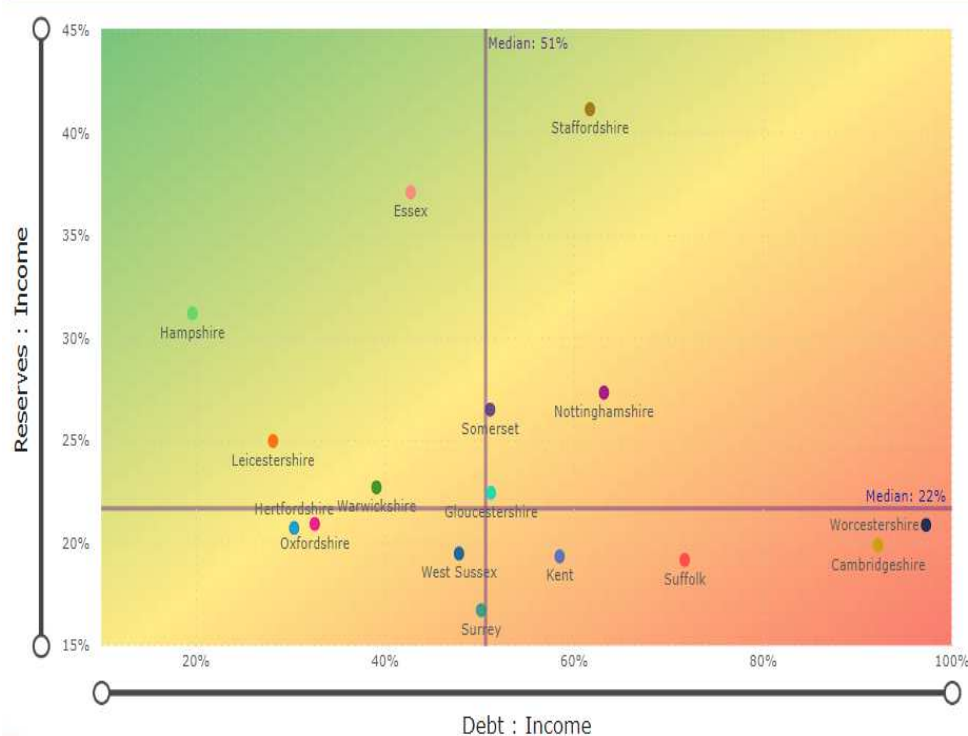
- 3.17 There continues to be a risk of overrun on capital programmes arising from factors such as delays or inflation. At this stage these will need to be managed within the scheme itself.

Capital, Treasury Management and changing economic environment

- 3.18 As noted above when compared to other councils Cambridgeshire has a higher level of borrowing exposure than other peers. This is shown in the CIPFA Financial Resilience analysis chart below:

Chart 2: Borrowing to reserves analysis

Debt and Reserves Relative to Income



| Authority | Reserves : Income | Debt : Income |
|-----------------|-------------------|---------------|
| Cambridgeshire | 20% | 92% |
| Essex | 37% | 43% |
| Gloucestershire | 22% | 51% |
| Hampshire | 31% | 20% |
| Hertfordshire | 21% | 30% |
| Kent | 19% | 59% |
| Leicestershire | 25% | 28% |
| Nottinghamshire | 27% | 63% |
| Oxfordshire | 21% | 33% |
| Somerset | 26% | 51% |
| Staffordshire | 41% | 62% |
| Suffolk | 19% | 72% |
| Surrey | 17% | 50% |
| Warwickshire | 23% | 39% |
| West Sussex | 19% | 48% |
| Worcestershire | 21% | 97% |

- 3.19 An element of this relates to the Council's outstanding loan to This Land, without this the Council would be at 75-80%% and thus still above the norm for peer grouping. A financial appraisal is being undertaken using independent advisors to appraise the current loan and This Land business plan plus updates and the accounts. Initial findings suggest that the Business Plan remains viable though with continued risk relating to development and the housing market it is advised that a further £2.7 million is added to the This Land specific risk reserves to cover future risks (growth from £6.7 million to £9.3 million), and a further growth in future years rising to £12.4 Million in 2028/29. Continued review under International Financial Reporting Standard (IFRS) 9 will be undertaken to assess this position and reported via the Council's Statement of Accounts.
- 3.20 The capital programme continues to show a high level of slippage on projects. Some of this is down to project delay, but further improvement is needed in the way schemes are phased, with more pragmatism applied. The capital programme expenditure for November 2023 as reported in the Integrated Financial Monitoring Report to Committee, was forecast to underspend by £0.997 million. It is essential that future capital programmes are based on more realistic phasing of planned expenditure to also improve treasury management forecasting and management. The implementation of a 5-year capital programme, the introduction of a Corporate Landlord approach for the Council's assets and the new capital monitoring and reporting system, should ensure a more realistic capital programme with significantly less slippage, but this is still proving to be a challenge to achieve. Further consideration needs to be given to whole life costing and what element needs to be funded from revenue sinking fund and top slicing of capital receipts to create a future reserve. This will be further examined in 2024/25 alongside the development and implementation of the Council's new Land and Property Strategy.
- 3.21 The proposed draft capital programme is £522 million over the 5 years 2024 to 2029. The 5 year element of the plan primarily relates to the rolling annual programmes. Spending on approved projects is set out over the anticipated delivery timescales. A separate schedule of potential projects is not included as part of the approved programme to ensure that schemes in the initial stages of development and/or where funding has not been secured are not formally included in the programme too early in their development. However, minimising additional borrowing does not come without risks and consequences. This means the Council will need to prioritise maintenance and improvement works on the Council's assets, to prevent possible closure on safety grounds. This in turn will lead to an increase in maintenance backlogs and higher potential future costs. The Council also needs to investigate alternative funding mechanisms for maintenance works avoiding the need for borrowing to fund what are essentially recurring costs.
- 3.22 As part of the programme of managing its own estate the Council has set aside £2.940 million for the repair and upkeep of its buildings. This is not planned to be drawn down in 2024/25 due to the planned rationalisation programme. However, a call on this set aside monies in later years is likely due to the condition and scale of the future changes to the overall estate. The phasing of this will be determined in 2024 and linked to other considerations such as investment in net zero carbon neutral initiatives.

- 3.23 The Council also has a number of technical sinking funds to provide for future equalisation likely at the end of schools PFI scheme and for the whole life cost provision for New Shire Hall, this totals £2.5 million. A further £0.464 million is also set aside in a sinking fund to fund the County Council election costs which occur every four years, with an annual contribution of £0.190 million a year. As well as a small number of other items resulting in a £3.4 million sinking fund.
- 3.24 The proposed draft capital programme is funded from a combination of government grants, external funding and borrowing. In line with previous years, it is proposed that borrowing is supported where it can be from the Council's cash balances rather than external debt. This not only reduces the cost of borrowing (bearing in mind the difference between returns on cash investments and borrowing rates) but also ensures the Council does not increase accumulated debt based on spending profiles which are subsequently delayed. This strategy of internal borrowing is considered sustainable for the next one to two years providing there is no significant revenue need to draw down reserves and the Council has sufficient cash balances. This aligns with the Council's treasury management plans within the Medium Term Financial Strategy (MTFS), but further work will need to be undertaken to manage this position, including the phasing of projects noted earlier in this report. This does add further pressure to future year's gap as reported and will need to be addressed as part of the savings programmes for those later years.
- 3.25 In addition, in the medium term this approach will need to be reviewed and revised as it will not be possible to sustain this level of capital investment without the greater achievement of savings, generation of income or increased funding. The Council is also continuing to work with the Greater Cambridge Partnership (GCP) around its future funding of schemes due to potential delays in s106 receipts which require GCP to reprofile its programme in order to fund the cost of any forward borrowing requirement, as such it is assumed this has nil impact on the County Council's borrowing or associated revenue costs. It is essential that sustainable alternatives to borrowing to fund capital expenditure are identified to avoid further drag on financial resilience.

Commercial Ventures, contractual risks, and disputes

- 3.26 The Council is involved in operations and contracts with a range of stakeholders from third party suppliers to users of our services. In these operations there is always a risk for disputes to arise. In some cases, these are insured and the Council sets insurance funds aside (£5.018 million) for the risks associated in these cases. This assessment is based on third party advice on the claims and levels of success expected to defend. In other disputes the Council needs to set aside for potential liability, including the risk of penalties or even damages awarded by Court.
- 3.27 At present the Council has a number of commercial and contractual disputes ongoing and as such has provided a risk assessed adequate sum to cover these amounts. At this stage £19.323 million is set aside in a specific risk reserve. This amount has been assessed against known factors such as potential court cases and will continue to be updated as those disputes and challenges progress.
- 3.28 The Council also is undertaking work on a number of major infrastructure projects which it is resolving legal matters and has an earmarked reserve of £15.5 million at the start of 2024/25 set aside to manage the works related to those matters. The sums for that are likely to increase as further cash is received, but a spending plan of works is now being set out which will revise the balance and it is expected that most if not all of this amount will be

spent by 2029.

The medium-term financial plan and funding risk

- 3.29 The Office for Budget Responsibility (OBR) in November 2023 ([Economic and fiscal outlook – November 2023 - Office for Budget Responsibility \(obr.uk\)](#)) noted that since 2010/11 local authority spending has fallen from 7.4% to 5% of gross domestic product (GDP), and it falls further to 4.6% of GDP in 2028/29. Given local authorities' statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressures on the Council's finances and services will continue. The Council's Medium Term Financial Strategy (MTFS) considered elsewhere on the same agenda as this paper sets out a detailed assessment of the future economic projections.
- 3.30 The MTFS shows a gap over the next four-year period 2025-2029 as set out in the following table.

Table 5: Gap Forecast 2025-29

| | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|---------------------------------------------|----------------|----------------|----------------|----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Core funding | 576,551 | 592,395 | 609,098 | 626,471 | 2,404,515 |
| Transfer from Reserves | 2,381 | 2,438 | 290 | -655 | 4,455 |
| Total Funding projected available | 578,932 | 594,833 | 609,388 | 625,816 | 2,408,970 |
| Less - Projected Net Budget Requirement | 613,567 | 621,232 | 635,082 | 650,109 | 2,519,991 |
| = Funding Gap 2025-29 before savings | -34,635 | -26,399 | -25,694 | -24,293 | -111,021 |
| Savings identified | -8,102 | -3,826 | 249 | -79 | -11,758 |
| Residual budget gap | -26,533 | -22,573 | -25,943 | -24,214 | -99,263 |

- 3.31 The forecasts for 2025/26 and beyond are inevitably less reliable than the forecasts for 2024/25 (which themselves have a smaller degree of uncertainty as noted in the preceding paragraphs). Due to the impending General Election the Chancellor's Autumn Budget statement only set out spending plans for 2024/25. As noted, the Office for Budget Responsibility (OBR) suggests that there remains less scope for additional public sector funding in 2025/26 and the Government suggest that the most likely date for a review of local government funding will now be 2025/26 meaning no changes until 2026/27 at the earliest. In 2024/25 Government funding accounts for 59% of the Council's overall funding. Looking at the net revenue budget the largest element (75%) of funding is local taxation – Council Tax, but there is also uncertainty over that, with the forecast being this will be restricted to just a 2% increase in future years, despite predictions in demand and inflation for core services being higher.
- 3.32 The high gearing of council tax to government grant means that higher costs can only be funded by higher council tax, and if that is not possible then more savings and potential draws on reserves to enable that will be needed. All of this increases the risk and uncertainty over the Council's long-term funding. As such £7.415 million has been set aside to cover the future funding risks this is circa 2% Council Tax for one year and will continue to be assessed.

- 3.33 In addition, the Council has a small earmarked reserve to deal with, or smooth late changes to the 2021/22 settlement which led to changes in Cambridgeshire's allocations. As a result a reserve was created to be drawn down as part of the Medium Term Financial Strategy. This will be £3.853 million due to increased business rates in 2024/25 but will then be drawn down and spent by 2028/29 as changes in the business rates allocations are worked through.
- 3.34 There is a known correlation between those councils which have had lower council tax increases, undeliverable savings plans, higher levels of debt, low levels of reserves and subsequent concerns about financial management. Whilst these are not the only factors which could give rise to financial management concerns, they remain an important consideration in the assessment of financial resilience and sustainability. Cambridgeshire's current council tax charge is around the average of all county councils, but levels of debt and/ borrowing are well above average compared to levels of reserves (see Chart 2 above), which remain slightly below average. The levels of debt are slowly being addressed through the capital programme and avoiding additional borrowing. This needs to be a continued focus for the MTFS.
- 3.35 As the largest element of the Council's funding, there is also a risk of less collected council tax or business rates, which could adversely affect the Council's financial standing. Whilst some of the previous year's provision is recommended in this to be moved to fund the increased risk in other commercial areas, going forward the planned financial risk reserves include £2.014 million provision still being needed for this event. This is sufficient to cover historic averages of what an in-year collection fund deficit would be across both tax types and all districts. In addition to this, there is a moving balance on this reserve where any in-year collection fund surpluses are applied to mitigate against future year deficits to prevent one-off swings to our budget.
- 3.36 In the medium to longer term, the Council has to have a sustainable plan where spending growth is closely aligned to Council priorities and available funding. This means that the Council needs to plan to deliver savings by changing the way it works. It is expected that the medium-term plan will therefore need some limited use of reserves in the future years to manage the uncertainties noted above and deliver change and the Council's ambitions. In addition, there is a need to plan for changes to national economic assumptions, in particular inflation. The Council needs greater agility in future without relying heavily on reserves. To this end it is vital that the Council continues to evolve financial planning taking an Outcomes Based Budgeting (OBB) approach alongside a programme of change to the way it works. This however will need investment and as such the Council has set aside £37.722 million in Strategic Framework and Financial Risk reserves as follows:

Table 6: Strategic Framework and Financial Risk Reserves to manage change

| Strategic Framework Reserves | 1 April 2024 | 1 April 2025 | 1 April 2026 |
|---------------------------------------|---------------|---------------|--------------|
| Improvement programme reserves | | | |
| Just Transition Fund | 9,992 | 9,992 | 3,561 |
| Change & Digital Reserve | 3,722 | 3,259 | 1,416 |
| Ukraine grant reserve | 4,200 | 4,200 | 2,200 |
| Other service change reserves | 700 | 700 | - |
| Improvement programme subtotal | 18,614 | 18,151 | 7,177 |
| Investment reserves | 2,018 | 2,018 | 944 |
| Invest to save reserves | 298 | 298 | 91 |
| MTFS support | 16,803 | 7,395 | 1,500 |
| Total | 37,733 | 27,862 | 9,712 |

3.37 The Just Transition Fund is shown in detail at Appendix 4b.

Ringfenced conditions

3.38 At the start of April 2024 it is forecast that the Council will have £10.827 million of ringfenced reserves, whereby the conditions against which spend can be undertaken is set by contract, legislation or grant conditions. This is broken down as follows:

Table 7: Ringfenced reserves forecast analysis as at 1 April

| Ringfenced element | 2024 £m | 2025 £m | 2026 £m |
|-------------------------------------------------------------|--------------|-------------|-------------|
| Developer contributions | 3.57 | 3.57 | 3.57 |
| Public Health Grant – <i>further details at Appendix 4a</i> | 3.75 | 0.97 | 0.51 |
| Regional adoption agency | 0.66 | 0.50 | 0.33 |
| Other grants & contributions | 0.66 | 0.55 | 0.55 |
| Ringfenced accounts (e.g. parking, permitting) | 2.18 | 1.45 | 0.86 |
| Total | 10.83 | 7.05 | 5.82 |

3.39 The assumption is that whilst these reserves cannot be used for other purposes, and in the case of the Public Health funds are overseen by the Director of Public Health and reported to the Department for Health and Social Care (DHSC), if the cost of services related to these funds is higher, then that spending will need to be managed within available funds. This is particularly true for s106 developer contributions.

The unknown risks, in particular environmental events.

- 3.40 Whilst we assess the risks that we know something of, there is always the case in any business or walk of life that there will be events that are unforeseen. To protect against financial shock of such events the Council holds 'General Fund' reserves. In the current year this is likely needed to fund any year end overspend arising from the significant costs arising from inflation being higher than forecast when the budget was set. This would at current forecasts reduce the General Fund to £25.1 million.
- 3.41 Previously the Council has assessed the need for General Fund reserves to be 4% of the gross budget excluding schools. It is the requirement of Section 25 Local Government Act 2003 that the Council's Section 151 Officer ensures the adequacy of reserves. As such, this year a more detailed assessment has been undertaken of the potential unforeseen events and the financial risks posed. A detailed assessment is attached at Appendix 3. This sets out that the current level is just sufficient for 2024/25, but there is a risk in future years and if the current year overspends were to be avoided this will negate the need to replenish the General Fund in future years to enable adequate coverage.
- 3.42 The single greatest financial risk to the Council remains the substantial and growing deficit on High Needs spending from the Dedicated Schools Grant (DSG). This has been highlighted as the biggest risk for several years with the accumulated deficit forecast to be £39.3 million by the end of the current year. A statutory override has been extended by a further two years by the Government, which means that DSG deficits do not have to be covered from the General Fund i.e. they are not cash backed. However, the Council does need to make provision to repay a proportion of the accumulated deficit from reserves as part of the Safety Valve agreement with the Department for Education. Currently there is only £8.1 million of specific provision within the earmarked reserves but there are no General Fund reserves for any greater repayment than this or the lifting of the override. The current level of accumulated deficit therefore remains unsustainable posing a considerable risk to the Council if there is not a significant reduction in the deficit. The assessment of financial resilience based upon the ratio of reserves to debt as a percentage of net revenue budget, now includes an additional assessment for this risk. Formal regular monitoring and reporting of the local deficit recovery action plan, highlighting any corrective action, will be critical to ensure the deficit is being tackled effectively.

4. Alternative Options Considered

- 4.1 The paper considers the assumptions based on current known factors, as such within each consideration there is a range of factors and ways to interpret the data that have been considered in that assessment. The classification of reserves means that those reserves which are ringfenced can only be used for those purposes, often set out by grant terms or legal conditions. The General, Risk and sinking fund reserves have been assessed as necessary by the Section 151 Officer to ensure the future financial standing of the authority. Strategic Framework and Capital reserves support the current prioritisation by Council.

5. Conclusion and reasons for recommendations

- 5.1 Taking all relevant factors into account, the S151 Officer can formally report that in his view, subject to all the measures set out in the draft budget and medium-term plan being implemented, the budget estimates are robust and the level of reserves adequate within the constraints in which the Council currently has to operate, as required by the Local Government Act 2003.
- 5.2 This assessment is based upon key factors, including:
- The assumption that the proposed council tax increases up to but not exceeding the 3% general threshold and 2% for Adult Social Care levy are agreed for 2024/25. Council tax is now the most significant source of funding for council services. Any lesser increase than that proposed, without a corresponding reduction in base budget spending would have an adverse impact on the Council's financial resilience and ability to mitigate future spending risks or medium-term uncertainties over the future funding gap.
 - The risks relating to known and provision for an element of unknown risk are based upon information available and experiences, whilst this may change at this stage these reserves provide for adequate coverage and cannot be reduced.
 - An opening General Fund reserve at £26 million for 2024/25 is considered to be essential in light of increased financial risks, the increased self-sufficiency of councils and greater reliance on tax income, and medium-term uncertainties. Going forward though the Council faces further uncertainties and it is recommended at this point that this reserve is increased in the later years of the MTFs. Failure to maintain General Fund reserve at the levels prescribed would in my opinion very likely seriously impair the adequacy of the Council's reserves and consequently its financial resilience.
 - The assessment of the 2023/24 forecast outturn, and the need for that to be reduced to a level that can be covered by reserves set aside for budget risks and stabilising this poses a significant risk to the adequacy of reserves and thus the Council's financial resilience.
 - The longer-term capital planning within the proposed 5-year programme delivers urgent and critical works as well as addressing the need to minimise new borrowing and deficiencies in previous plans that have led to significant rephasing. Both of these have significant consequences on future revenue budgets. The level of borrowing continues to be a concern, even though it has been reduced, sustainable alternatives urgently need to be identified.
- 5.3 The revenue proposals for 2024/25 and medium-term plan are not without significant additional risks. The proposals strike a balance between affordability whilst allowing sufficient resources for the Council to fulfil its statutory responsibilities and address local priorities. This is not an easy combination and will require some difficult decisions in future years about service levels and provision. It will require services to bear down on spending growth, particularly with regard to future price levels and managing demand. In the opinion of the Section 151 Officer whilst this presents risks, the Council currently has sufficient financial resilience and reserves, such that the additional risks are neither excessive nor reckless. However, it is essential that there is a sustained focus on financial and demand management, delivery of approved savings and income plans, timely decision making and there are not additional spending requests that would add to costs over and above

budgeted levels. It is also essential that where variations from the budget are identified that remedial action is taken promptly to ensure a balanced budget can be delivered.

- 5.4 Provided all the measures as set out in the draft budget are implemented, the Council will continue to demonstrate financial sustainability for the next two years, although without future spending plans there remains considerable uncertainty over the medium term.

6. Significant Implications

6.1 Finance Implications

The report sets out a detailed assessment aligned to the Business and Financial Plan 2024-29 to be considered on the same agenda as this paper. This concludes that the level of reserves are adequate and a robust approach has been taken to the setting of the budget proposals to deliver a balanced budget for 2024/25.

6.2 Legal Implications

This report sets out the Section 151 Officers assessment under the statutory duty, per Section 25 of the Local Government Act 2003 of this role, and should be read alongside the Business and Financial Planning paper also on this Committee agenda.

6.3 Risk Implications

The risk assumptions that support the level of reserves are set out in the body of this report.

6.4 Equality and Diversity Implications

There are no equality and diversity direct implications of this report, although changes to assumptions would need further consideration.

6.5 Climate Change and Environment Implications

This report notes that part of the assessment of the reserves is both to fund future climate and environmental works through the Just Transition Fund, whilst the General Fund also provides for the risk of future emergency incidents arising from climate and environmental events, such as floods or extreme heat.

7. Source Documents

- 7.1 This paper draws and builds upon the Council's Financial Plan presented to Full Council in February 2023 - [Full Council 2023-28 Proposed Business Plan and Medium Term Financial Plan](#)

Appendices

Appendix 1 – Detailed analysis of reserves

Appendix 2 – Audit Trail of reserves 2023/24 to 2024/25 analysis

Appendix 3 – General Fund Assessment

Appendix 4 – Specific reserves 4a - Public Health 4b - Just Transition Fund

Appendix 1 – Detailed analysis of reserves

| | Reserve category | Closing | Forecast opening balances | | | | |
|----------|--------------------------------------------------------|----------------|---------------------------|----------------|----------------|----------------|----------------|
| | | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
| 1 | General Reserve | 25,110 | 25,999 | 26,753 | 27,485 | 28,167 | 28,167 |
| 2 | Strategic Framework Priorities Reserves | | | | | | |
| 2a | Improvement programme reserves | | | | | | |
| | <i>Just Transition Fund</i> | 9,992 | 9,992 | 3,561 | 923 | 394 | - |
| | <i>Change & Digital Reserve</i> | 3,722 | 3,259 | 1,416 | 416 | - | - |
| | <i>Ukraine grant reserve</i> | 4,200 | 4,200 | 2,200 | 350 | - | - |
| | <i>Other service change reserves</i> | 700 | 700 | - | - | - | - |
| | Improvement programme subtotal | 18,614 | 18,151 | 7,177 | 1,689 | 394 | - |
| 2b | Investment reserves | 2,018 | 2,018 | 944 | 390 | 115 | 80 |
| 2c | Invest to save reserves | 298 | 298 | 91 | - | - | - |
| 2d | MTFS support | 16,803 | 7,395 | 1,500 | - | - | - |
| | Strategic Framework Priorities Reserves Total | 37,733 | 27,862 | 9,712 | 2,079 | 509 | 80 |
| 3 | Risk Reserves | | | | | | |
| 3a | Risk contingencies | | | | | | |
| | <i>This Land Credit Loss & Equity Offset</i> | 5,850 | 8,600 | 8,600 | 8,600 | 8,600 | 8,600 |
| | <i>This Land minimum revenue provision risk</i> | 802 | 1,456 | 2,267 | 3,075 | 3,846 | 4,501 |
| | <i>Revaluation & Repair (Buildings)</i> | 2,940 | 2,940 | 2,940 | 2,940 | 2,940 | 2,940 |
| | <i>Local taxation volatility & appeals account</i> | 8,514 | 2,014 | 5,773 | 5,773 | 5,773 | 5,773 |
| | <i>High Needs Block Offset</i> | 8,185 | 8,185 | 6,435 | 4,685 | 2,935 | 2,935 |
| | <i>Adults Risk Reserve</i> | 4,664 | 4,664 | 4,154 | 3,900 | 3,750 | 3,750 |
| | <i>Children's risk reserve</i> | - | 3,100 | - | - | - | - |
| | <i>Major infrastructure costs reserve</i> | 18,391 | 15,500 | 20,890 | 19,830 | 19,830 | 19,830 |
| | Risk contingencies subtotal | 49,346 | 46,459 | 51,059 | 48,803 | 47,674 | 48,329 |
| 3b | Specific legal/contractual risks reserves | 19,032 | 19,323 | 15,761 | 15,739 | 15,717 | 15,691 |
| 3c | Funding Review Shortfall Reserve | 4,076 | 7,415 | 6,927 | 4,666 | 4,666 | 4,666 |
| 3d | Risk - Smoothing | 1,453 | 3,853 | 3,639 | 1,921 | 177 | 177 |
| 3e | Insurance Reserve | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 |
| | Risk Reserves Total | 78,925 | 82,068 | 82,404 | 76,147 | 73,252 | 73,882 |
| 4 | Ringfenced Reserves | | | | | | |
| 4a | Ringfenced contribution | 5,274 | 5,074 | 2,020 | 1,389 | 1,222 | 1,056 |
| 4b | Ringfenced - Unusable | - | - | - | - | - | - |
| 4c | Ringfenced account | 2,181 | 2,181 | 1,454 | 858 | 271 | 29 |
| 4d | Ringfenced - Developer Fund / Commuted Sum | 3,573 | 3,573 | 3,573 | 3,573 | 3,573 | 476 |
| | Ringfenced Reserves Total | 11,027 | 10,827 | 7,048 | 5,820 | 5,067 | 1,561 |
| 5 | Sinking Fund | 3,443 | 3,443 | 2,333 | 2,473 | 2,614 | 2,754 |
| 6 | Unallocated | 500 | - | - | - | - | - |
| 7 | Unusable | 264 | 264 | 198 | 132 | 66 | - |
| | Total Revenue Reserves | 157,001 | 150,462 | 128,448 | 114,137 | 109,674 | 106,443 |
| 8 | Capital Reserves | | | | | | |
| | Children, Education and Families | 28,290 | 18,290 | 8,290 | - | - | - |
| | Adults, Health and Commissioning | 33 | - | - | - | - | - |
| | Place & Sustainability | 35,138 | 23,138 | 11,138 | 5,138 | - | - |
| | Finance and Resources | 1,238 | 350 | - | - | - | - |
| | Corporate | 46,342 | 35,000 | 25,000 | 15,000 | 5,000 | - |
| | Total Capital Reserves | 111,041 | 76,778 | 44,428 | 20,138 | 5,000 | - |
| | Reserves Grand Total | 268,042 | 227,241 | 172,876 | 134,274 | 114,674 | 106,443 |

Appendix 2 – Audit Trail of revenue reserves 2023-24 to 2024-25 analysis (£000)

| Current Reporting Format | | | How forecast closing balance maps to new reporting lines | | | | | | | Movements, arriving at 1 April 2024 balance in new format | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|---------------------------|----------------------------------------------------------|--------------------------------|---------------|---------------|--------------|--------------|------------|-----------------------------------------------------------|--------------------------------|---------------|---------------|--------------|--------------|------------|
| Fund Description | Balance at 30 Nov 2023 | Forecast at 31 March 2024 | General Reserve | Strategic Framework Priorities | Ring-fenced | Risk | Sinking Fund | Un-allocated | Un-usable | General Reserve | Strategic Framework Priorities | Ring-fenced | Risk | Sinking Fund | Un-allocated | Un-usable |
| General Reserves | | | | | | | | | | | | | | | | |
| - County Fund Balance | 30,661 | 25,110 | 25,110 | - | - | - | - | - | - | 889 | - | - | - | - | - | - |
| Earmarked Reserves | | | | | | | | | | | | | | | | |
| Insurance | 5,018 | 5,018 | - | - | - | 5,018 | - | - | - | - | - | - | - | - | - | - |
| Adults, Health and Commissioning | 7,511 | 6,098 | - | - | - | 5,598 | - | 500 | - | - | - | - | - | - | -500 | - |
| Children, Education & Families and Schools | 5,661 | 3,901 | - | 348 | 771 | 124 | 2,394 | - | 264 | - | - | - | - | - | - | - |
| Public Health | 7,180 | 3,953 | - | - | 3,953 | - | - | - | - | - | - | -200 | - | - | - | - |
| Place and Sustainability | 15,011 | 26,875 | - | 1,011 | 6,129 | 19,735 | - | - | - | - | - | - | -2,891 | - | - | - |
| Strategy and Partnerships | 1,562 | 1,361 | - | 839 | 3 | 55 | 464 | - | - | - | - | - | - | - | - | - |
| Finance and Resources | 3,596 | 2,561 | - | 817 | 171 | 988 | 585 | - | - | - | - | - | 654 | - | - | - |
| Just Transition Fund | 12,138 | 9,992 | - | 9,992 | - | - | - | - | - | - | - | - | - | - | - | - |
| High Needs Block Offset | 9,935 | 8,185 | - | - | - | 8,185 | - | - | - | - | - | - | - | - | - | - |
| Transformation Fund | 1,723 | 843 | - | 843 | - | - | - | - | - | - | - | - | - | - | - | - |
| Cultivate Cambs Fund | 347 | 0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Corporate - COVID | 15,972 | 14,972 | - | 14,972 | - | - | - | - | - | - | -7,577 | - | - | - | - | - |
| Specific Risk Reserve | 12,772 | 15,672 | - | - | - | 15,672 | - | - | - | - | - | - | 891 | - | - | - |
| This Land Credit Loss & Equity Offset | 5,850 | 5,850 | - | - | - | 5,850 | - | - | - | - | - | - | 2,750 | - | - | - |
| Revaluation & Repair Usable (Commercial Property) | 2,940 | 2,940 | - | - | - | 2,940 | - | - | - | - | - | - | - | - | - | - |
| Local taxation volatility & appeals account | 8,514 | 8,514 | - | - | - | 8,514 | - | - | - | - | - | - | -6,500 | - | - | - |
| Local Government Settlement phasing reserve | 4,076 | 4,076 | - | - | - | 4,076 | - | - | - | - | - | - | -4,076 | - | - | - |
| Post-pandemic recovery and budgeting account | 2,431 | 1,831 | - | 1,831 | - | - | - | - | - | - | -1,831 | - | - | - | - | - |
| Business change reserve | 3,054 | 2,879 | - | 2,879 | - | - | - | - | - | - | -463 | - | - | - | - | - |
| Financing items | 1,803 | 1,570 | - | - | - | 1,570 | - | - | - | - | - | - | 2,400 | - | - | - |
| Winter | 600 | 600 | - | - | - | 600 | - | - | - | - | - | - | -600 | - | - | - |
| Grant carry forward | 4,381 | 0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ukraine grant carry forward | | 4,200 | - | 4,200 | - | - | - | - | - | - | - | - | - | - | - | - |
| Children's Risk Reserve | | N/A | | | | | | | | - | - | - | 3,100 | - | - | - |
| Funding Review Shortfall Reserve | | N/A | | | | | | | | - | - | - | 7,415 | - | - | - |
| Total | 162,736 | 157,001 | 25,110 | 37,733 | 11,027 | 78,925 | 3,443 | 500 | 264 | 889 | -9,871 | -200 | 3,143 | - | -500 | - |
| Total 1 April 2024 reserve balances in new format (£150,462k total) – net £6.5m reduction ahead of start of the year, which is contribution of reserves to bottom line, seen in the corporate & funding items budget table 3: | | | | | | | | | | 25,999 | 27,861 | 10,827 | 82,068 | 3,443 | - | 264 |

Appendix 3 – General Fund Assessment

| Event | Risk assessment | Provision 2024/25 £m | Provision 2025/26 £m | Provision 2026/27 £m | Provision 2027/28 £m |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 1. Climate and weather | <p>There is a risk that with the changes seen in recent years that there is a risk of adverse weather conditions which could result in impacts to our services. This includes higher cases of flu, flooding or heat exhaustion. For some events the Council is covered under the Bellwin Scheme whereby if the Council needs to spend greater than 0.2% of its net expenditure (after accounting for insurance) responding to the incident it can claim back funds. Whilst such events have not occurred in recent years that does not preclude from providing for the unfunded element, or for events such as increased care not covered by the scheme. As such it is felt prudent to provide for at least one event per annum of flooding (£1.1m 2024/25 and rising by 3% p.a. thereafter) plus an amount for increased pressure on care (£1.8 million – 500 extra care clients for 6 weeks at £600 per week), plus £0.500 million for additional gritting).</p> | 3.4 | 3.4 | 3.5 | 3.5 |
| 2. Overspend in year | <p>Every effort will be made to manage budgets in year. However, the current volatility in inflation as well as the scale of the task in future years given the funding uncertainty, even with earmarked reserves to provide for some damping, gives rise to an ongoing risk of in year overspends. To manage this risk the general funds will contain a minimum £4 million provision to be used as a matter of last resort at year end. This is lower than the current level of overspend, and lower than most councils are current experiencing elsewhere, as such this sum needs to be kept under review.</p> | 4.0 | 4.0 | 4.0 | 4.0 |

| Event | Risk assessment | Provision 2024/25 £m | Provision 2025/26 £m | Provision 2026/27 £m | Provision 2027/28 £m |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 3. Exceptional increases in children's care | Whilst demand is factored into the setting of the base budget and the change programme within the Children, Education and Families Directorate contains proposals to focus on preventing costs and demand there is always a risk that there is a sudden influx of costs due to children coming into care who are not known to the Council. That could be from within or out of county travelling to the County context. As such a provision has been made for such circumstances whereby the General Fund would provide financial resilience up to 10 weeks for 20 such children at an assumed cost of £4,000 per week. | 0.8 | 0.8 | 0.8 | 0.8 |
| 4. Exceptional increases in home to school transport | Demand for home to school transport is difficult to predict due to parental preference, circumstances and SEND provision. Whilst demand has been provided for in 2024/25 and the base budget increased there will always remain a volatility to this area. As such a minimum sum is provided for short term costs of £1 million based on previous experience and CCN studies. | 1.0 | 1.0 | 1.0 | 1.0 |
| 5. SEND provision | The position of DSG deficit remains, and even though the Council has agreed a plan of recovery with the Department for Education there is a risk that the pace of recovery will not meet the plan agreed. From 1 April 2026 the statutory override which sits in place to ensure that the deficit is not recognised on the balance sheet, is lifted. This means that the deficit at that time will need to be covered. At this stage that deficit or the position of the override is unclear. The Council has a £8.1 million earmarked reserve but the position regarding the remainder and the risk of a slower pace to return to surplus means that a provision is being made in the General Fund for 2026/27 of £15 million, with the current additional in year overspend likewise being covered by General Fund in the meantime. | 6.0 | 6.0 | 15.0 | 15.0 |

| Event | Risk assessment | Provision 2024/25 £m | Provision 2025/26 £m | Provision 2026/27 £m | Provision 2027/28 £m |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 6. Pay inflation | <p>The pay settlement for 2023/24 was finalised in November 2024. It is unclear what the level of settlement will be in 2024. At this stage the 2024/25 budget assumes 5%, if that were to be higher then there would be a need to fund that position in year. Whilst further savings may be possible the ongoing lateness of which the settlement is being agreed leaves for prudence in provision to be made in 2024/25 of £1 million, circa the equivalent of 1% more. This is a risk given the level of the National Living Wage and the structure of previous pay awards has had on the current lower bandings and gaps to tiers that could cause potential knock on impacts to the pay spine.</p> | 1.0 | 0 | 0 | 0 |
| 7. Insurance | <p>Whilst there is insurance cover there is always a risk that Insurance liability/claims premiums /level of deductibles rise above provision and a top up is needed. Whilst this is unlikely in year 1 it is more likely in later years. There is also a risk that were the Council self-insures the provisions are insufficient.</p> | 0 | 0 | 0.3 | 0.5 |
| 8. Cyber attack | <p>There is growing risk of cyber attacks, with a number of local authorities had disruption and ransoms. As such whilst the Council seeks to mitigate loss and will not pay ransoms the cost of recovery could be significant and at present the cost to insure is prohibitive. As such a provision has been made to enable recovery.</p> | 1.0 | 1.0 | 1.0 | 1.0 |

| Event | Risk assessment | Provision 2024/25 £m | Provision 2025/26 £m | Provision 2026/27 £m | Provision 2027/28 £m |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 9. Partnership / contract risks | Liabilities arising from ongoing partnerships or contracts such as matched funding contributions increase due to increasing costs. Whilst these should be monitored and managed a risk remains. There could also be grant clawbacks arising from failed schemes not managed by CCC. Again, these need to be managed but a small provision is suggested for prudence. | 0.5 | 0.5 | 0.5 | 0.5 |
| 10. HSE and employment tribunals | The Council could be deemed liable for events or incidents through tribunal or legal cases. Whilst some protection may be available through insurance a level of financial cover is suggested in order to enable negotiated settlements. | 0.5 | 0.5 | 0.5 | 0.5 |
| 11. Unsuccessful capital schemes | Accounting rules require that where a capital scheme cannot be completed for whatever reason that the costs are funded from revenue. There is a risk that given the scale of the capital programme that such events happen in the current environment of high interest rates, borrowing and land values. As such a provision has been made to allow for such events. | 5.0 | 5.0 | 3.0 | 3.0 |
| 12. Bad debt provision | The Council is seeking to improve its income and debt collection processes in order to reduce its bad debt provision. Debt has increased, particularly in Adult Social Care during and since the pandemic. Some of this is due to the pace of processing Court of Protection (CoP) cases. Whilst some debt is possible of being managed by the Council the CoP is heavily dependent on third parties and as such a provision has been set aside for this in the first two years. | 0.5 | 0.5 | 0 | 0 |

| Event | Risk assessment | Provision 2024/25 £m | Provision 2025/26 £m | Provision 2026/27 £m | Provision 2027/28 £m |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 13. Global events impact on specific costs. | Whilst the Council has provided for inflation in setting the base budget and for supplier cost risks within the earmarked risks, that is based on current market understanding. As the last few years have proven the global economic position can change on singular events, having significant short term cost implications of such things as utilities and borrowing. As such a provision has been made for such potential impact. | 1.0 | 1.0 | 1.0 | 1.0 |
| 14. Pandemic | Whilst the occurrence of a pandemic cannot be ruled out, recent experience would suggest that Government would fund additional costs arising from this. As such no provision has been made for such an event. | 0 | 0 | 0 | 0 |
| 15. Waste | The position relating to the Waste service provision of disposals under changed Government requirements continue to cause pressures to the service. Whilst specific earmarked reserves are to be applied in 2024/25 to support that position there remains a risk that higher costs and tonnage could yield overspends as well as unforeseen contractual costs. As such a further provision is made in the General Fund and will be reviewed as Government direction and local plans continue. | 1.3 | 3.0 | 0 | 0 |
| 16. Equal pay | Experience at other councils has led to this being assessed for risk. At this stage there is no evidence that this risk applies to CCC and as such again no provision has been made. | 0 | 0 | 0 | 0 |
| | Total | 26.0 | 26.7 | 30.6 | 30.8 |

Appendix 4a- Public Health

| PH Reserves Expected Usage | 2024/25 £'000 | 2025/26 £'000 | Reserve Description |
|---------------------------------------------|------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Brought forward 1st April Projection | 4,331 | 1,345 | |
| Children's Public Health | 102 | 0 | Includes Best Start in Life and Tackling Childhood Anxiety projects and a dedicated PH Children's Manager |
| Public Mental Health | 67 | 0 | Includes support for families of children who self-harm, training programme for eating disorders and a dedicated PH Mental Health Manager |
| Adult Social Care & Learning Disability | 615 | 100 | Includes falls prevention work, improving health literacy to improve health outcomes and a dedicated PH Learning Disability Manager |
| PH Intelligence and Emergency Planning | 113 | 104 | Includes Quality of Life survey and PH emergency planning |
| Prevention and Health Improvement | 1,735 | 861 | Includes stop smoking, NHS health checks, weight management, support for primary care prevention and sexual and reproductive health projects |
| Traveller Health | 0 | 0 | Traveller Health projects and education liaison |
| Health in All Policies | 153 | 7 | Includes training for Health Impact assessments and project on effects of planning policy on health inequalities |
| Miscellaneous | 200 | 273 | Includes Healthy Fenland, voluntary sector support and reserve funding to children's centres, the ASC Good Life service and Someone to Talk To mental health service |
| In year spend | 2,986 | 1,345 | |
| Carried forward 31st March | 1,345 | 0 | |

Appendix 4b- Just Transition Fund

| Scheme | Allocation £,000 | Spent up to 31/3/23 £,000 | Balance on 1 April 2023 £,000 | Balance on 1 April 2024 £,000 | Balance on 1 April 2025 £,000 | Balance on 1 April 2026 £,000 | Balance on 1 April 2027 £,000 | Balance on 1 April 2028 £,000 |
|--------------------------------------------------------------|---------------------|------------------------------------|----------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| Care Together programme expansion | 2,914 | -219 | 2,695 | -594 | -1,000 | -1,101 | | |
| Independent Living Services- Huntingdonshire | 250 | 0 | 250 | -135 | -45 | -70 | | |
| Expansion of Direct Payments and Individual Service Funds | 222 | -40 | 182 | -135 | -46 | | | -1 |
| SEND capacity | 325 | -161 | 164 | -87 | | | | -77 |
| Enabling Net Zero | 2,175 | -264 | 1,911 | -969 | -528 | -305 | -109 | |
| Floods Mitigation | 1,735 | 0 | 1,735 | -325 | -335 | -525 | -420 | -130 |
| Managing Climate Risk | 750 | -65 | 685 | -136 | -403 | -146 | | |
| Floods prevention Investment | 75 | 0 | 75 | -75 | | | | |
| Future Parks | 40 | -40 | 0 | | | | | |
| Communities | 1,004 | -669 | 335 | -79 | -35 | -35 | | -186 |
| Cultivate Cambs Fund | 350 | -350 | 0 | | | | | |
| <i>Previously committed</i> | 9,840 | -1,808 | 8,032 | -2,535 | -2,392 | -2,182 | -529 | -394 |
| New schemes: | | | | | | | | |
| Adult social care transformation | 2,320 | | | | -2,320 | | | |
| Climate change and environment programme phase 2 | 855 | | | | -399 | -456 | | |
| Libraries Plus | 1,320 | | | | -1,320 | | | |
| <i>Total of allocations</i> | 14,335 | -1,808 | 8,032 | -2,535 | -6,431 | -2,182 | -529 | -394 |
| BALANCE LEFT AT YEAR END | | | | 9,992 | 3,561 | 923 | 394 | 0 |