

## STRATEGY, RESOURCES AND PERFORMANCE COMMITTEE: MINUTES

Date: 19 December 2023

Time: 10.00a.m. to 12.28p.m.

Venue: Red Kite Room, New Shire Hall, Alconbury Weald

Present: Councillors Boden, Corney, Costello, Count, Criswell, Dupré, Goldsack, Goodliffe, Howitt, McDonald, Murphy, Nethsingha (Chair), Sharp, Sanderson and Wilson

### 178. Apologies for Absence and Declarations of Interest

Apologies were received from Councillors Ambrose Smith and Meschini.

### 179. Minutes – 31st October 2023 and Action Log

The minutes of the meeting held on 31st October 2023 were agreed as a correct record and signed by the Chair. The action log was noted.

### 180. Petitions and Public Questions

No petitions or public questions were received.

### 181. Integrated Finance Monitoring Report for the period ending 31 October 2023

The Committee was informed that an overspend of £5.6m in the revenue budget was currently forecast. Attention was drawn to the key pressure areas of looked after children staffing and placement costs, and home to school transport both of which would have an impact on next year's budget. Energy generation schemes still remained a pressure but were expected to deliver income later than forecast. These pressures were partially offset by reduced net spend on capital financing and additional business rates and grant income. Within the Dedicated schools grant (DSG) funded budgets, there was currently forecast a £10m overspend relating to high needs. The Council was engaging with the Department for Education (DfE) to address the growth in the deficit through the safety valve programme. It was noted that the capital budget was showing a forecast balanced position against its net budget. Attention was drawn to the detail in relation to the three recommendations set out in the report.

Individual members raised the following issues in relation to the report:

- queried why on page 52 it was reported "Previously reported commentaries, unchanged since last month" when it should state since the last report. There was concern that the committee was not being notified of changes in between meetings.

Members were informed that management accounts were produced monthly except for April so any changes related to the previous report as not all reports were presented to committee. The intention was to give a snapshot of the current position rather than the movement between months. In response, it was acknowledged that the variances were more important than the commentaries but it was also important that the committee received the commentaries in between meetings. The Head of Finance advised that month to month the report had commentaries on any variances built up during the year so if a variance occurred in between meetings Members would still see the commentary. Officers would review how to show the previous forecast against the current forecast given that the committee did not receive all the reports.

- queried whether the £105k forecast pressure on Lead Authority budgets, which was mostly due to a pressure on the Insurance Team, resulted from the significant rise in claims relating to pothole damage. The Executive Director for Finance and Resources acknowledged that highways claims had increased and agreed to provide a written breakdown of the recharging, as these budgets did not just relate to Cambridgeshire. Action Required.
- highlighted continued concerns about the level of Public Health reserve, which was currently £6.64m. Recommendation b) to allocate Public Health reserves to school based interventions to address obesity and to tackle childhood anxiety was therefore welcomed. It was queried whether the £652k shortfall in spending predicted for the current year was included in the £6.64m reserve. Members were informed that the reserve figure did not include any topping up from this financial year, and the Service was working to bring down this underspend to zero. In response, the Member encouraged the Chair to ensure the funding was spent so that the reserve was maintained at a reasonable level. The Chief Executive confirmed that officers were very clear of the requirement to spend as much of the public health reserve on appropriate activities as possible, which could include grant substitution for activities in other parts of the Council. A meeting had recently taken place with the Regional Director of Public Health who was reassured about the plans to spend the reserve.
- reminded Members that the Public Health reserve had increased as a result of Covid and recruitment difficulties. Any proposal to reduce the reserve needed to be effective, provide value for money and achieve the relevant health outcomes. It was noted that the Public Health grant for 2024/25 had only recently been announced, which made it very difficult to plan.
- highlighted the assumed increase from the NHS towards Learning Disability (LD) packages and expressed disappointment that the joint project between the Integrated Care Board (ICB) and the Council to review those packages required to agree a revised split of cost going forward had not proceeded as expected. The Council therefore had served notice to end the cost sharing arrangements of the pooled budget. The extent of the risk of short-term financial pressures from this decoupling was queried including how it would improve the Council's financial position. Members were informed that the expectation in the medium-term set out in the draft business plan was for the NHS to pay more for LD packages than at present through increased contributions to a pooled budget or uncoupling. Joint

assessments were therefore needed to identify those contributions. The Chief Executive acknowledged that there would be a period of transition whilst the budgets were separated and the assessments took place managed by a Council Project Board to ensure the appropriate costs were met by the appropriate part of the system. This had to be seen in the context of protecting and preserving services for people with disabilities.

- reminded Members that the Council had given the ICB twelve months' notice of its intention to split the funding for LD packages but it was hoped that negotiations in the meantime would result in a fair funding share and what the Council hoped would remain a pooled service. The Executive Director for Adults, Health and Commissioning had tried to meet with health partners for some months to resolve this situation without success. At recent meetings with the ICB Chief Nurse and Director of Strategy, the Chair of Adults and Health Committee had reiterated the need to have an agreement to avoid the Council having to identify funding to manage transition arrangements. There was also concern that meeting delays were jeopardising services for people with learning disabilities, impacting on discussions on health checks and hospital discharges, and preventing the opportunity to achieve a more integrated service.
- reported that the Adults and Health Committee supported recommendation a).
- expressed concern about the labelling and use of reserves. The Executive Director for Finance and Resources reported that he would be presenting his Section 25 report to the next meeting setting out the purpose, assumptions and function of each of the reserves and the basis on which they were being held.
- highlighted the £320k to tackle childhood anxiety and then stated that the budget for Mental Health professionals had been cut by £250k last year because it had been difficult to recruit trained specialists.
- expressed disappointment at the net forecast overspend of £756k across Education partly due to the delays in implementing a new ICT service, and the fact that proposed efficiency savings of £223k were unlikely to be delivered until the 2025/26 financial year.
- expressed disappointment that £4m of Energy Services would not be delivered on time.
- expressed concern that the Council was £6.3m off track of the agreed safety valve position putting at risk £30m of funding. The Chair of Children and Young People Committee reported that this was due to the level of demand, inflation, such as increased pay awards for Teaching Assistants, and delays by the DfE in delivering two new schools in Gamlingay and Wisbech. Positive meetings were taking place with the DfE to realign the process. The Chair commented on how important it was for the DfE to get this project back on track for the finances of the Council and the needs of children with special needs.
- expressed disappointment that half of the budgeted spend for capital schemes was being moved to the next financial year due to slippage, which would mean that the

delay in delivering capital projects would result in more children being taught in temporary classrooms.

- queried the flexible interpretation of earmarked reserves on page 47 of the report. It was felt that these reserves should be for a clearly defined and quantified purpose such as Section 106 agreements, with other items such as pressures on adults and children funded by General Reserves.
- expressed concern about the increase in Adult Social Care debt which was £5.65m over target. The Chair of Adults and Health Committee reported that his committee was keen to scrutinise this issue but had been informed that this was not possible. The Chief Executive clarified that there was a distinction between financial assessment for eligibility in terms of Adult Social Care and the management of debt for the authority as a whole which sat with Strategy, Resources and Performance Committee. He confirmed that he would provide a note on how this process could be managed. Action Required
- reminded that delays in the Court of Protection meant the Council was unable to collect income in many cases. Audit and Accounts Committee had considered Adult Social Care debt in detail and welcomed the proposed actions. The report presented to the committee had helpfully been replicated in the report to Adults and Health Committee.
- highlighted the savings identified as a result of the reduction of proactive weed treatment without the need of chemicals and noted that some funding had been identified in the draft Business Plan if Highways and Transport Committee changed the weedkilling policy.

It was resolved unanimously:

- a) to agree a virement of £633k of social care support grant-funded budget from Adults, Health & Commissioning to Children, Education and Families, as set out in 3.1 of Appendix A;
- b) to allocate across 2023/24 and 2024/25 £389k Public Health reserves to School based interventions to address obesity and £320k to tackling childhood anxiety, as set out in 3.2 of Appendix A; and
- c) approve an agreement reached with the Council's insurers determining the insurance payout arising from a school fire, as set out in 3.3 of appendix A.

## 182. Cambridgeshire and Peterborough Combined Authority (CPCA) Grant Funding Agreement with Cambridgeshire Skills

The Committee was asked to approve the receipt of £4.8m for the academic years 2023/24 and 2024/25 of Cambridgeshire and Peterborough Combined Authority (CPCA) grant funding for adult education to enable the agreement to be signed under seal. The management of performance and delivery would continue to be undertaken by Communities, Social Mobility and Inclusion Committee (COSMIC).

Whilst welcoming the report, Members expressed surprise that this agreement was being issued in the form of a deed that needed to be signed under seal. They queried why this approach had been taken and whether it was appropriate, particularly as there were legal implications. The Executive Director of Strategy and Partnerships reported that Pathfinder Legal Services had confirmed that it needed to be signed as a deed. Another Member asked what the implications would be if the Council failed to fulfil its obligations. There was also concern about the added legal costs involved in adopting this approach.

The Chief Executive explained that the CPCA's standing orders required it to be sealed as a deed, and the Council's standing orders required anything over £500k to be sealed as a deed, but that this would be clarified. It was noted that recommendation b) delegated responsibility to the Executive Director of Strategy and Partnerships in consultation with the Chair to sign the agreement under seal, so this would enable both to check this was the best way forward before signing. The Chair asked for these issues to be investigated and a note to be provided to the committee including the outcome of the delegation decision. She suggested that it was also possible that the Council's standing orders might need to be reviewed given the impact of inflation on limits. Action Required.

One Member queried the lack of reference to inflation in the agreement. The Head of Cambridgeshire Skills acknowledged that the amount of work the Council would be able to do in the second year could be reduced as the majority of funding was cost based. The Chair reported that it was helpful to have a two year settlement to invest and plan. It was noted that the service was on target to deliver the full amount of funding in this academic year. In the previous academic year, the service had been slightly over profile and hopefully if there were other providers who had under-performed there was scope for some reconciliation. However, it was important to note that the service planned per academic year.

The Chief Executive thanked the Head of Cambridgeshire Skills for his leadership and his Team in continuing to support people getting into work.

It was resolved unanimously to:

- a) accept the funding agreement from the Cambridgeshire and Peterborough Combined Authority; and
- b) provide authorisation for it to be signed under seal, delegating responsibility to the Executive Director of Strategy and Partnerships in consultation with the Chair of the Strategy, Resources and Performance Committee.

### 183. Business and Financial Plan 2024-29

The Committee considered a report reviewing progress and future plans to deliver the Council's Strategic Framework within a proposed draft financial plan and budget ahead of consultation by the other policy and service committees. The Chief Executive reminded Members that the local government financial context continued to be very challenging following years of delivering efficiencies and savings. Despite lobbying by the County Councils' Network (CCN), the Local Government Association (LGA) and a

range of professional bodies, the provisional settlement published on 20th December had provided limited respite to address pressures in the sector. The Leader, together with 32 leaders of upper tier authorities, had written following the Chancellor's autumn statement to outline the pressures around children's social care, home to school transport and provision for children with special educational needs and disabilities.

Although the Council was not in the same situation as an increasing number of other authorities in relation to publishing a Section 114 notice, it was experiencing an increase for demand led services and in inflation. It was important that the government responded to the reforms necessary to address the issue of underfunding in the county in terms of needs and demography. Members were reminded that the Chief Executive at their last meeting had outlined his view that a blend of savings, income and potentially the draw down of reserves would be needed to achieve a balanced budget. Whilst this information was set out in the report, attention was drawn to the £2m budget gap still facing the council. Larger scale changes had been identified for the medium-term covering workforce design, assets and estate, digitisation and automation.

The Executive Director for Finance and Resources thanked all officers involved in developing this Business and Financial Plan. The demand and inflation figures in the report reflected the national and local pressures. The impact of pay inflation, the challenge around care and transport, construction costs, and interest rates on borrowing on the delivery of the budget were highlighted. The one year provisional settlement was less than the pressures faced by the Council and announcements were still awaited on funding from the Department for Work and Pensions, Department for Transport and DfE. Given the late announcement of the settlement, it was too early to give any further advice to the committee.

The report set out a proposal to increase Council Tax by 2.99% and the Adult Social Care precept by 2%. The continuation of the New Homes Bonus was welcomed, although it was only for one year but that needed to be offset against worse outcomes on service grants. A risk around the baseline Council Tax data from the Districts remained. Whilst capital financing was within the defined levels, the level of reserves and longer funding term gap highlighted the need to deliver this budget in 2024/25, but the initial review was that the Council remained in a strong and stable position.

The Chair acknowledged how difficult the budget process had been this year. She thanked the Chief Executive and his management team, and finance officers for their hard work particularly in identifying the risks of inflation and demand, and she also thanked all staff across the council who had thought hard about how this budget could be balanced.

One Member questioned why it was proposed, at this stage, to increase Council Tax by 4.99% without knowing the detail in the settlement. If this was the approach then it was also questioned why there was no detail regarding how the £2m funding gap would be closed. It was felt, by the same Member, that the situation for local households had been made even worse by the decision of the CPCA Mayor to increase the Mayoral Precept to £36. The emphasis on the reserves position for the January meeting was welcomed particularly given that there was £161m in earmarked reserves. It was also noted that the business plan relied on the expenditure of one off reserves. Attention was drawn to the £1m funding included to address weeds but no decision had yet been

made to reverse the current policy. Another Member reminded the committee that there was an item on the January Highways and Transport Committee to consider this issue.

Attention was drawn to the risks faced by the Council. The CCN survey of higher tier authorities had shown that the majority would be facing Section 114 notices within a couple of years. It was acknowledged that for some of the current Section 114 notices it was possibly due to councils making unwise decisions in the past but when this applied to the majority it reflected a broken system. The Council was managing huge levels of risk including £37m for the additional cost of inflation, which was the result of decisions taken nationally. It was therefore important to acknowledge the effort involved in presenting this plan, which managed to address all the authority's policy goals.

One Member drew attention to the funding gap and the work taking place in relation to mental health particularly given the findings in the recent Quality of Life Survey. It was probably unaffordable to have a countywide new crisis response initiative but it could be affordable to have a pilot in one area, which was welcomed. The round of policy and service committee scrutiny meetings in January were very important to have a thorough, open and transparent debate. The fact Cambridgeshire was in a stable and well managed position was due to its detailed financial management system.

Another Member reported that the Secretary of State for Levelling Up, Housing and Communities had issued a statement asking local authorities to be mindful of cost of living pressures when taking decisions about Council Tax. Councils were not forced to set taxes at the threshold level, so it was queried whether the proposed Council Tax levels would change before full Council and whether there would be a referendum. In response, it was noted that the majority of local authorities were being forced to increase Council Tax to the maximum without the need for a referendum.

Members were reminded that the agenda for the meeting had been published before the announcement of the provisional settlement. One Member reported that following the publication of the settlement, the LGA had announced that the funding uplift assumed that all councils would increase Council Tax to the maximum. The settlement did not provide enough funding to meet the severe cost and demand pressures which had left all councils warning of the serious challenges they faced to set balanced budgets. Councils in England continued to face a funding gap of £4b over the next two years. Local services relied on by communities were therefore exposed to further cuts. No council was therefore immune to the growing risk to its financial sustainability. One in ten well managed councils were unsure if they would be able to balance their budgets this year, which would rise to one in four next year and six in ten in the following year. The Council was trying to balance its budget whilst facing significant rising demand, and would do its best to find savings.

Another Member highlighted the importance of the Household Support Fund and the disappointing news that the Treasury was not proposing to provide funding even though the Chancellor had made a commitment following his autumn statement. The lack of funding would be a significant blow to address poverty in the county.

The Chair commented that it was an extraordinary difficult budget with high levels of risk particularly in relation to social care, demand and inflation. She highlighted how much had been promised and not delivered over the last five years by government. The

Council therefore needed to make prudent decisions for the longer term. No administration wanted to increase Council Tax to the maximum given the impact on struggling families, but any change was reliant on changes to the national picture. The Council had a legal and moral responsibility to provide social care and fulfil its statutory duties. She acknowledged that the previous administration had not left the Council in the same catastrophic financial position as some other authorities, so it was important to carry on with that prudent approach.

It was resolved to:

- a) consider the draft updated Strategic Framework (Appendix 4), alongside the draft budget (Appendix 1) and other material, in light of all the planning activities undertaken to date.
- b) consider the proposed approach to moving towards a balanced budget in 2024/25 as set out in Table 1, section 9 and Appendix 1.
- c) agree to consult on the draft budget proposals prior to further consideration at Strategy, Resources and Performance Committee on 30 January 2024 ahead of the budget setting meeting at Full Council on 13 February 2024, including the following:
  - i. Medium Term Financial Plan and Business Plan (Section 12)
  - ii. Growth and Pressures (Section 7)
  - iii. Savings and Income (Section 9, Appendix 1C)
  - iv. Capital Programme (Section 8, tables 4-5 of appendix 1B).

#### 184. Corporate Performance Report – Quarter 2 2023-24

The Committee considered performance information for corporate services for quarter two. Attention was drawn to Indicators 190: Proportion of information enquiries resolved at first point of contact, and 204: Annual forecast of the gross income from our commercial investment as a percentage of initial investment, which had exceeded their targets. In relation to red indicators, Indicator 183: Percentage of Subject Access Requests completed with statutory timescales showed continued progress but it remained challenging given the high volume of requests received. It was hoped that the other red indicator 212: Number of staff who have completed Introduction to First Aid would be met by the end of the financial year. Attention was drawn to the Joint Agreement Action Plan, which included a seminar on the new Project Management Framework and Strategic Programme Management Office planned for 17 January 2024.

It was noted that there had been a decline in performance of the percentage of IT requests resolved at first line within expected timescales. The Executive Director for Finance and Resources reported that there had been a number of incidents throughout August but performance was now back on track.

It was resolved unanimously to note and comment on performance information and act, as necessary.



## 185. Treasury Management Report – Mid-Year Report 2023-24

In considering the Treasury Management mid-year report for 2023-24, the Committee was reminded that an updated version of table 2 had been circulated and published on the Council's website to correct an error. This report fulfilled the statutory requirement for full Council to consider the treasury management position twice annually. It was noted that the Council was in line in quarter 2 with its prudential indicators and was not in an over borrowed position. Whilst in a challenging economic environment, it was following the advice of its treasury advisors to take out short term debt with the expectation that interests rates would ultimately come down. Although borrowing levels had reduced over the year, it was expected that more borrowing take place in the coming year to fund the Council's capital programme. The income on cash deposited was considerably higher than expected resulting in an underspend on the capital financing budget, and the treasury investments were beginning to provide above expected level of dividends. It was noted that the business planning papers for January would include an updated Treasury Management Strategy.

One Member highlighted the risks associated with the current opportunistic approach to taking out short term debt. It was suggested that a different approach should be adopted to de-risk the operational boundaries. The Head of Finance acknowledged that ideally the Council should have a more laddered approach to debt. However, interest rates were much higher than the last few years and where they were expected to be at this point. The Council was therefore following the advice of treasury advisors to take short-term debt at relatively higher rates because it was expected that interest rates would be lower in the future. Some Public Works Loan Board loans had been taken out on a three and a half year basis to mitigate the risk. It was noted that the indicators provided a maturity structure of borrowing limits. The Executive Director for Finance and Resources added that the Treasury Management Policy set out the risk appetite, which was reviewed on a daily basis.

Another Member reported that it was potentially an increasing risk because any decision to regularly go for short term borrowing in the expectation that longer term rates were going to be available in the near future could result in the accumulation of more short term debt if a reduction failed to occur. It was therefore queried whether it was appropriate to have a limit of a maximum of 80% of debt taken out under 12 months. The Executive Director for Finance and Resources stressed the importance of providing as much flexibility as possible but also highlighted the need for due diligence to protect the Council's finances. The original request to de-risk the policy to achieve a balanced approach was reiterated given the possibility of sudden and unexpected changes. The Executive Director reported that approaches to risk would continue to be set out in the Treasury Management Strategy. It was a well-managed service supported by advisors, which provided a considered approach to all investments and borrowing, and managed risks.

The Chair reported that she was reassured by the actual and estimated figures in Table 1, which showed that over 57% of borrowing was not due to mature until over five years. However, she suggested that it would be uncomfortable for borrowing under 12 months to rise much further. Therefore it might be appropriate to identify a figure the Council was comfortable with rather than a maximum of 80%. It was agreed that a

briefing on this issue should be provided in the next report to committee. Action Required.

The Executive Director for Finance and Resources welcomed this detailed discussion on the Treasury Management Strategy and reported that a briefing with the Council's Treasury Advisors would be arranged for the new year.

It was resolved unanimously to note and comment on performance information and act, as necessary.

186. Strategy and Resources Committee Agenda Plan, Training Plan, Appointments to Outside Bodies and Internal Advisory Groups

The Committee was asked to review its agenda plan and training plan, and to appoint Councillor Murphy to replace Councillor McDonald as the Council's representative on Pathfinder Legal Services Limited.

One Member asked for an all member training session on Cambridgeshire Skills. Action Required.

It was resolved unanimously to note the agenda plan and training plan, and appoint Councillor Murphy to replace Councillor McDonald as the Council's representative on Pathfinder Legal Services Limited.

Chair