Appendix A

Integrated Finance Monitoring Report
August 2022

Contents

1. Executive Summary

1.1 This report sets out the main overall management accounts for the Council, and presents financial and other information to assess the Council's financial position and delivery of the business plan.

The Council's financial accounts are produced annually and are available on our website.

The Council's total service budgets for 2022/23 are:

- Revenue: £456m net budget
- Capital: £167m (with a total programme of over £1bn)

The table below shows the key forecast information by service:

Service	Revenue Budget Variance £000	Revenue Budget Variance %	Net Capital Budget Variance £000	Net Capital Budget Variance %
People & Communities	44	0.0%	-2,049	-3.0%
Place & Economy	526	0.8%	0	0.0%
Corporate Services	1,656	6.0%	0	0.0%
Public Health	0	0.0%	-	-
Capital Financing	0	0.0%	-	-
Funding Items	0	0.0%	-	-
Net Spending Total	**2,227**	**0.5%**	**-2,049**	**-1.2%**

Note: headings reflect the organisation of services in August 2022. Organisational changes will be reflected from October's monitoring report.

Between 2021/22 and 2022/23, significant budget growth has been provided for:

Item	Change for 2022/23 £000
Inflation	9,991
Demand growth	9,615
Pressures	16,236
Investments	7,253

In setting this year's budget, this growth had to be met through additional taxation, savings and government funding. We also have significant budget gaps over the next few years, including at least £28m in 2023/24, before the effects of significant inflationary pressures are applied.

Detailed financial information about each service area is contained in the relevant Finance Monitoring Report. These can be found published at each scheduled committee meeting, and on the Council's website.

Summary financial information in this report is presented with the assumption that any accompanying recommendations to committees will be agreed.

1.2 Key Issues

We are currently forecasting a small (0.5%) overspend for 2022/23, mainly due to the effects of the expected level of public sector pay inflation for this year, which exceeds the estimates used in budgeting. This is in the context of large budget increases that were planned in for this year as noted above, alongside uncertainty due to the impacts of inflation and patterns of demand.

In June, the Council allocated additional resources to meet expected inflationary pressures this year, mainly driven by energy prices and some of our large contracts that are linked to national inflation indices. It also created a reserve to meet unexpected inflationary pressures. Other than with pay inflation, we do therefore expect to be able to meet the costs of inflation on our revenue budgets this financial year as things stand. It remains a significant concern, however, in looking ahead to setting our medium-term financial plan for the next five years.

Inflation is also impacting on our capital programme, alongside international supply chain disruption, making deliverability less clear. This is having an in-year impact on capital schemes as well as affecting future years.

There is uncertainty caused by changes in national government and their potentially different priorities. Funding levels for both Councils and the NHS are uncertain, and it is not clear whether the government will press on with several reforms (such as of the adult social care system).

We continue to move forward with local investments and reforms through the Just Transition Fund, particularly in the areas of Net Zero and flood mitigation.

Over recent years we have generally succeeded in managing risks within budget, alongside delivering ambitious savings plans that are necessary to close our funding gap. We are also pro-actively managing our large contracts, ensuring value for money, and maximising grant funding where possible from government. Investment by the Council, such as in free school meal provision during holidays, should provide some further support to people.

Demand for our services so far this financial year appears to be within original projections, but remains an uncertainty over the coming months. In particular, the impact of Autumn and Winter on social care budgets is difficult to predict, and the national economic picture (including rising fuel bills) may increase demand on Council services.

There is a potential for government policies and reforms to impact on our finances if they are not fully funded. In particular, government reforms of adult social care that are expected to take effect in 2023 could cost the Council over £15m per year extra. No funding at this level has been committed to by government, and so this is a key risk in looking at available resources and next year’s budget.

1.3 Key Issues by Service Area

1.3.1 People & Communities – Adults

The financial position of this service is considerably uncertain. Care providers are continuing to report cost pressures related to both workforce issues and the current cost of living rises. These are putting pressure on uplift budgets across all care types. In addition, the position of the care market, particularly related to workforce issues, is making some placements more difficult to source, particularly at the more complex end of provision.

Hospital Discharge systems continue to be pressured. The medium-term recovery of clients assessed as having primary health needs upon hospital discharge can return individuals to social care funding streams. In addition, the impact of delayed health care treatments such as operations, will also affect individual needs and health inequalities negatively. It is anticipated that demand for services will increase as we complete more annual reviews, many of which are outstanding due to the pandemic.

Financial pressures in some areas are being offset by demand continuing below expectations in other areas. In particular, it is likely that demand for residential care for Older People will remain at below pandemic levels for some time to come. Work is ongoing to assess future demand, cost pressures and the financial implications of the government's social care reforms which are due to be implemented in October 2023. This work will feed into business planning for 2023-34 and beyond. If demand increases above current expectations within the current financial year, we have provision to offset the costs of this in the Adult's risk reserve which currently stands at £4.7m.

In line with the social care reform agenda the Council is currently undertaking "fair cost of care" exercises with both homecare and care home providers. It is anticipated that the outcomes of these exercises nationwide will be a gap for some Councils between what is currently paid and the newly assessed "fair cost of care". Whilst we have some funding from government for 2022/23 to start to close this gap, there may well be a pressure to be addressed over the coming years to reach a point where care providers are paid the "fair cost of care".

Key activity data for Adult Services at the end of August 2022 is:

Older people aged 65+ receiving long term services	Budgeted no. of care packages 2022/23	Actual Aug 22	Actual May 22	Trend in service user numbers since May 22	Trend in average weekly unit cost since May 22 (budget expects an increase)
Nursing	617	572	537	Increasing	Increasing
Residential	947	823	837	Decreasing	Increasing
Community	2,399	2,205	2,225	Increasing	Increasing

Working Age Adults receiving long term services	Budgeted no. of care packages 2022/23	Actual Aug 22	Actual May 22	Trend in service user numbers since May 22	Trend in average weekly unit cost since May 22 (budget expects an increase)
Nursing	37	35	36	Stayed the same	Increasing
Residential	342	336	334	Stayed the same	Increasing
Community	2,626	2,716	2,644	Increasing	Increasing

1.3.2 People & Communities – Children's & Education

In order to address continuing difficulty in recruiting to Social Worker posts, which resulted in a significant staffing underspend last financial year, a Programme Board has been established to focus on recruitment, retention and development of the workforce offer. The Children's Workforce Programme Lead role has now been recruited to, with recruitment underway to appoint to other posts within this team. A children's workforce framework has been produced and work is underway on both medium and long term strategies to address the issues. In the short term, a team of agency workers are supporting permanent staff with the current workload.

All transport budgets have been impacted by the underlying national issue of driver availability which is seeing less competition for tendered routes. This has also resulted in numerous contracts being handed back by operators as they are no longer able to fulfil their obligations and alternative, often higher cost, solutions are required. The increase in fuel costs is also placing further pressure on providers and as such the service are carefully monitoring the situation which is likely to result in higher future costs as and when we retender existing contracts.

Section 2.3 below sets out risks around the Dedicated Schools Grant position and the significant deficit on it. While this deficit is currently ringfenced, the rising numbers of children with Education Health & Care Plans has a knock-on impact on other council budgets, particularly transport.

As noted above, there are risks of increased costs on our significant schools' capital programme due to the availability of materials and labour. We do have one of the larger schools' capital programmes nationally and have typically delivered it within budget.

Key activity data for Children in Care in August 2022 is:

Children in Care	Budgeted no. of care packages 2022/23	Actual Aug 22	Actual May 22	Trend in service user numbers since May 22	Trend in average weekly unit cost since May 22 (budget expects an increase)
Children in Care placements	278	258	260	Stayed the same	Increasing
Fostering and Supervised Contact	242	239	249	Decreasing	Increasing
Adoption	461	422	424	Stayed the same	Stayed the same

1.3.3 Place & Economy

The largest financial risk within P&E is within the Waste service, and work to ensure compliance with odour regulations. A large capital investment is expected, as well as revenue costs while waste is diverted. For this financial year, much of this risk is mitigated by budget provision made or reserves created last year.

This month, we are increasing the expected cost of powering our streetlights. We had previously expected an 80% increase in the cost of electricity from October 2022, but this now will be closer to a 100% increase.

We are also seeing some delay in realisation of additional revenue expected from several of our renewable energy schemes. These programmes expect a significant net revenue return due to the selling of clean electricity, but delays to some capital works are pushing back the expected realisation of income. When income does commence, we expect it to be higher than in the original plan due to rising electricity prices.

Covid continues to impact P&E to some degree as income collection in some services is not expected to return to a normal level until next year, though some budget provision was made to offset this.

As noted above, there are also risks of increased costs within the P&E capital programme, and we continue to monitor spend and the future pipeline of works to be undertaken.

1.3.4 Corporate Services

Corporate Services are forecasting an overspend due to the expected level of staff pay inflation. Until national and local pay awards are set, pay inflation is retained centrally pending distribution to services. If pay increases are in line with the latest offer from the national employers, services would be funded and this central budget would show an overspend.

Work is commencing within the IT service to look at implementing the longer-term strategy of moving to predominantly cloud based services away from physical IT assets. This will likely have a revenue cost impact as services cease to be able to be capitalised, something that is being closely reviewed over coming months.

The Council’s investments, both financial and property, are continuing to perform well and delivering an annual revenue return to us.

Centrally, there are some residual pandemic-related risk provisions left over from previous business plans, but this is at a greatly reduced level compared to the last two years. We expect some ventilation works this year to use up this provision.

1.3.5 Public Health

The Public Health Directorate is funded wholly by ringfenced grants, mainly the Public Health Grant. The work of the Directorate was severely impacted by the pandemic, as capacity was re-directed to outbreak management, testing, and infection control work. The majority of the pandemic work has now come to an end and the Directorate is focussed on returning business as usual public health activity to full capacity as soon as possible and addressing issues arising from the pandemic which have impacted on the health of the County's population.

The service is forecasting a small underspend due to reduced activity on some contracts, alongside difficulty recruiting to a number of posts.There are several risks to PH budgets:

i) much of the Directorate's spend is contracts with, or payments to, the NHS for specific work. The NHS re-focus on the pandemic response and vaccination reduced activity-driven costs to the PH budget throughout 2020/21 and 2021/22. The NHS continues to be under pressure and it may take some time for activity levels to return to pre pandemic levels;
ii) the unprecedented demand for Public Health staff across the country has meant recruitment has been very difficult through the pandemic resulting in underspends on staffing budgets. This position may continue through 2022/23, although appointments are now starting to be made.
iii) recruitment challenges are reflected in our provider services which has affected their ability to deliver consistently.

Public Health services are key to wider preventative activity and can help reduce future costs both in social care and the health service.

The Public Health Grant increased in 2022/23 by around £800k, which was fully invested into the service.

2 Revenue Budget

2.1 This table shows summary information for the Council’s revenue budgets at the end of August 2022:

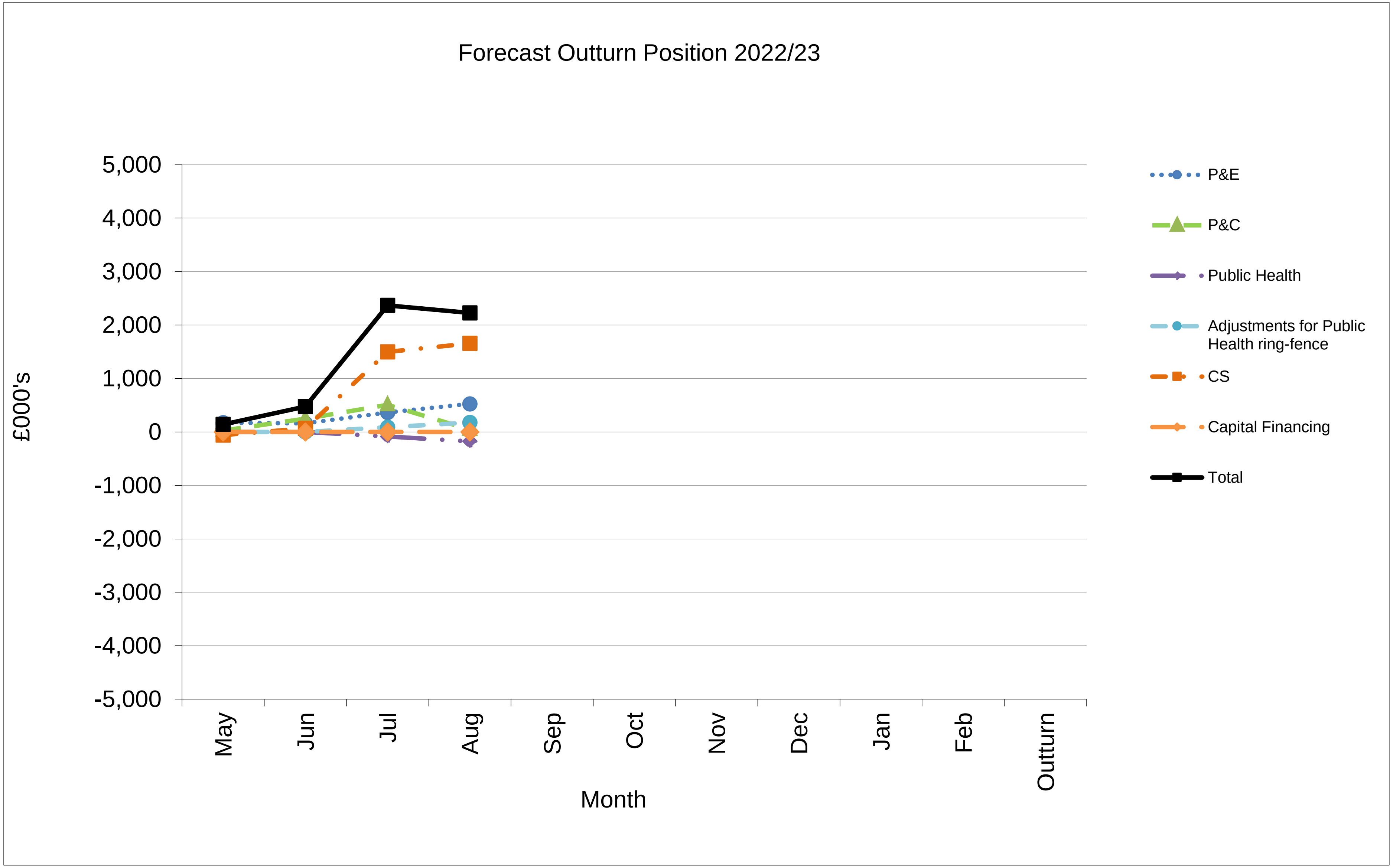
Previous Forecast Variance £000	Service	2022/23 Budget £000	Actuals £000	Forecast Variance £000	Forecast Variance %
507	People & Communities	316,629	106,734	44	0.0%
365	Place & Economy	67,757	17,904	526	0.8%
1,496	Corporate Services	27,709	10,646	1,656	6.0%
-86	Public Health	27,302	-11,280	-176	-0.6%
0	Capital Financing	33,275	2,766	0	0.0%
0	Funding Items	10,692	10,547	0	0.0%
2,282	**Net Spending Total**	**483,363**	**137,317**	**2,051**	**0.4%**
86	Adjustments for Public Health ring-fence	-27,301	-6,825	176	-0.6%
2,368	**Overall Total**	**456,062**	**130,492**	**2,227**	**0.5%**
-	Schools	149,099	-	-	-

Notes on this table:

1. The budget and actual figures are net
2. The budget column shows the current budget. For virements between services throughout the year see appendix 3
3. The ‘funding items’ budget consists of the £9.7m Combined Authority Levy, the £433k Flood Authority Levy and £574k change in general and corporate reserves budget requirement. The forecast outturn on this line reflects any variance in the amount received from corporate grants and business rates from what was budgeted; a negative outturn indicates a favourable variance, i.e. more income received than budgeted.
4. The Adjustments for Public Health ring-fence line shows adjustments needed to the net spending total to account for Public Health Grant income and the year-end transfer to PH reserves of any underspend. The budget line currently only shows the grant element sat within the PH directorate. A small balance is allocated to other directorates and is netted off their totals.
5. The actuals column for Public Health currently shows a negative figure. This is as a result of grant funding received in 2021/22 and carried forward into the current financial year, but not yet applied against spend.

2.2 Key budget variances are identified by exception and commented upon in appendix 1.

Key variances are those forecast to be in excess of +/-£250k



Forecast Outturn Position 2022/23
5,000
4,000
3,000
2,000
1,000
0
-1,000
-2,000
-3,000
-4,000
-5,000
£000's
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Outturn
Month
P&E
P&C
Public Health
Adjustments for Public Health ring-fence
CS
Capital Financing
Total

2.3 This table shows a summary of the position of the Council's Dedicated Schools Grant position:

Opening Deficit Balance 2022/23 £m	**Forecast In-year Deficit £m**	**Forecast Closing Deficit Balance 2022/23 £m**
39.3	11.8	51.1

2.3.1 A cumulative DSG deficit of £39.3m has been carried forward into 2022/23, and this is expected to grow in year by £11.8m at this stage. Under current regulations, this is a ringfenced deficit that cannot be addressed using Council funds.

2.3.2 In 2020-21 the Department for Education (DfE) introduced the safety valve intervention programme in recognition of the increasing pressures on high needs. A total of 14 local authorities have now signed up to agreements, and the programme is being expanded to a further 20 local authorities, including Cambridgeshire in 2022-23.

2.3.3 The programme requires local authorities to develop substantial plans for reform to their high needs systems, with support and challenge from the DfE, to rapidly place them on a sustainable footing. If the authorities can demonstrate sufficiently that their DSG management plans create lasting sustainability and are effective for children and young people, including reaching an in-year balance as quickly as possible, then the DfE will enter into an agreement with the authority, subject to Ministerial approval.

2.3.4 If an agreement is reached, local authorities are held to account for the delivery of their plans and hitting the milestones in the plans via quarterly reporting to the DfE. If adequate progress is being made, authorities will receive incremental funding to eliminate their historic deficits, generally spread over five financial years. If the conditions of the agreement are not being met, payments will be withheld. Senior Officers are continuing to meet with the DfE to discuss the current situation and plans. This process remains a major financial risk in the medium-term due to the scale of the growing deficit and the uncertain extent to which we will need to contribute our own funding to eliminate it.

3 Revenue Funding Changes

This section highlights any new in-year changes to revenue budgets or funding that have taken place or that are proposed for agreement by Committee.

3.1 Homes for Ukraine Scheme: Update on Payments to Councils

The Homes for Ukraine Scheme was launched by the government in March 2022 in response to the invasion of Ukraine. The scheme offers a route to those who want to come to the UK (described as 'guests' by government) and have someone here (a 'sponsor') willing to provide them with a home. Local Authorities play a key role in supporting guests and sponsors through the Homes for Ukraine Scheme. Government funding has been made available to cover the costs of fulfilling this role. In two tier council areas such as Cambridgeshire, whilst both County and District Councils will have access to funding, this will initially be paid to the upper tier council. It is a condition of funding that councils must agree a plan locally to enable prompt payments to lower tier authorities in relation to all services which they provide to guests. We hold a Finance focussed subgroup of the overarching Tactical Coordination Group every other week to work closely with District colleagues on this.

Government funding is being made available through a series of grants on a quarterly basis. Grant funding is split across the following three areas:

1. £10,500 tariff per guest to enable councils to provide support to guests. This funding is un-ringfenced but has a number of conditions attached including the maintenance of accurate data. Payments are based on the actual number of Homes for Ukraine guests having arrived in the area in the claim period. £9.4m was received for the March – May period for 892 arrivals, with a further £6m expected for the 575 arrivals in quarter 2.

The tariff funding is planned to be used across the following areas:

- Funding initial costs at District level including Host DBS and accommodation checks, Guest welcome payments, administration, and community work.
- County level costs, including administration of the programme, and additional demand in the short-term to services including Adult and Children's social care.
- Further additional District costs around homelessness prevention, including providing housing advice, increasing housing stock available to rent and assistance to Guests in moving into private rented accommodation once their sponsorship period ends.

Expenditure of the remainder of the grant will be reviewed in the coming months as more information becomes available.

Further funding will be received at the rate of £10,500 per guest arriving into Cambridgeshire, which could be up to a further £4.5m in total for quarters 3 and 4, based on the current estimated expected number of guests 1,898 in total.

2. £350 per household per month for optional monthly ‘thank you’ payments to sponsors. This funding is through a ringfenced grant and is claimed in arrears against the actual numbers of £350 thank you payments made to sponsors in the claim period. Payments are made by Districts, with the County Council acting as an agent in passing through the grant. £78k was received for March – May for 223 payments made, this has been paid over to Districts in full. A further £500k is expected to be received for Q2 and this will also need to be paid over to Districts in full.

3. The Department for Education will allocate funding on a per pupil rate depending on the phase of education for Early Years, Primary and Secondary pupils at rates of £3,000, £6,580 and £8,755 respectively, pro-rated depending on arrival date. This rate is to cover both setting/school and central costs. £1.3m has been claimed for March – Aug for 528 arrivals meeting the age criteria for this funding. The majority of this funding will be passported onto Schools and Settings with some retained for the impacts on schools spend delivered through the Council (such as high needs spend). It is proposed to delegate authority to allocate this funding to the Service Director for Education.

4 Capital Programme

4.1 Capital programme financial position

Previous Forecast Variance £000	Service	2022/23 Budget £000	Actuals £000	Net Forecast Variance £000	Forecast Variance %	Total Scheme Budget £000	Total Scheme Forecast Variance £000
0	Place & Economy	85,225	19,250	0	0.0%	589,322	5
0	People & Communities	68,644	8,321	-2,049	-3.0%	581,519	1,752
0	Corporate Services	13,469	2,019	-0	0.0%	61,499	0
0	**Total**	**167,339**	**29,590**	**-2,049**	**-1.2%**	**1,232,340**	**1,757**

Notes on this table:

1. The Budget column incorporates any changes in the funding available to what was originally budgeted in the Business Plan. A breakdown of the budget changes made in-year can be found in 4.4
2. The Budget column also includes an assumed level of variations, called the ‘capital variations budget’ which is shown in section 4.2
3. The reported Place & Economy capital figures do not include the Greater Cambridge Partnership, which has a budget for 2022/23 of £40m and is currently forecasting a balanced position.
4. The columns setting out budgets and forecast variances for total schemes show financial information for all schemes in a service block across all financial years.

4.2 Capital variations budgets

4.2.1 A summary of the use of the 2022-23 capital programme variations budgets by services is shown below. These variation budgets are set annually and reflect an estimate of the average variation experienced across all capital schemes, and reduce the overall borrowing required to finance our capital programme. There are typically delays in some form across the capital programme due to unforeseen events, but we cannot project this for each individual scheme. We therefore budget centrally for some level of delay. Any known delays are budgeted for and reported at scheme level. If forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when rephasing exceeds this budget.

4.2.2 Capital variations summary

Service	Capital Variations Budget £000	Forecast Outturn Variance £000	Capital Variations Budget Used £000	Capital Variations Budget Used %	Net Forecast Outturn Variance
Place & Economy	-18,660	-1,947	1,947	10.4%	0
People & Communities	-9,502	-11,551	9,502	100.0%	-2,049
Corporate Services	-2,459	-872	872	35.5%	-0
Total	**-30,621**	**-14,370**	**12,321**	**40.2%**	**-2,049**

4.2.3 As at the end of August, People & Communities have exceeded the capital variations budgets allocated to them, forecasting an in-year underspend of -£2.0m. The current overall forecast position is therefore a -£2.0m underspend; the forecast will be updated as the year progresses.

4.3 Key capital budget variances are identified by exception and commented upon in appendix 2.

Key variances are those forecast to be in excess of +/-£250k

4.4 Capital Funding Changes

4.4.1 This table sets out changes to funding for capital schemes in-year.

Funding Source	Business Plan Budget £m	Rolled Forward Funding £m	Revised Phasing £m	Additional/ Reduction in Funding £m	Revised Budget £m	Outturn Funding £m	Funding Variance £m
Department for Transport (DfT) Grant	23.9	-5.0	0.0	2.5	**21.5**	21.7	0.2
Basic Need Grant	14.7	0.0	0.0	1.0	**15.7**	15.7	0.0
Capital Maintenance Grant	3.0	2.0	0.0	0.9	**5.9**	5.9	0.0
Devolved Formula Capital	0.8	1.2	0.0	-0.0	**2.0**	2.0	0.0
Specific Grants	19.7	2.4	-1.9	0.7	**20.9**	12.4	-8.5
S106 Contributions & Community Infrastructure Levy	28.0	0.4	-14.1	0.0	**14.4**	15.2	0.8
Capital Receipts	1.5	0.0	-0.1	0.0	**1.3**	1.3	0.0
Other Contributions	10.2	-0.4	-4.2	5.2	**10.8**	10.6	-0.2
Revenue Contributions	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0
Prudential Borrowing	90.6	26.8	-35.1	-7.4	**74.9**	80.6	5.7
TOTAL	**192.2**	**27.473**	**-55.319**	**2.939**	**167.3**	**165.3**	**-2.0**

Notes on this table:

1. The ‘rolled forward funding’ column reflects the difference between the anticipated 2021/22 year-end position used at the time of building the initial Capital Programme budget, as incorporated within the 2022/23 Business Plan, and the actual 2021/22 year-end position.

4.4.2 In the current environment, contractors and sub-contractors only hold prices for a limited time period, often just a couple of weeks. We are seeing schemes increasing in overall cost as a result of delays in getting final approval from the point at which a quote is given to us. Committee is therefore asked to give a delegated approval to the s151 officer for a limited 12-month period to be able to authorise a 5% variation on cost changes on schemes within the capital programme upon reaching Milestone 4 to allow for quicker decision making. This would allow schemes costs to be finalised during this volatile period without the delay in coming back to seek committee approval for additional budget that could result in even further additional costs.

5 Balance Sheet

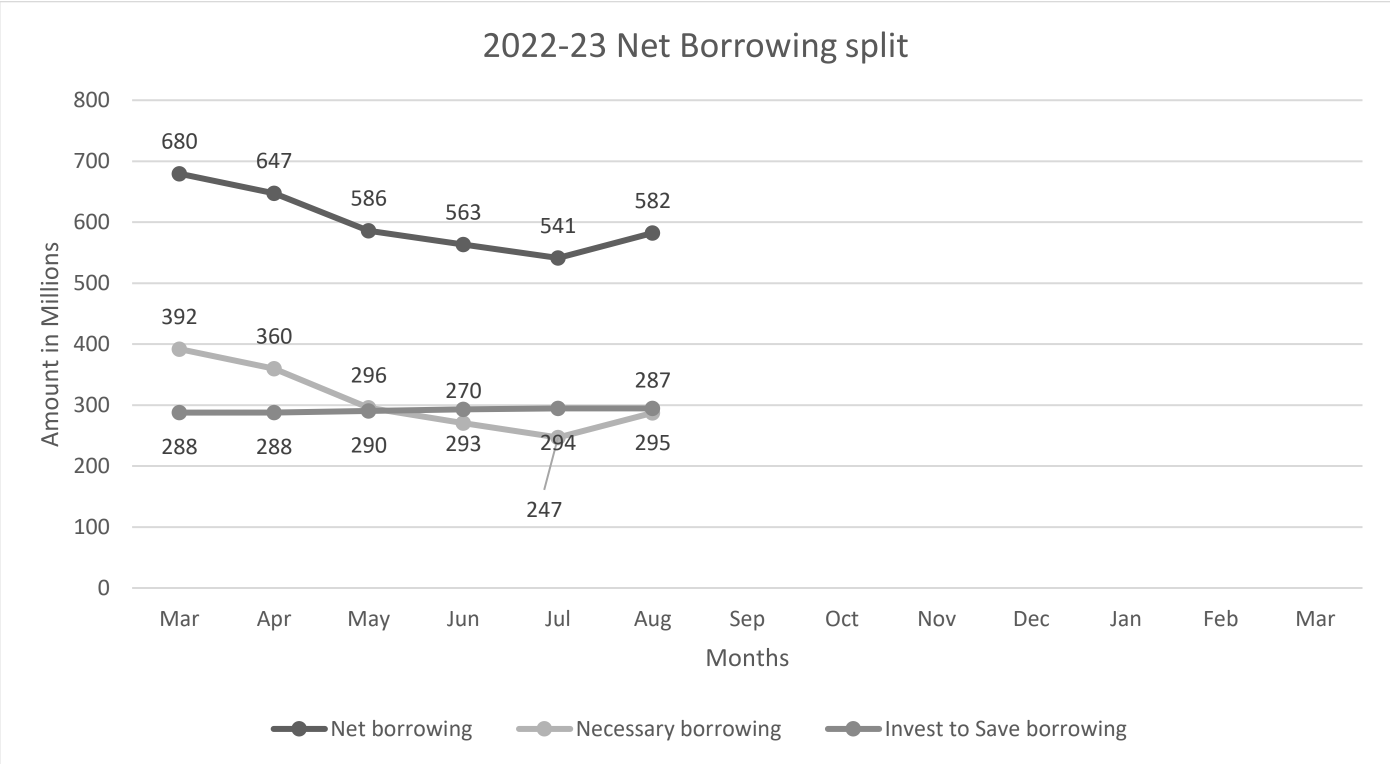
5.1 Reserves

At the end of August, the Council has revenue reserves totalling £161m. Most of these reserves are earmarked for specific purposes, and the breakdown of these can be seen in appendix 4. We retain a general fund reserve as our principal un-ringfenced reserve, which is held at a target balance of 4% of gross non-school expenditure.

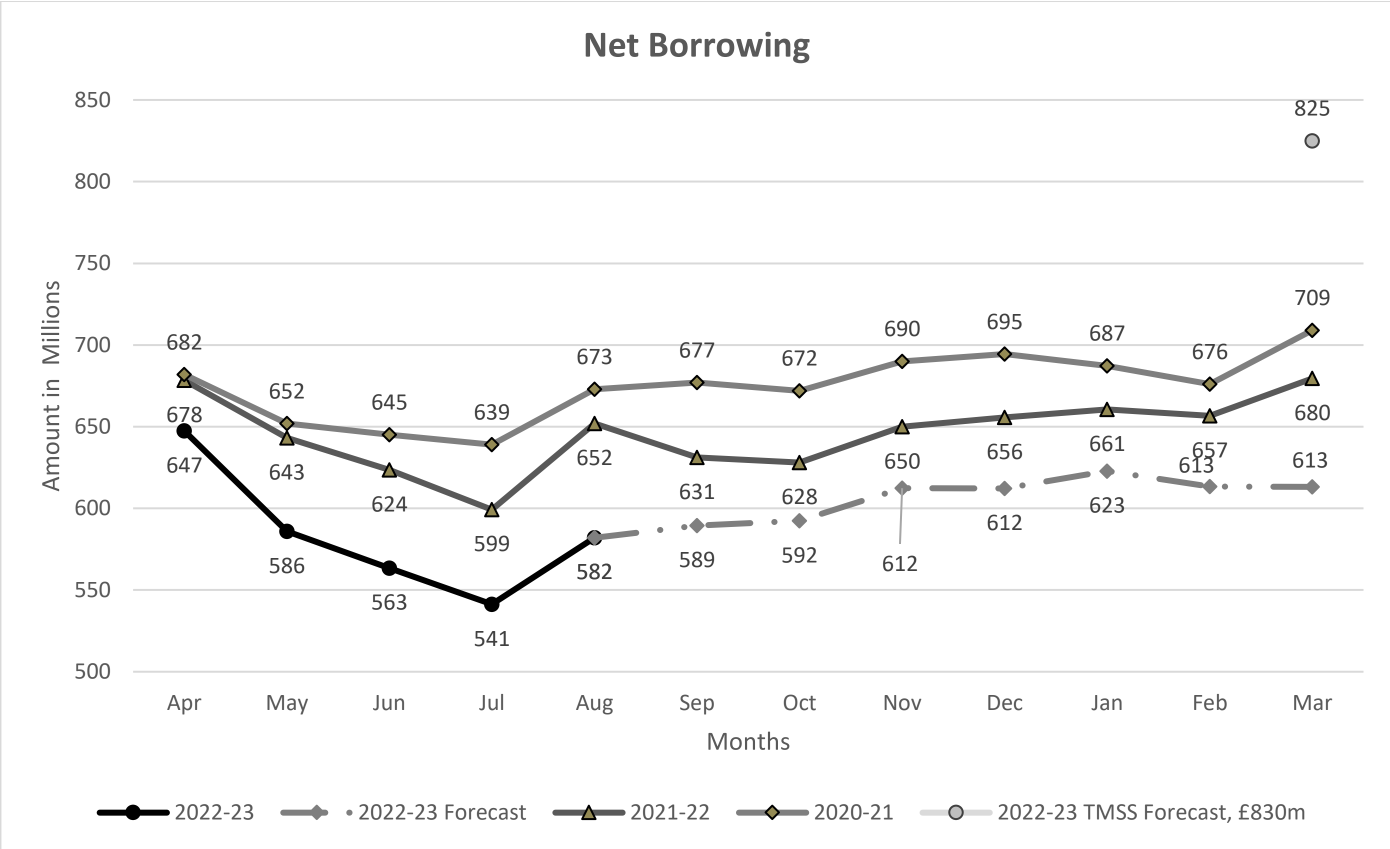
The medium-term financial strategy assumes a gradual reduction in the overall level of reserves as earmarked funds are spent, much of which is already planned into medium-term budgets.

5.2 Borrowing

The graph below shows the estimated split of the net borrowing between necessary borrowing and Invest to Save borrowing. Of the gross borrowing in 2022/23, it is estimated that £295m relates to borrowing for Invest to Save or Invest to Earn schemes, including loans we have issued to 3rd parties in order to receive a financial return.



The graph below shows net borrowing (borrowings less investments) on a month-by-month basis and compares the position with previous financial years. At the end of August 2022, investments held totalled £177.3m (excluding all 3rd party loans, Equity and This Land) and gross borrowing totalled £759.3m, equating to a net borrowing position of £582.0m.



5.3 General Balance Sheet

An overview of other key balance sheet health issues is shown below:

Measure	**Year End Target**	**Actual as at the end of August 2022**
% of income collected (owed to the council) within 90 days: Adult Social Care	85%	84%
Level of debt outstanding (owed to the council) 91 days +, £m: Adult Social Care	£3.37m	£12.18m
Level of debt outstanding (owed to the council) 91 days +, £m: Sundry	£1.71m	£2.85m
% of invoices registered on ERP within 2 working days	98.0%	99.5%
% of Undisputed Commercial Supplier Invoices Paid Within 30 Days	95.0%	98.7%
% of Undisputed Commercial Supplier Invoices Paid Within Terms	95.0%	84.3%

6 Treasury Management

6.1 The Council's cash flow profile – which influences the net borrowing requirement - varies considerably during the year, due to the timing difference between outgoing payments (payroll, supplier payments etc.) and income streams (grants, council tax etc.). As illustrated by 2021-22 actual net borrowing positions, cash flows at the beginning of the year are typically stronger than at the end of the year, as many grant receipts are received in advance of spend. The 2022-23 net borrowing position is expected to take a similar path, rising more substantially towards the end of the financial year as capital projects are progressed to completion and financed.

6.2 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the forthcoming year. It identifies the expected levels of borrowing and investments based upon the Council's financial position and forecast capital programme. When the 2022-23 TMSS was set in February 2022, it anticipated that net borrowing would reach £825.0m by the end of this financial year. Based on the 2021-22 outturn position and subsequent revisions to the capital programme, the net borrowing is currently predicted to be below this, at £613m by the end of this financial year.

6.3 From a strategic perspective, the Council continues to temporarily utilise cash-backed resources in lieu of additional borrowing (known as internal borrowing) and where borrowing is undertaken loans are raised for shorter terms, both to generate net interest cost savings and consequently holding less investments reduces the Council's exposure to credit risk. However, this approach carries with it interest rate risk and officers continue to monitor options as to the timing of any potential longer-term borrowing should underlying interest rates be forecast to rise in a sustained manner.

6.4 There is a link between the capital financing borrowing requirement, the net borrowing position and consequently net interest costs. However, the Debt Charges budget is prudently formulated with sensitivity to additional factors including projected levels of cash-backed reserves, forecast movements in interest rates, and the overall borrowing requirement for the Council over the life of the Business Plan and beyond.

Appendix 1 – Revenue – commentaries on exceptions

1. People and Communities

- An overall pressure of £0.044m is forecast for year-end.

New commentaries

1a Older People and Physical Disability Services

Forecast Outturn Variance £m	Forecast Outturn Variance %
-0.7	-1%

A £0.660m underspend is forecast. Older People's and Physical Disabilities Services have undergone a service redesign for the start of 2022-23 to realign the Long-Term care teams into single locality-based community care teams and a specialist care home team. As part of this redesign, a cohort of over-65 clients previously allocated to the Physical Disabilities care budget have been realigned to the Older People's care budget, which means that the Physical Disabilities care budgets relate to working-age adults only.

At this early stage in the year, and with work ongoing to implement the realignment of clients in the social care system, the service as a whole is forecasting a net underspend of -£660k for August. There are early indications that demand patterns that emerged during 2021-22 are continuing into 2022-23, and these are reflected in the individual forecasts for the service.

Further analysis will be carried out over the coming months to review in detail activity information and other cost drivers to validate this forecast position. This remains subject to variation as circumstances change and more data comes through the system.

Older People's North & South
It was reported throughout 2021-22 that despite high levels of activity coming into service, driven largely by Hospital Discharge systems, net demand for bed-based care remained significantly below budgeted expectations, and there was no overall growth in the number of care home placements over the course of the year. This trend is continuing into the first part of 2022-23. Based on activity so far this year, and with a high proportion of new placements being made within the Council's existing block bed capacity, we are reporting an underspend of -£2m.

Physical Disabilities North & South
There has been a significant increase in demand for community-based care above budgeted expectations. The increase in demand largely relates to home care, both in terms of numbers of clients in receipt of care and increasing need (i.e., average hours of care) across all clients. During 2021-22, this impact was offset by a reduction in demand in the over-65 cohort that have been realigned to the Older Peoples budget. This, in conjunction with a reduction in income due from clients contributing towards the cost of their care, is resulting in the reported forecast pressure of £1.34m.

Previously reported commentaries, updated since last month:

1b Mental Health

Forecast Outturn Variance £m	Forecast Outturn Variance %
+0.4	+2%

A £0.381m pressure is forecast within Mental Health Services which is a decrease of £0.169m on the position previously reported last month. The pressure reflects significant additional demand pressures within the Adult Mental Health service. This is partially offset by an expected underspend against the Section 75 Contract.

Adult Mental Health services are continuing to see significant additional demand within community-based care, particularly there has been a notable increase in the volume of new complex supported living placements made since the start of the year.

Older People's Mental Health services had previously seen a reduction in demand for community-based support. This is now returning to match budgeted expectations. Activity in bed-based care remains high, as reported last year, but this is currently remaining within budgeted means.

1c Central Commissioning - Adults

Forecast Outturn Variance £m	Forecast Outturn Variance %
+0.3	+2%

A £0.273m pressure is forecast within Central Commissioning – Adults, which an increase of £0.016m on the position previously reported last month. This pressure is in relation to rapid discharge and transition cars commissioned to manage winter pressures. These cars enable more prompt discharges from hospital, as people can be provided with domiciliary care as part of a block contact while they wait for an individual care package to be sourced. The block contract was commissioned for 12 months, while the NHS only provided 6 months of funding.

This has led to a pressure of +£851k. This is partly mitigated by savings of -£575k due to the decommissioning of six local authority funded rapid discharge and transition cars as part of the wider homecare commissioning model. The long-term strategy is to decommission all the local authority funded cars, meeting the need for domiciliary care through other, more cost-effective means, such as:

- A sliding scale of rates with enhanced rates to support rural and hard to reach areas.
- Providers covering specific areas or zones of the county, including rural areas.
- Supporting the market in building capacity through recruitment and retention, as well as better rates of pay for care staff.

There are some additional small underspends on recommissioned contracts that are further mitigating the pressure.

Previously reported commentaries, unchanged since last month:

1d SEND Financing – DSG

Forecast Outturn Variance £m	Forecast Outturn Variance %
+11.8	+121%

An £11.800m pressure is forecast within the high needs block of the Dedicated Schools Grant (DSG). Due to the continuing increase in the number of children and young people with Education, Health and Care Plans (EHCPs), and the complexity of need of these young people, the overall spend on the High Needs Block element of the DSG funded budgets has continued to rise. The current in-year forecast reflects the initial latest identified shortfall between available funding and current budget requirements.

1e Financing - DSG

Forecast Outturn Variance £m	Forecast Outturn Variance %
-11.8	-11%

This line relates to the £11.800m that will be required to be drawn down from the DSG reserve to meet the in-year pressure on DSG funded services (mainly the high needs block as noted above). This reserve is currently negative (a deficit on the DSG). Within P&C, spend of

£102.9m is funded from the ring-fenced Dedicated Schools Grant. The DSG balance brought forward from 2021/22 was a deficit of £39.3m.

Senior Officers continue to meet with the DfE to discuss the current situation and plans, and as such updates will be provided in due course.

2. Place and Economy

- An overall pressure of £0.526m is forecast for year-end.

Previously reported commentaries, updated since last month:

2a Lost Sales, Fees & Charges Compensation

Forecast Outturn Variance £m	Forecast Outturn Variance %
-0.7	-100%

Parking Enforcement

Forecast Outturn Variance £m	Forecast Outturn Variance %
+0.3	-%

Variance on these two budget lines is linked. Funding is held on the Lost Sales, Fees & Charges Compensation to offset the impact of Covid on parking enforcement income. The pressure on income collection is reported on the Parking Enforcement line. The amount of funding held in offset is greater than the pressure, resulting in a net underspend of £0.415m between the two lines.

2b Energy Projects Director

Forecast Outturn Variance £m	Forecast Outturn Variance %
+0.3	+99%

An in-year pressure of £0.301m is forecast on the Energy Project Director budget. This is a decrease of £0.029m on the pressure position reported last month. Income and maintenance costs for the St Ives P&R Smart Energy Grid forecast for this year have been pushed back into 2022/23. This is due to the private wire connection points to the business customers requiring additional design work resulting from site/operational changes from the customers.

Babraham Road P&R smart energy grid has added an additional phase to its construction programme to address the number of available parking concerns during the construction programme. This has added an additional 14 weeks to the construction programme pushing back income generation and maintenance costs to start by October 2023. The North Angle Solar Farm project will be energised by June 2023 and not December 2022 as originally forecast. This is due to the private wire not being in place by December 2022 as a result of extended third party easement negotiations. This has resulted in an income and maintenance cost delay.

3. Corporate Services

- An overall pressure of £1.656m is forecast for year-end.

New commentaries

3a Contract Efficiencies & Other Income

Forecast Outturn Variance £m	Forecast Outturn Variance %
0.3	+75%

A £0.305m pressure is forecast across Contract Efficiencies & Other Income.

Contract Efficiencies: This is due to ongoing difficulties with supply chains – relating to increasing inflationary cost pressures and continued impact from the pandemic – opportunities to renegotiate current contracts without a change to specification is extremely limited. A procurement three year pipeline is being created alongside a programme of contract review by the Head of Due Diligence and Best Value; it is anticipated savings will be identified through those processes once they commence fully.

External Income: This target originally focused on the achievement of surplus income generation from advertising and sponsorship. Activities in advertising and sponsorship have also been limited not only due to available revenues from businesses wishing to advertise but also the capacity to manage our assets for advertisement/sponsorship and our more exclusive intent for relevant policies to remove or reduce junk food, fossil fuels, etc. Further opportunities for other income are being explored.

Previously reported commentaries, unchanged since last month:

3b Central Services and Organisation-Wide Risks

Forecast Outturn Variance £m	Forecast Outturn Variance %
1.5	+28%

A £1.500m pressure is forecast across Central Services and Organisation-Wide Risks. This budget line holds the inflation allocation for staff pay increases across the Council until a pay award is set at which point budget is allocated to services. The latest pay offer from the national employers, if it was replicated across the council, exceeds the budget provision made. We have assumed in this projection that due to the levels of vacancies across the organisation that the impact of the difference between budget (based on the staffing establishment) and actual pay inflation will be reduced.

Appendix 2 – Capital – commentaries on exceptions

1. People and Communities

- Overall in-year forecast outturn variance of -£2.049m underspend.

Schemes previously reported on, updated since last month:

1a Alconbury Weald Secondary and Special

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
14,500	-11,000	1,000	-12,000

An in-year underspend of -£11.000m is forecast on the Alconbury Weald Secondary and Special scheme. This is a -£12.000m change since the position previously reported last month. A new tendering approach is being taken for the procurement of this project following increases in the estimated cost for SEN works. The SEN School will now be delivered one year later in July 2024 at the same time as the secondary; a combined approach will hopefully achieve a single agreed MS4 sum and overall reduced contract period.

1b P&C Capital Variation

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
-9,502	9,502	0	9,502

Any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall up to the point when rephasing exceeds this budget. Therefore, £9.502m of the overall £11.551m underspend is balanced by use of the capital variations budget. The change since last month relates primarily to the in-year forecast variances on Alconbury Weald Secondary and Special school as reported above.

Schemes previously reported on, unchanged since last month:

1c Northstowe 2nd Primary

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
200	500	500	0

An in-year pressure of £0.500m is forecast on the Northstowe 2nd Primary scheme; this is also a total scheme pressure. This is due to increased scheme costs identified at MS2. The scheme delivery schedule has now also been confirmed. Revised costs were presented at August capital programme board and a revised business case is being taken through the 2023-24 Business Planning process.

1d Soham Primary Expansion

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
49	700	0	700

An in-year pressure of £0.700m is forecast on the Soham Primary Expansion scheme. Completion and delivery of works has been rephased one year from 2025-26 to 2026-27 but land purchase has completed ahead of expectation.

1e St Philip's Primary

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
600	-550	0	-550

An in-year underspend of -£0.550m is forecast on the St Philip's Primary scheme. Rephasing is anticipated following the latest delivery programme received. Works will not now commence on site until next summer to avoid disruption to the school. Works will be to alterations and the main entrance.

1f LA Early Years Provision

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
1,803	-1,403	0	-1,403

An in-year underspend of -£1.403m is forecast within LA Early Years Provision. Two priority schemes have been identified as requiring investment to ensure sufficiency but due to planning and design the schemes will not start construction until 2023/24.

2. Place and Economy

- Overall in-year forecast outturn variance is balanced.

New commentaries

2a Delivering the Transport Strategy Aims- Other Cycling schemes

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
1,117	-526	0	-526

An in-year underspend of £0.526m is forecast on the Delivering the Transport Strategy Aims- Other Cycling schemes. This relates to three schemes: B1049 A14 Histon junction, Eddington to Girton and Ditton Lane, Fen Ditton. For each of these schemes, feasibility and preliminary design work will be undertaken this financial year to establish likely construction costs. Any construction will take place in 2023/24 and the funding will be rephased for this.

Schemes previously reported on, updated since last month:

2b St Neots Future High St Fund

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
831	-469	0	-469

An in-year underspend of £0.469m is forecast on the St Neots Future High St Fund scheme. This is a decrease of £0.071m on the underspend position previously reported last month. The district council governance/approval process required has been accommodated and construction is now programmed to commence in May 2023 therefore no construction expenditure is expected during current financial year, resulting in reduced forecasted figures.

2c P&E Capital Variation

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
-18,660	1,947	0	1,947

Any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall up to the point when rephasing exceeds this budget. Therefore, the net £1.947m underspend is balanced by use of the capital variations budget. The £0.510m change since last month relates primarily to the in-year forecast variance on Delivering the Transport Strategy Aims- Other Cycling schemes as reported above.

Schemes previously reported on, unchanged since last month:

2d Girton to Oakington cycling scheme

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
339	-301	0	-301

An in-year underspend of £0.301m is forecast on the Girton to Oakington cycling scheme. Depending on the outcome of external funding bids there could be a potential to start construction during 22/23 as the detailed design has been virtually completed and the land acquisition required is progressing. As the bids are still not guaranteed, rephasing into 23/24 has been forecasted to complete land and detailed design.

2e B1050 Shelfords Road

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
800	-800	0	-800

An in-year underspend of £0.800m is forecast on the B1050 Shelfords Road scheme. Due to the expected disruption and the road needing to be closed for 2-3 months, the service are consulting as to when it would be best for the work to take place. The likelihood is that this scheme will now commence in 2023-24.

2f Wisbech Town Centre Access Study

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
693	-359	-359	0

An in-year underspend of £0.359m is forecast on the Wisbech Town Centre Access Study scheme. Forecast Spend Outturn is less than Revised Budget for 2022/23 to take into account utility refunds yet to be received during this year.

2g Babraham Smart Energy Grid

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
5,630	336	0	336

An in-year pressure of £0.336m is forecast on the Babraham Smart Energy Grid scheme. In discussion with Addenbrookes Hospital, the construction phasing plan for Babraham Smart Energy Grid was changed post-contract from a two-phase to a three-phase programme to allow sufficient parking to be available at the Babraham Park and Ride site during construction of the smart energy grid for the Biomedical Campus. This change has increased the timeline for project delivery by 14 weeks and the upfront capital costs on the project. However, the overall project business case remains positive as a result of the increased tariff for electricity supplies.

2h Environment Fund - Decarbonisation Fund - School Low Carbon Heating Programme

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
0	428	0	428

An in-year pressure of £0.428m is forecast on the Environment Fund - Decarbonisation Fund - School Low Carbon Heating Programme scheme. Last year the schools low carbon heating programme sat together with the Council's office buildings low carbon heating programme but this is now separated out. This will allow closer monitoring of the additional Council's Environment Fund contributions for low carbon heating for maintained schools to match fund any Government Public Sector Decarbonisation Scheme funding. This change was implemented post March 2022 and will therefore be seen as a variance all year.

3. Corporate Services

- Overall in-year forecast outturn variance is balanced.

New commentaries

3a Data Centre Relocation

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
1,530	-872	0	-872

An in-year underspend of £0.872m is forecast on the Data Centre Relocation scheme. Post Data Centre migration we can now seek further convergence of IT infrastructure and services and realise further economies; some of these opportunities also have the potential to migrate to a Cloud based model. Consequently, the shift from a 'like for like' replacement approach has extended the overall timelines for the selection and implementation of some products and services which subsequently requires a re-phasing of the budget.

3b CS Capital Variation

Revised Budget for 2022/23 £'000	Forecast Outturn Variance (Aug) £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
-2,459	872	0	872

Any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall up to the point when rephasing exceeds this budget. Therefore, the net £0.872m underspend is balanced by use of the capital variations budget.

Cambridgeshire County Council

Appendix 3 – Budget transfers between services in 2022/23

This table shows budget movements of at least £1k between service blocks in 2022/23

Budgets and Movements	P&C £'000	PH £'000	P&E £'000	CS Financing £'000	Corporate Services £'000	Financing Items £'000
Opening Cash Limits as per Business Plan	321,579	45	66,101	34,044	27,811	5,777
Post BP, pre initial budget load adjustments between CS and P&E- Energy Schemes			-336		336	
Allocation of unringfenced grant £1,143k Domestic Abuse Act Statutory Duty funding 22-23 to People & Communities as per S&R 29th March 2022	1,143					
Children's Homes Building Maintenance and Children & Safeguarding restructure transfer	-45				45	
Budget transfer for 1.75% pay award for 21-22	1,829		191		-2,020	
Transfer of Market sustainability full grant budget to P&C	-750					
Proposed budget resetting movements as outlined in May IFMR	-3,454		2,251	-769	1,519	655
22-23 BP virements to replace expenditure budgets with reserve draw down lines	-3,606	-45	-455		-155	4,261
Allocation of unringfenced grant £10k Biodiversity Net Gain Grant carry forward to Place & Economy			10			
Allocation of unringfenced grant £100k ASC Charging Implementation Support Grant to Adults Services	100					
Transfer of IT budget P&C to CS	-13				13	
Transfer of Qtr 1 Mileage Savings	-156		-5		161	
Current budget	**316,628**	**0**	**67,757**	**33,275**	**27,710**	**10,693**
Rounding	-2	0	0	0	1	1

Appendix 4 – Reserves and provisions

This section shows the reserves available to the Council, which are one off funds held either for general or specific purposes.

Fund Description	Balance at 31 March 2022 £000s	Movements in 2022-23 (or in budgeting) £000s	Balance at 31 Aug 2022 £000s	Forecast Balance at 31 March 2023 £000s	Notes
General Reserves					
- County Fund Balance	46,475	-18,260	28,215	28,215	
General Reserves subtotal	46,475	-18,260	28,215	28,215	
1 Insurance	4,719	5	4,724	4,724	
2 P&C & Schools	18,518	480	18,998	10,271	
3 PH	8,503	0	8,503	4,661	
4 P&E	9,756	1,231	10,987	4,763	Includes reserve for Waterbeach waste facility works- revenue impact of plant closure
5 Corporate Services	4,552	-105	4,447	2,577	
6 Just Transition Fund	0	13,803	13,803	10,033	Starting balance of £14m, with allocations made totalling £9.9m across medium-term
7 High Needs Block Offset Reserve	0	12,435	12,435	12,435	
8 Transformation Fund	25,012	-21,184	3,829	0	Balance for legacy Transformation projects
9 Innovate & Cultivate Fund	442	350	792	440	
10 Corporate- COVID	26,987	-4,573	22,414	16,820	Includes remainder of COVID-19 Support Grants. Allocated over medium-term.
11 Specific Risks Reserve	2,140	1,429	3,569	3,569	
12 This Land Credit Loss & Equity Offset	5,850	0	5,850	5,850	
13 Revaluation & Repair Usable (Commercial Property)	2,940	0	2,940	2,940	
14 Collection Fund Volatility & Appeals Account	3,690	544	4,234	4,234	
15 Local Government Settlement phasing reserve	0	4,324	4,324	4,324	Applying the temporary elements of the 2022/23 finance settlement over multiple years
16 Post-pandemic recovery and budgeting account	0	7,017	7,017	7,017	
17 Business change reserve	0	4,000	4,000	3,750	
18 Grant carry forwards	14,031	-14,031	0	0	Carry forward of unspent ring-fenced grants
Other Earmarked Funds subtotal	127,140	5,725	132,865	98,407	
SUBTOTAL	**173,615**	**-12,535**	**161,080**	**126,621**	
19 P&C	6,116	0	6,116	0	
20 P&E	4,063	0	4,063	0	
21 Corporate Services	13,857	691	14,548	14,057	
22 Corporate	73,787	14,884	88,670	80,480	
Capital Reserves subtotal	111,016	15,575	113,398	94,537	
GRAND TOTAL	**284,630**	**3,040**	**274,477**	**221,159**	

Fund Description	Balance at 31 March 2022 £000s	Movements in 2022-23 £000s	Balance at 31 Aug 2022 £000s	Forecast Balance at 31 March 2023 £000s	Notes
1 P&E	0	0	0	0	
2 P&C	16	0	16	16	
3 Corporate Services	2,093	0	2,093	2,093	
Short Term Provisions subtotal	2,109	0	2,109	2,109	
4 Corporate Services	4,746	0	4,746	4,746	
Long Term Provisions subtotal	4,746	0	4,746	4,746	
GRAND TOTAL	**6,855**	**0**	**6,855**	**6,855**	