

## STRATEGY, RESOURCES AND PERFORMANCE COMMITTEE: MINUTES

Date: 30 January 2024

Time: 10.00a.m. to 12.05p.m.

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

Present: Councillors Ambrose Smith, Boden, Costello, Count, Criswell, Dupré, Goldsack, Goodliffe, McDonald, Meschini, Murphy, Nethsingha (Chair), Sharp, Sanderson and Slatter

The Chair welcomed Councillor Ambrose Smith who had replaced Councillor Jonas King on the committee. She also paid tribute to the late Councillor Mac McGuire, the Council's longest serving councillor who had held various key roles including Chair of Council, Deputy Leader of the Council, Cabinet Member for Highways and Transport and Cabinet Member for Community Engagement.

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

Apologies were received from Councillors Corney, Howitt, Murphy and Wilson. There were no declarations of interest.

### 188. Minutes – 19th December 2023 and Action Log

The revised minutes of the meeting held on 19th December 2023, which included a correction to Minute 185 to reflect the recommendation in the report, were agreed unanimously as a correct record and signed by the Chair. In noting the action log, one Member drew attention to the time taken to resolve action 137. Whilst it was noted that all delegation notices were published on the Council's website, it was agreed that they should be recorded on the action log to enable the outcome of such decisions to be tracked easily.

### 189. Petitions and Public Questions

No petitions or public questions were received.

### 190. Integrated Finance Monitoring Report for the period ending 30th November 2023

The Committee was informed that there remained a forecast overspend of £5.6m in the revenue budget. The key pressure areas were similar to the last report relating to looked after children staffing and placement costs, and home to school transport. The delay to energy generation schemes still remained a pressure but was off-set by underspends in Adult Social Care driven by increased income, and capital financing driven by delayed borrowing need. There was a significant amount of mitigation reflecting additional business rates and grant income recognised this year. Directorates were continuing to look for further mitigations to bring the pressure down and reduce the impact on the forward budget.

The ringfenced budgets for Public Health and the Dedicated schools grant (DSG) funded budgets were also similar to last month. The capital budget was showing a forecast underspend of £1m, which was concentrated in Finance and Resources, and Strategy and Partnerships. Members were advised of the mitigations applied to service forecasts from the planned use of reserves. They also noted that borrowing was rising in line with the expected profile although later than anticipated. Attention was drawn to recommendation b) relating to the Cambridgeshire Guided Busway.

One Member highlighted the fact that the agreed safety valve position was off track and queried the mitigations to be used. Members were reminded that the Council was in a similar position to most upper tier authorities where spending for high needs was higher than the grant received from government, which had created a large ring fenced cumulative deficit. In order to reduce the deficit, the Council was part of the Safety Valve programme with an agreed action plan with the Department for Education (DfE). This action plan was currently off track so the Council was working to reset it with the DfE.

Another Member commented that the Council was not in exactly the same position as other upper tier authorities because it was one of a few councils taking part in the Safety Valve programme. The Executive Director of Finance and Resources clarified that factors such as inflation, the building of special schools, and the continued increase in Education Health and Care Plans were different from the Council's assumptions. The DfE had recognised this was a national trend so was also a problem for other safety value and delivering better value authorities. Three other such authorities were also having similar discussions with the DfE. Although the Council was not on track, the DfE was also behind in delivering two special schools with one school having an £1m impact on the recovery programme.

One Member queried the expenditure of works planned for Hereward Hall when it was possibly marked for disposal. It was acknowledged that the timing of this report did not reflect the current situation so the works would be considered alongside the timing of any disposal. Although it remained within the current programme, further discussion of all the Council's assets including Hereward Hall would be considered after Council on 13 February 2024.

Councillor Count moved an amendment, seconded by Councillor Goldsack, and agreed unanimously, to add additional wording to recommendation b) extracted from the explanation lines in the report in order to clarify the recommendation.

It was resolved unanimously to:

- a) note the report; and
- b) delegate authority to the Executive Director of Finance and Resources, in consultation with the Chair and Vice-Chair of this committee, to earmark the tranches received this year of legal settlement funds received in relation to the Cambridgeshire guided busway, to cover future costs associated with the guided busway, and to reimburse reserves that supported the legal dispute.

## 191. 2024-29 Financial Sustainability Assessment

The Executive Director of Finance and Resources presented the Section 151 Officer's assessment of the Council's financial standing in line with the statutory duty of that role under Section 25 of the Local Government Act 2003. The report covered the robustness of the budget estimates and the level of reserves held by the Council in order to assess and ensure its financial sustainability. It was important to consider the potential risks facing the Council and whether it had adequate reserves should those risks materialise. Attention was drawn to Appendix 1 which provided a detailed analysis of reserves and a reclassification of the risks for the earmarked reserves and a greater explanation of the general fund reserves. There was also an audit trail of revenue reserves from 2023-24 to 2024-25.

The position set out in the report did not reflect the recent announcement by the Secretary of State with the final settlement expected week beginning 5 February. There would therefore need to be a further review for full Council on 13 February 2024. Overall reserve levels were considered to be adequate but there were a number of factors that could impact on that assessment going forward which needed constant monitoring. These included high needs, commercial risks, overspends, the need to pull back 2023/24 savings, the delivery of future years savings, the lack of clarity around future funding, and high levels of borrowing.

In welcoming the report, individual members raised the following issues:

- queried how much of the high level of borrowing related to invest to save compared to other authorities. It was highlighted that for last year's figure in Chart 2 on page 95, £306m out of £742m related to investments, which resulted in funding for the Council. Taking this into account, the impact on the debt income figure would result in an adjustment from 92% to 38%. The Executive Director of Finance and Resources reported that he could provide a breakdown if required. In response, the Chair added that the strategies of many of the authorities who had been subject to Section 114 notices had been based on investments. Investing could therefore be very risky. Although the Council's level of investment was not extreme, it still presented a risk.
- highlighted whether the borrowing to level of debt chart reflected the authority's significant asset base in particular the £140m County Farm's Estate and a large buildings estate. There was therefore a need to demonstrate the impact on risk of the Council's significant assets. The Executive Director of Finance and Resources reported that he could provide comparators through the Society of County Treasurers. Action Required. The critical point was the management and clear oversight of the risk of high borrowing levels.
- queried whether the use of capital receipts to fund transformation was likely to change. It was noted that the consultation on calls for views on new local authority capital flexibilities was due to close on 31 January 2024 so further direction from government was expected by 31 March 2024. Government had indicated that it would like to see more freedoms and flexibilities and there were a couple of options in the consultation which would increase flexibilities.

- highlighted the belief that funding in the Change and Digital Reserve, £3.75m of Adults Risk Reserve, and £4.6m in the Funding Review Shortfall Reserve were not committed in the five year plan. It was queried whether the Council was likely to use the Adults Risk Reserve. The Executive Director of Finance and Resources stressed the importance of this reserve given the continued risks of demography, price increases, demand, and the requirements of the Care Quality Commission.
- highlighted the announcement by government of £500m for Social Care with approximately £4.5m likely to be awarded to Cambridgeshire, and queried whether this would replace the Adults Risk Reserve. The Executive Director of Finance and Resources reported that no decisions could be made until the outcome of the final settlement was known. He acknowledged that whilst this additional funding was welcome, it was not helpful from a financial planning perspective to have figures published at such short notice.
- queried why the wording in the Business Plan report that “there was no opportunity for a further call on general fund reserves or earmarked reserves in 2024-25, or later years” was different to the Financial Sustainability Assessment. The Executive Director of Finance and Resources clarified that the Assessment covered the four year sustainability position whilst the Business and Financial Plan report included a statement based on the Assessment. The Chief Executive explained that, given the financial state of local government, this was the first time the Section 25 statement had been presented as a separate report and considered in such detail.
- queried whether the provision of £2m to cover the risk of less collected council tax or business rates was sufficient. It was noted that the Council relied on District Council estimates and forecasting. The business rates position was based on four returns to government annually and one outcome return. The resilience of the £2m was therefore based on the current trend.
- queried the data being used to estimate and plan for assumed future increases in business rates and council tax. It was noted that the Council had taken into account the business rates revaluation and the impact that it would have in the coming years. The increases reflected a combination of the revaluation process, new developments and additional sources of income. The Executive Director of Finance and Resources agreed to provide the Chair and Councillor Boden with a briefing note on this issue. Action Required.
- queried the risk to the Council of the delay to Greater Cambridge Partnership (GCP) schemes due to potential delays in Section 106 receipts. It was noted that in relation to treasury management any cash flow financing issues would be dealt with by the GCP.
- queried whether the reduction in Medium Term Financial Strategy (MTFS) support from £16,803m from 1 April 2024 to £7,395m from 1 April 2025 was to deal with any potential overspends for managing changes to the way the Council worked. It was noted that the MTFS support reflected the decision of Council in February 2023 regarding the use of pandemic funding which was spread across future years for the support and delivery of that programme.

- highlighted the fact that the Executive Summary concluded that the Council's reserves levels were considered to be adequate with some qualifications. It was important to note that whilst Table 1 set out what should happen, there was still risk.
- highlighted sections 3.31 and 3.32 which demonstrated the precarious position facing the Council when 75% of its revenue budget was Council Tax with no index linking or long term underwriting of this budget.
- acknowledged the adequate assessment of the reserves but expressed doubt as to whether they needed to be enhanced further particularly as they did not reflect the Council's asset base, and the fact the next report stated that there should be no further call on general reserves or earmarked risk reserves in 2024-25, or later years.

In conclusion, the Chair highlighted the extraordinary financial risks currently faced by local government with the expectation that the global volatility in the economy would continue.

It was resolved 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.

## 192. Business and Financial Plan 2024-29

The Committee reviewed progress and future plans to deliver the Council's Strategic Framework in light of engagement and consultation feedback, including the first Quality of Life Survey, in order to propose to Council a business plan and budget for 2024-25, and a medium-term financial plan 2024-29. Following the recent announcement by the Secretary of State of additional funding, the Chief Executive thanked the County Councils Network for lobbying government. A letter signed by 46 Members of Parliament, including one local MP, had also been instrumental in achieving this additional funding. Whilst this funding was welcomed, there was no clarification at this stage, as to whether it would be recurrent or one off. Although the detail was still awaited, it was noted that government expected the Council to produce a local productivity plan linked to the funding.

The Executive Director of Finance and Resources confirmed that the £2m budget gap reported at the last meeting had now been closed due to additional income from business rates, as well as further adjustments to the base projections. Following scrutiny of the budget by each policy and service committee, an additional issue had been raised relating to the capacity for Emergency Planning. Officers had responded to this request and identified a further £100k to proposals for prioritisation funded from the additional business rates income. Attention was drawn to the Medium Term Financial, Treasury, and Capital strategies included as part of the report.

Councillor Count moved an amendment, seconded by Councillor Goldsack, and agreed unanimously, to add an additional point (iii) to recommendation h) and an additional recommendation (I). He reminded Members that it would not be possible to adjust the budget in relation to Council Tax following full Council. He was also aware that the

government had indicated that it did not want to see this extra funding added to reserves.

One Member queried the assumptions made for a proposed 13% increase in Council Tax and business rates income over the next four years, as it appeared to be a relatively low figure given the increase in house building and businesses, and the expected revaluations. It was noted that an uplift of 2% had been assumed for Council Tax in future years plus a 1.5% increase in tax base, and 2% for business rates linked to inflation. The same Member felt that these numbers were too cautious which could impact on decision making in the future. The Executive Director of Finance and Resources clarified that the assumptions were prudent based on the level of information available to date, and Members would receive an update when details became available. Action Required.

The Chair drew attention to the set of assumptions made around expenditure and the assessments made in relation to inflation, demography and demand. The Executive Director of Finance and Resources clarified that the MTFP and the reserves assessment highlighted the need for the Council to focus on how it challenged, managed and changed its income and expenditure.

The same Member queried the dramatic increase in general government grants from £62k in 2024/25 to over £90k in future years. It was noted that in 2025/26, the Public Health grant would be rolled into general grants.

Attention was drawn to Appendix 2, Section 7, Treasury Management Strategy, Appendix 4 Minimum Revenue Provision Policy Statement. The Department for Levelling Up, Housing and Communities (DLUHC) guidance stated that every authority was required to have a formal review of the policy every five years but the Council had not reviewed its policy since 2016. It was also queried what the Council intended to do with its voluntary revenue provision (VRP) of between £3.5m to £6m. The Executive Director of Finance and Resources confirmed that there had been some partial reviews but the Council was awaiting the outcome of the MRP consultation before conducting a formal review. The need for the VRP was also the subject of the same consultation process. The Chair requested a detailed briefing note on this issue. Action Required.

One Member highlighted the reduction in funding from £180 to £135 in the Free School Meals Holiday Voucher Scheme and queried whether a community impact assessment had been prepared. The Chief Executive explained that the Council was now funding the scheme completely following the withdrawal of government funding after 31 March 2024, but was unable to match the previous level. There was no requirement for an assessment given that the government and not the Council had withdrawn funding. The Chair of Children and Young People Committee reported that the reduction had been included in the report to committee. It was not clear, at this stage, whether the Household Support Fund would continue or whether there would be some form of transition process. Due to this lack of clarity, the Council was funding the scheme to the sum of £135 per eligible child.

The same Member welcomed additional funding for highways, the reversal of the weedkilling policy, additional funding for mental health, and a reduction in cuts to winter gritting routes, which had been included in the Conservative amendment last year, and

were now included in the Business Plan. It was stressed that more funding was needed for highways in particular to deal with peat soil damaged roads. There was disappointment in some of the proposed budget reductions, and it was suggested that there needed to be proper communication to inform parents of the reduction in funding for the holiday voucher scheme as early as possible. The additional funding from government was welcomed but there was surprised that the CCN letter had highlighted the lack of funding for the Living Wage when the Council had introduced the costlier Real Living Wage.

The Chair of Children and Young People Committee clarified that Council was spending £3m on the Free School Meals Holiday Voucher Scheme so this could not be classified as a cut. A number of authorities had been unable to continue to fund this scheme. Another Member reminded the committee that peat soil damaged roads had been a problem for some time. Whilst a sum of £5m had been made available in 2018 and a further sum in 2021, since then the frequency and severity of extreme weather had damaged the roads even further. Whilst the authority did not have £300m to address this problem, it did have a clear plan of action which included increasing the scale of lobbying to persuade government that more funding was needed. The budget implications of the government raising the national Living Wage were highlighted, but it was important to recognise the impact of poverty wages on some of the least paid workforce. The Council had to look after its social care sector, which had recruitment issues, by paying the Real Living Wage otherwise the impact on its services would be severe.

One Member reported a lack of optimism regarding an increase in business rate income. Attention was drawn to page 245 detailing a financial overview, the importance of being prudent was acknowledged given the current pressure on the High Street. The failure to provide more than a one year settlement made planning for the long term very challenging. The additional funding for social care would only enable the Council to rescue what it was proposing to cut resulting in a steady build of damage from delayed treatment and preventative care. Another Member commented that no other upper tier local authority had set a Council Tax less than Cambridgeshire. The level of investment in the Business Plan was welcomed particularly in relation to the Council's anti-poverty strategy.

The Chair concluded that she was very proud of the priorities set out in the Business Plan, and the fact that it had probably been one of the most open and transparent budget processes. In drawing attention to the fact it had been a very difficult budget round, she thanked all the officers, in particular the Service Director: Finance and Procurement and the Head of Finance, and Members who had been involved. The most important part of the budget setting process was to continue to provide safe services for Cambridgeshire residents particularly in relation to social care, roads and street lighting.

It was resolved to recommend the following to Full Council:

- a) To approve the Business Plan for 2024-29, including supporting budget, business cases, consultation responses and other material, in light of all the planning activities undertaken to date. (Appendix 2 to the report).

- b) To approve the Directorate budget allocations as set out in each Directorate table in section 3 of the Business Plan.
- c) To approve a total county budget requirement in respect of general expenses applicable to the whole county area of £1,158,898,709.
- d) To approve a recommended County Precept for Council Tax from District Councils of £396,467,953.11 (to be received in equal instalments in accordance with the fall-back provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995).
- e) To approve a Council Tax increase for each Band of property, based on the number of "Band D" equivalent properties notified to the County Council by the Districts (244,760.5), reflecting a 2% Adult Social Care Precept increase and a 2.99% increase in basic Council Tax precept:

<b>Band</b>	<b>Ratio</b>	<b>Amount</b>
A	6/9	1,079.88
B	7/9	1,259.86
C	8/9	1,439.84
<b>D</b>	<b>9/9</b>	<b>1,619.82</b>
E	11/9	1,979.78
F	13/9	2,339.74
G	15/9	2,699.70
H	18/9	3,239.64

- f) To approve the Capital Strategy as set out in Section 6 of the Business Plan including:
  - Commitments from schemes already approved;
  - Expenditure on new schemes in 2024-25.
- g) To approve the Treasury Management Strategy as set out in Section 7 of the Business Plan, including:
  - i. The council's policy on the making of the Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008.
  - ii. The Affordable Borrowing Limit for 2024-25 (as required by the Local Government Act 2003).
  - iii. The Investment Strategy for 2024-25 and the Prudential Indicators as set out in Appendix 3 of Section 7 of the Business Plan.



It was resolved unanimously to recommend the following to Full Council:

- h) To authorise the Executive Director of Finance and Resources, as the Section 151 Officer, in consultation with the Leader and Deputy Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations to the County Council, so as to take into account any changes deemed appropriate including but not limited to;
  - (i) the final tax base, business rates and forecast local taxation receipts for 2023-24 from the billing authorities (due by 31 January 2024).
  - (ii) the final Local Government Finance Settlement from Government (expected early February 2024) alongside other grant announcements, outside of the settlement.
  - (iii) include in published Council papers for the budget discussion in February 2024, grant and or financial settlement (estimates) announced by Government after publication of these papers, but prior to publication of Full Council papers.
- (l) To recommend to Council that any increase in funding identified in (h) (iii) above is not allocated to reserves.

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

The Committee resolved unanimously to note the agenda plan and training plan.

Chair