

2026-31 Financial Sustainability Assessment

To: Strategy, Resources and Performance Committee

Meeting Date: 29 January 2026

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

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

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

- Compared to other county councils, noting the CIPFA Financial Resilience Index, Cambridgeshire remains in the middle of the resilience range for reserves. Although the ratio of debt to income draws focus on the need for continued repayment of borrowing and maximisation of capital receipts.
- Overall, the assumptions around the 2026/27 budget estimates are robust and the reserve levels as proposed in the Medium-Term Financial Plan (MTFP) (subject to the final 2025/26 outturn position and the 2024/25 External Audit) are considered to be adequate for the assessed risks the council faces. It is advised that any benefit from the Provisional Local Government Financial Settlement though should be applied to offset the £2 million saving target relating to Children in Care (A/R 7.041) due to changes in assumptions since the December Committee.
- Funding risks around future Local Government Financial Settlements, This Land and the Waste PFI have reduced which is beneficial for the Council's financial standing and sustainability, although other pressures still exist most notably the deficit on the Dedicated Schools Grant (DSG) relating to High Needs. The assumption made that the Council's financial sustainability is robust assumes there will be no draw on the council's revenue reserves or funding relating to the DSG High Needs deficit as it assumes Government will fund the ongoing and cumulative deficits up to 2028, and the future liabilities post 2028. The longer the period without a solution the greater the risk relating to the council's financial stability, impact on need for significant savings in the MTFP and charges to debt.

- The level of reserves will require continuous monitoring considering the ongoing risks from uncertainty over high needs deficit and changes to be brought about by local government reorganisation (LGR).

Recommendation:

The Committee is recommended to scrutinise the Section 151 Officer's assessment and note the conclusions in consideration of the proposed Budget for 2026/27 to Full Council, and the proposed level of reserves set out at Appendix 1.

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1. Creating a greener, fairer and more caring Cambridgeshire

1.1 This report assesses and ensures the financial sustainability of the Council in order for it to deliver its vision and ambitions as set out in the proposed strategic framework for 2026-29 discussed elsewhere on the same agenda as this paper.

2. Background

2.1 When the authority is considering its budget requirement, Section 25 of the Local Government Act 2003 requires the Section 151 officer (for Cambridgeshire this is the Executive Director of Finance and Resources) to formally give an opinion as to the robustness of the budget estimates and the level of reserves held by the Council. The Act also requires that the Council must give consideration to this report when making decisions about the budget. Section 26 of the Local Government Act 2003 gives the Secretary of State a general power to set a minimum level of reserves for local authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty.

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

2.3 The Council holds two types of cash usable reserves:

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

2.4 The proposed medium term financial plan includes both draws on and contributions to reserves and assumed balances are summarised in Appendix 1. This format is consistent with the ways of reporting reserves introduced in 2024/25, and where there are proposed movements, these have been set out during 2025/26 monitoring or in the 2026-31 Business and Budget Plans.

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

- **The Council's governance and control environment (paragraphs 3.1 to 3.7),** including its:
 - Constitution and Financial Regulations that govern and control the financial position of the Council.
 - Standards to control finances, alongside Internal and External Audit findings.
 - The Council's Annual Governance Statement (AGS).
- **External guidance and advice (paragraphs 3.8 to 3.16):**
 - Codes of practice, including International Financial Reporting Standards (IFRSs), the Prudential Code and the Chartered Institute of Public Finance and Accountancy (CIPFA) standards and guidance/bulletins.
 - External audit reporting.
 - Other professional practice and advice such as best value notices or interventions.
- **The Council's risk management (paragraphs 3.17 to 3.24):**
 - The Corporate Risk Register
 - Known potential contractual or legal risks.
 - The risks facing the Council in running its day-to-day operations which could impact on the robustness of estimates, as well as legacy to deliver savings.
 - Preparedness for and ability to respond to unknown risks, in particular environmental events.
- **The Council's financial health (paragraphs 3.25 to 3.81):**
 - The Council's financial standing in comparison to its peers.
 - The 2024/25 Financial Outturn and external audit progress.
 - The 2025/26 outturn and controls in place to mitigate and strengthen the control environment through the leadership of the Workforce Expenditure Control and the Financial Transparency Panels, led by the Chief Executive and s151 Officer respectively.
 - The robustness of budget proposals being considered by the Committee which will likely be proposed to Council in February 2025.
 - The Council's business and medium-term financial plans beyond 2026/27 and the ability to manage change to control future costs
 - The current and forecast position of reserves, including comparison to other peer authorities.
 - Cambridgeshire's maintained school balances.
 - The council's capital programme, including future receipts.
 - The Council's treasury management and security positions.
- **Upcoming proposals or events (paragraphs 3.82)** surrounding the local government structure including funding nationally and locally, with particular consideration of Local Government Reorganisation (LGR).

2.6 The remainder of this report addresses each point in turn to enable openness and transparency of review of the assessment for members in their consideration of setting a balanced budget at Full Council in February.

3. Main Issues

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

The governance and control environment

- 3.2 The Council's Constitution is overseen and reviewed by the Constitution and Ethics Committee with advice from the Monitoring Officer and other statutory officers. The Constitution includes clear Financial Regulations and Contract Procedure Rules (Part 4.5) which set out the Council's scheme of financial management. Alongside this Part 3A-C set out the responsibilities of Full Council and Committees, with Part 3D setting out the extent and nature of the authority delegated to officers to undertake functions on behalf of Council. Part 4C sets out the Budget and Policy Framework Procedure Rules for the adoption of its budget and policy framework as set out in Article 4.
- 3.3 The constitutional rules are supported by financial policies and procedures that set out the detailed controls over the financial management of the Council and the way they are operated. These are subject to regular review by Internal Audit, whose findings are reported to both the Corporate Leadership Team (CLT) and the Audit and Accounts Committee for scrutiny of action implementation. During 2025/26 Internal Audit have carried out a range of risk based financial audits, including within schools. A number of these audits have identified improvements which will strengthen the control and reporting environment. None of these are deemed to have an immediate impact on the reserves position though.
- 3.4 Service and policy committees received regular Financial Monitoring Reports on the forecast in-year spend for scrutiny and action. This included a quarterly snapshot of the Council's reserves, the position on debt, and recommendations for movement, drawdown or addition to reserves in year. The financial monitoring has identified challenges in year arising from continued pressure on services from demand, as well as a number of longstanding legacy matters that continue to be addressed such as the realisation of income from the Council's energy projects and additional waste disposal costs arising from changes in legislation, impacting the current Waste Private Finance Initiative (PFI). In addition, around £14.7 million of £60 million savings planned are not expected to be delivered in year, with compensating plans needing to be found. This is less than the previous year and remains largely due to legacy savings. All savings for 2026/27 have thus been subject to review by CLT alongside Finance to determine risk in deliverability, this has helped inform this assessment.
- 3.5 Overall, this saw a mid-year forecast revenue overspend of nearly £12.3 million reported to this Committee in October 2025. During 2025/26, the CLT has, as a result of the challenging financial situation forecast, been driving work to further reduce expenditure where possible. This began with a Workforce Expenditure Control Panel initiated and chaired by the Chief Executive, as Head of Paid Service, supported by the then Service Director: Human Resources and Section 151 Officer to check and challenge the need for any workforce related spending, including agency workers. The financial pressures have continued and in mid 2025/26, the Chief Executive and S151 Officer agreed to introduce further measures to report, manage and control third party spend which accounts for around two thirds of all spending. This is being led through a Financial Transparency Panel chaired by the Section 151 Officer and includes the removal of some officer spending

delegations, moving these to at least Heads of Service and above in structural terms. The combination of these measures and actions by Executive Directors as budget holders has reduced the forecast overspend in 2025/26 to £5.5 million as at period 8 elsewhere on this Committee's agenda. These controls will remain in place for the foreseeable future.

- 3.6 Turning to other areas of the Council's budget the Capital Programme is well managed and likely to report a small underspend, the DSG deficit continues to grow, with a forecast year-end position of at least £34.6 million for 2025/26 resulting in a cumulative deficit of £97.4 million. This deficit is discussed in more detail at paragraphs 3.18 to 3.25 of this report. The maintained schools position also shows a worsening of balances with 37 schools now in negative reserves. Whilst this would only become an issue for the Council in cases of sponsored conversion officers are continuing to work with all schools to improve the position. This has also been regularly reported to Schools Forum in 2025/26.

Governance and controls conclusions

- 3.7 From this assessment overall, the Council has a strong financial control environment, with timely and transparent reporting. However, the scale of the challenges has led to the need for additional controls, a focus on DSG, as well as a review of the robustness of saving delivery plans. This is driving a focus on the longer-term continued development of budget managers' skills, ownership, reporting and direct management of financial issues.
- 3.8 In the final months of the 2025/26 financial year, every effort will be made to further reduce the forecast overspend, this is discussed further in the assessment of the council's financial health.

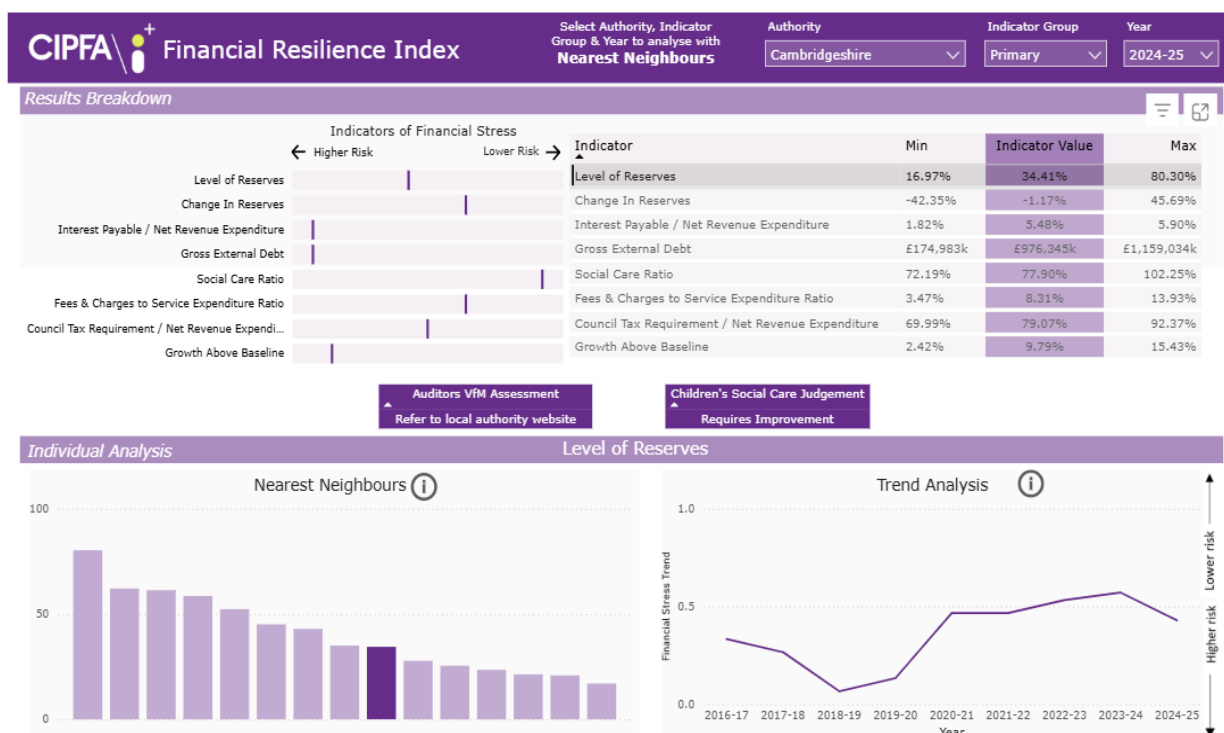
External Guidance and advice

- 3.9 The Council produces annual statement of accounts, alongside a range of other financial reports for public inspection. The financial reporting follows the Chartered Institute of Public Finance and Accountancy (CIPFA) accounting code of practice which are based on International Financial Reporting Standards (IFRSs). The Council also follows and reports publicly on its compliance with CIPFA's Prudential Code. The Finance Team also assess and follow CIPFA's Financial Management Code and the Section 151 Officer is a current CIPFA Member and follows all the professional standards and guidelines set by CIPFA.

○ CIPFA

- 3.10 CIPFA have also produced an annual Financial Resilience index, noting that this uses data from 2024/25. This index identifies that Cambridgeshire's level of reserves continues to be in the middle of the pack, although the risks are associated with the level of debt to income discussed later on in this report.

Table 1: CIPFA Financial Resilience Index analysis of Cambridgeshire reserves compared to peers



Source: CIPFA's Financial Resilience Index - [Link to the Resilience index](#)

3.11 This Index does identify that after a period of reserves recovery, largely due to grants arising from the pandemic, there is now a downward trend in the level of reserves. Analysis carried out by the Association of Local Authorities' Treasurer Societies (ALATS), co-ordinated by the Society of County Treasurers (SCT) looked at the forward projection against similar classifications noted in this report. This identifies that compared with peers, Cambridgeshire's projected decrease in its reserves is in line with other councils.

o *External Audit*

3.12 Statute requires that every local authority has external auditors whose role is to be the steward of the local government accountability framework, and to be assured that the authority has been acting with regularity, propriety and value for money (VFM) in the use of their resources. For 2024/25 the Council's auditors were changed through a nationally led procurement process and KPMG LLP took over from EY. The audit of these accounts was completed and reported to the Council's Audit and Accounts Committee by 28 February 2025. In common with a large proportion of Councils, the audit was disclaimed due to the lack of audit reliance on previous years arising from the national backlog and action taken to recover local council audits across the country. As such, the Section 151 Officer in the compilation of the 2022/23, 2023/24 and 2024/25 accounts carried out a series of reviews relating to the opening balances and significant risks to provide himself with assurances when signing off the draft accounts for audit. Whilst the S151 Officer anticipates that there will be matters raised by KPMG in relation to the 2024/25 composition of the notes to the accounts and movements proposed between categories of reporting he remains positive that balances of usable reserves declared will remain unchanged. An update by KPMG on matters arising on the audit and the form of opinion will be presented to the Audit and Accounts Committee on 16 February 2026.

- 3.13 KPMG did issue an interim VFM audit findings progress report for 2024/25 and an annual report for 2024/25 which was tabled and discussed at the November 2025 Audit and Accounts Committee meeting ([Auditor's Annual Report 2024/25](#) and [Auditor's Progress Report 2024/25](#)). KPMG flagged only one recommendation relating to DSG deficit reporting but did not raise any matters relating to the Council's financial sustainability including no comments on reserves. Key risks such as This Land remain and the need to continue monitoring were highlighted, but again no specific actions have been identified.
- *Other advice*
- 3.14 The Council also engages external advice on matters such as Treasury Management, Pension administration and investment, as well as where appropriate technical financial matters, such as accounting treatment. Whilst the ongoing higher cost of debt remains, the short-term borrowing mitigation for refinancing remains and is reported to Committee, and follows treasury management advice. Together this advice has identified no issues that impact on the reserves assessment going forward.
- 3.15 In addition, the Council is a learning organisation which continually seeks insights to improve from other professional practice and advice. During 2024 several guidance notes have been issued by Government and related bodies, the Local Government Association, audit firms, consultancy organisations as well as CIPFA relating for example to best value interventions in other councils. This has included studies that have looked at corporate governance, borrowing, local authority traded companies, procurement and contract management, VFM lessons, preventing failures and learning from councils that faced financial and governance challenges. The Council has also had a number of inspections around both adult and children's care, none of which have identified any matters to raise concerns over the level of reserves.

External guidance and advice conclusions

- 3.16 Overall the Council follows external guidance and acts on advice and recommendations. During 2025 there have been no specific risks identified relating to the Council's financial position and whilst continually seeking to learn from others there are no matters that have raised call to question or change policies or practices. Overall, the Council's reserves remain in line with peers.

The Council's risks and management of risk

- 3.17 The Council reports its Corporate Risk Register and Strategy quarterly to both the Strategy, Resources and Performance Committee and the Audit and Accounts Committee. This was last reported in October and November 2025. The risks are primarily focused on the ability to continue to deliver services arising from operational, digital, governance, legal and financial factors. Risk 03 specifically assesses whether the Council has enough budget to deliver agreed short and medium term corporate objectives. Currently, that risk is assessed as high (a score of 20) largely due to increasing likelihood of events triggered. The key likelihood issues relate to the following factors (note further commentary on robustness of estimates for 2026/27 is also set out later in this report), and the Council has projected £75.5 million at 31 March 2026 of risk reserves to help manage these risks. This is forecast to reduce to £57.78 million at the end of 2026/27. The key factors affecting both the risk score and the level of risk reserves are set out in the following bullets:

- a. the continued increasing cost, including care and transport, of high need and special educational need and disability (SEND) cases
 - The Council is forecasting a deficit in 2025/26 of £34.6 million. Giving rise to a cumulative deficit of £97.4 million at 31 March 2026 the Council is forecasting a cumulative deficit by 2030 in excess of £200 million after action. Government has announced it will be issuing a White Paper now by the end of February 2025 to reform the system. The Council has only set aside £7.43 million in reserves and as such If this deficit is not addressed nationally Cambridgeshire and many other councils will not have sufficient reserves to cover these deficits. Further commentary on this is set out at paragraphs 3.18 and 3.25 below.
- b. rising demand and costs of day-to-day operations which could impact on the robustness of estimates, as well as legacy to deliver savings
 - Costs for the majority of other services remain in the main in line with predictions, although 2025/26 saw a higher than forecast rise in utility costs this is not expected in 2026/27. The most significant cost pressure seen in 2025/26 and remains a risk for 2026/27 is in relation to children in care costs which are assessed later on in this report, although at this stage demand in this area is not the issue.

Asides from high needs, demand also is for the majority of areas as forecast, although for older people adult care continues to be assessed post pandemic as patterns are still variable.

It should be noted that unlike previous years there is limited contingency for demand and commercial risk built within Corporate Funding. Last year this was £10m, while this year less than £2m is affordable. As such it is vital that this is monitored and managed within key demand led service areas.

- c. health care contributions
 - The Council has dissolved the historical Section 75 pooled budget with the NHS Integrated Care Board (ICB) for learning disabilities. Under statute, the ICB is responsible for costs of health care for these individuals. The Council continues to resolve disputed cases with the ICB over accountability for costs. This continues to affect 2025/26 saving proposal delivery, however future year proposed assumptions are considered more robust due to ongoing case discussions. This could still give rise to an in year draw on Adult Care earmarked reserves and thus these reserves are felt needed. This will continue to be monitored and reported to Council during 2026/27.
- d. track record to deliver saving proposals and manage in year spending
 - Currently, the council is on track in 2025/26 to deliver £45.3 million of savings against its original plan of £60 million. As such, compensating saving proposals have had to be made and tighter spending controls introduced. Further commentary on the robustness of estimates and potential impact on the General Fund is provided later on

in this report. The CLT will place strong focus to mitigate any draw down and delivery of savings through regular reporting, spending controls and budget management actions. However, £5 million of the General Fund, as set out at Appendix 2, is assumed as a prudent one off need to cover future non delivery of savings.

e. Credit risk and debt recovery

- The Council is due to receive the next annual business plan from its housing company This Land Ltd which will provide a detailed overview and update of the company's outlook and performance. Following the Council's reassessment of the Company's security and credit position, as well as the minimum revenue provision the risk arising from loans to the Company has significantly reduced. As such it is deemed that all loans due and interest are likely to have been fully repaid by 2030 as planned, and reserve levels set last year are adequate.

The Council has a small commercial investment portfolio, including student accommodation, energy sites and science park facilities. A good return has started to be generated through the energy sites which are now online. There is one investment that is significantly below return, a leisure complex, which officers are assessing and reporting options in 2026 to the Asset and Procurement Committee. Overall, the risk is deemed low and a further assessment on the whole estate will be reported to the Assets and Procurement Committee in 2026.

The Council's debt position is regularly reported to the Audit and Accounts Committee. Debt has risen post pandemic particularly related to Adult Social Services. Sundry debt levels have though seen some improvement following a debt recovery improvement programme. The current bad debt provision is felt broadly adequate, with a small reduction budgeted for 2026/27, and will be reviewed both as part of the 2024/25 external audit and the closedown of the 2025/26 accounts. At this stage no further coverage through reserves is felt necessary.

f. Legal and contractual risk

- The Council is involved in operations and contracts with a range of stakeholders from third party suppliers to users of our services. In these there is always a risk for disputes to arise. In some cases, these are insured and the Council sets funds aside (£4.57 million) for such risks. This assessment is based on third party advice on the claims and levels of success expected to defend. In other disputes the Council needs to set aside for potential liability, including the risk of penalties or even damages awarded by Court. At present the Council has a number of commercial and contractual disputes ongoing and as such has provided a risk assessed adequate sum to cover

these amounts.

- g. Insurance

 - The Council holds insurance policies to cover and mitigate risk; however it holds reserves to fund elements of liability risk arising from claims not covered or the element of excess. At the 31 March 2026 these are forecast to be £4.8 million. The Council regularly carries out external assessment of need and releases or tops up this reserve as required.

- h. Major Infrastructure

 - The Council also is undertaking work on a number of major infrastructure projects, such as on its Guided Busways, and has an earmarked reserve of £17.17 million at 31 March 2026 set aside to manage the ongoing works related to such matter

- i. uncertainty over future years' funding and changing local government structures

 - Government issued a three-year provisional financial settlement on 17 December 2025. Overall, this saw a growth in the Council's grant position, although conditions relating to ringfenced grants continue to be assessed for action. At this stage there is risk related to the Crisis and Resilience Fund transition and the impact this could have on service delivery without any reserves. Whilst there remains some need for prudence relating to later years, which Government has said will be consulted on at the time, there is the opportunity to reassess the reserve that has been in place to help manage the anticipated review. It is expected that this will be committed fully in 2026-27. This reserve was held as a contingency against an adverse impact from the major funding reset that has been expected for some time. That reset has taken place for 2026-27 funding, and through the provisional settlement the Council is expected to gain, rather than lose, funding.

 - Greater reliance for funding going forward is expected to be placed on Collection Fund raising of income from Council Tax and possibly business rates. The Council currently has a reserve to protect against volatility in the tax base and/or appeals. As at 31 March 2026 this is forecast to be £2.574 million. Due to lower than forecast taxbase positions reported by a number of districts at the end of 2025, and annual volatility in projections, at least this level of reserves will remain to cover future year's movement risk.

 - Finally, the Council is planning for Local Government Reorganisation, planned by Government to take effect in April 2028. Whilst a number of submissions have been sent to MHCLG by all local authorities in Cambridgeshire and Peterborough the Ministerial decision is not expected until the Summer of 2026. However, experience from other councils suggests the cost of transition for the whole

system will be in the region of £20m or greater for an area like ours. At this stage it is proposed to create a £5.1 million LGR reserve as the County Council's contribution towards these system costs, which provision will also be required to be made for from the existing District and Unitary Authorities.

- j. General Reserves
 - The Council must also be prepared for and have the ability to respond to unknown risks, in particular environmental events. As such the General Fund Reserve operates as a working balance to manage the impact of uneven cash flows and avoid unnecessary temporary borrowing, and to provide a contingency against emerging events or emergencies. The Section 151 Officer advises on the level of such reserves to hold. As such a separate assessment of the scenarios that could be called upon is set out at Appendix 3. This suggests that as a minimum the Council will need to hold £30.6 million of General Fund reserves in 2026/27, but that in later years that needs to increase to £30.8 million due to increasing risks and cashflow demands. This assumes any deficit in 2025/26 can be funded without recourse to the General Fund. This equates to 5% of the annual net general revenue budget. It is very unlikely all issues would be called upon in one year and as such this also provides a working balance for effective cashflow and treasury management.

3.18 The single greatest financial risk to the Council remains the substantial and growing deficit on High Needs spending from the Dedicated Schools Grant (DSG). This has been highlighted as the biggest risk for several years with the accumulated deficit forecast to be £97.4 million by the end of 2025/26. Deficits began to emerge following the Children and Families Act 2014, which placed a statutory duty on councils to meet the needs of children with Education, Health and Care Plans (EHCPs). Demand and costs for SEND provision have increased substantially since the Act's introduction, while funding has not kept pace. As a result, most education-providing local authorities now hold significant SEND deficits. In Cambridgeshire the number of EHCPs in 2019 was 4,223 rising to 8,734 in 2026 which is an increase of 107% over 7 years. The most acute increase has been seen in Autism Spectrum Disorder (ASD) and Social, Emotional and Mental Health Needs (SEMH) recorded as the primary need with an increase in ASD from 1,336 in 2019 to 2,900 in 2026 representing an increase of 117%. An even more significant increase has been seen in SEMH rising from 703 in 2019 to 2,231 in 2026, an increase of 217%. The financial impact of this is significant as often these types of needs require more specialist support forcing an ongoing reliance on high-cost independent provision.

3.19 Despite efforts to manage demand and costs nationally, including councils participating in the Department for Education's Delivering Better Value and Safety Valve programmes—the national SEND deficit continues to grow. Current projections indicate a cumulative deficit of approximately £14bn by March 2028, when the statutory override is scheduled to end. In 2020 the Ministry of Housing, Communities and Local Government (MHCLG) amended the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 to introduce a statutory override where a DSG deficit at the end of a financial year must not be charged to a revenue account and instead must be charged to an account established

solely for the purpose of recognising deficits in the schools budget. This accounting practice has the effect of separating schools budget deficits from the local authority General Fund and means that these deficits are not charged to the General Fund. The intention of the statutory override was to give local authorities flexibility in reducing their DSG deficits. However, the scale of the challenge in the SEND system has made this impossible, and deficits have continued to rise nationally despite the best efforts of the sector. As a consequence, most upper tier authorities have SEND deficits on their balance sheets, which, if the statutory override were to be removed, would result in the authority being unable to produce a balanced budget or maintain adequate levels of general fund reserves

3.20 In 2025 the statutory override was extended by Government until 1 April 2028, which means that DSG deficits do not have to be covered from the General Fund i.e. they are not cash backed up to 31 March 2028. It was then understood from the Chancellor's November 2025 budget that all deficits up to April 2028 would be dealt with through some form of funding from Government, and post 2028 future liabilities would be funded centrally by Government. However, the Provisional Settlement announcement by the Government did not confirm this and instead cast doubt over the previous interpretation of the Chancellor's statements, with DfE noting it would only fund reasonable costs post 2028. No clarity is expected now until the final settlement due at the start of February. However, without clarity on either future and legacy funding or the reforms of SEND there is a need for the Section 151 Officer to consider the scenarios that could apply:

- If the legacy and future deficit is not resolved, be that fully by grant or capitalisation and grant funding, the cumulative deficit the Council would face, at over £200 million when the statutory override is lifted, would mean the council, like most of its peers, would have insufficient reserves to cover the deficit and would be faced with issuing a Section 114 notice. This would likely be the case for over 100 councils in England. Whilst a request for Exceptional Financial Support (EFS) could potentially be made, this request would mean a capitalisation directive allowing the Council to cover the position from borrowing, but this would add a circa £5 million annual pressure to the revenue fund not currently budgeted for in the Medium-Term Financial Plan. None of that would though address the ongoing deficits likely to occur in the following years and further large cumulative deficits without action and / or Government reform, and further EFS requests would follow adding to the cost of borrowing, this is not deemed sustainable and as such a Section 114 notice would be required.
- If DfE do take on the full liability of high needs deficits within the DSG as suggested by the Chancellor, but the Council retains the legacy deficit up to 31 March 2028, forecast at circa £200 million, then the Council would be required to seek one off EFS, which to reiterate would result in an annual revenue cost as yet not included in the Council's Medium Term Financial Plan of circa £5 million. Again, this is likely to be the case for many upper tier councils in England. This would need to be found from savings associated with the delivery of non-statutory duties.
- If the DfE funds part of the legacy and part of the ongoing deficit from 1 April 2028 then that sum would need to be resolved by the Council. This is the suggested position from current Government statements. At this stage though it is unclear what percentage the Council and successor unitaries would have to find. The implications of having to find 5% (£10 million) for which the Council already has a large part within its reserve's provisions, is hugely different from say 33% (£66m) or 66% (£132 million) which would again lead to s114 or EFS. Again, if capitalisation where possible then funding for that would require £5-15 million a year in borrowing costs. As such the

Council and successor unitaries will need to consider how this is funded. At this stage there is no funding identified for this and as such it is recommended that an annual pressure should start to be brought into the Medium Term Financial Plan and LGR discussions once the Final Settlement is known.

- If the Government fund all legacy deficits and takes on the liabilities from 1 April 2028. In this instance the Council's current assumptions remain and there would be no need to consider a Section 114 notice or seek EFS.

- 3.21 CIPFA has long made clear that the statutory override for SEND deficits is not in line with the principles of good financial management as it does not provide a transparent picture of the funding requirements, costs and impact associated with the provision of a statutory service. CIPFA recognises that nationally the scale of the SEND deficit is so significant that it exceeds the ability of the sector to manage the financial risk. Should the statutory override be removed, a significant number of local authorities would immediately be required to issue Section 114 notices. CIPFA notes that for councils in this position, the Section 25 statement should formally recognise that the ability to set a balanced budget is because of the statutory override, which takes precedence.
- 3.22 In addition, to the deficit position there is the need to consider the impact the deficit is having on the council's borrowing position, whilst this has not yet triggered the council to borrowing in excess of its Capital Financing Requirement (CFR) it is directly impacting the councils' General Fund balances through lost interest income due to the need to supplement deficits from reserves or earlier borrowing costs where no reserves are available. However, if the level of deficit continues to grow at the rate it does this is likely to also call into question the council's ability to stay within the Prudential Borrowing rules. This will give rise to further cuts in the capital programme, use of reserves, disposal of land and buildings to generate funds or issuing of a Section 114 notice.
- 3.23 At this stage it is noted that the statutory override remains regardless of any intentions by Government to fund. If Government resolve to fund a large proportion of the legacy deficit, even if that is through capitalisation and funding, then the matter will not result in this council facing a s114. If Government makes clear its intent that it will not fund all of the legacy then regardless of the override the Section 151 officer will need to formally discuss the matter with the Monitoring Officer and Head of Paid Service, as the other two statutory officers charged with corporate governance, to consider informing Council that it must either find significant savings to enable funding of borrowing or faces a Section 114 position. It has to be noted that is a considerable financial risk, affecting the majority of upper tier authorities.

The Council's risks and management of risk conclusions

- 3.24 The Council needs to continually be aware of its risk environment and those events that could significantly affect its financial standing. There are currently a range of known risks the Council is managing, and part of that strategy is to ensure there are sufficient specific earmarked risk reserves that cover potential liabilities and costs. It is encouraging that some of those risks such as the future funding from Government, This Land and the Waste PFI have reduced in the last few months but risks still remain. The Council's current projected balance of earmarked risk reserves of £75.46 million as at 31 March 2026 is deemed to be sufficient at this stage if it is assumed that Government will resolve the issue of responsibility for the DSG High Needs and SEND deficit not falling on the General Fund account. If that proves not to be the case then the Council's reserves are insufficient to

meet the current and forecast deficit and Cambridgeshire, like a large number of upper tier councils, would need to consider applying for Exceptional Financial Support (EFS) without which a Section 114 notice would need to be considered. At this stage the need for EFS or issuing of a Section 114 is not anticipated as it is assumed Government's announcement by the final settlement in February 2026, which may come after this Committee but before Full Council sets the budget, will resolve this position. If that proves an incorrect assumption it would be a significant issue that would need to be reported back to Full Council on consideration of the advice of the Head of Paid Service, Monitoring Officer and Section 151 Officer.

- 3.25 It is also worth noting that the risk reserves are expected to reduce by 46% over the lifetime of the MTFP to £40.51 million and as such the risk assessment needs to continue to be appraised for ongoing and emerging risks, such as the future accountable body for the Greater Cambridge Partnership (GCP) after 2030, or changes arising from the English Devolution and Community Empowerment Bill and associated reform legislation, paragraph 3.82 notes further assumptions around this.

The Council's Financial position and financial risks

- *The Council's financial standing in comparison to its peers*

- 3.26 CIPFA's Financial resilience indicators ([Resilience index](#)) reflect that overall the council's financial standing, excluding the position on external debt, is in line with its peers. Whilst the ratio of spend on adult and children's care has increased in recent years, spend typically hard to control and thus affecting financial risk, the councils spend is a lower percentage than its peers. The ratio of debt to income noting the level of reserves remains a key focus remains as shown in Chart 2 later in this report.

- *The 2024/25 Financial Outturn and external audit progress.*

- 3.27 The final 2024/25 outturn was £4.45 million overspend, which was improved on the £6.84 million forecast overspend and the potential draw from reserves reported to this Committee in consideration of last year's Financial Sustainability Assessment report submitted by the Section 151 Officer. The result of that was to maintain General Fund Reserves and a stronger financial standing position going into 2025/26.

- 3.28 At this point in time the outcome of the 2024/25 external audit is expected to be reported to the Audit and Accounts Committee on 19 February 2026, although an interim findings report was taken to the same Committee on 28 November 2025. At this stage no audit findings or recommendations are expected that will alter this assessment.

- *2025/26 Outturn*

- 3.29 As noted elsewhere on the same agenda as this paper the latest forecast for 2025/26 is an overspend of £5.5 million. The CLT is undertaking mitigating actions to recover this position to balance at year end, this includes maintaining a Workforce Expenditure Panel that has operated throughout 2025/26 to check, and challenge all workforce related spending, both employed, and agency related. In addition, a Financial Transparency Panel has been established to oversee third party spend and is chaired personally by the Section 151 Officer. At this stage £5.5 million has been assumed will need to be funded from other reserves reflecting the latest forecast position.

- 3.30 If other reserves are not used the impact of this would be to reduce the General Fund to £25.1 million on 1 April 2026, this is below the level recommended at Appendix 2 and as such all action needs to be taken in the remainder of 2025/26. If an overspend is reported it would either need to be funded from the General Fund and topped back up in 2026/27; or fund from other earmarked reserves as is suggested possible although this may impact on future year assumed level of savings through earlier use of these reserves. The current focus remains on in year mitigations, however potential other reserves could be released, including remaining COVID grant, Ukraine Funds and the Just Transition Fund; or through using reserves set aside to fund future year's risks such as the Funding Review shortfall reserve or service risk reserves. The latter option would support the current business plan as there is no planned contribution to the General Fund reserves within the budget proposals for 2026/27, and so is the basis on which the business plan is prepared
- 3.31 Going forward future delivery of in year budgets will be essential given the level of reserves. As such continued improvements in monitoring and managing budgets is important.
- *The robustness of budget proposals 2026/27*
- 3.32 Due diligence of all proposals for 2026/27 budget and future years has been undertaken by the Council's enabling services, including Finance and Procurement, Policy, Performance, Insight and Change and People and Culture (formerly HR). That due diligence has included any estimations, net costs/savings/income and timescales to implement. Development of practice has also evolved following Internal Audit recommendations around the Adults, Health and Commissioning Directorate Business Planning Review and challenge which provided a limited assurance rating. Key recommendations included implementing a comprehensive overarching governance system, developing consistent benefit realisation plans, establishing robust risk assessment and management processes, and creating an integrated programme timeline. The audit also recommended clarifying resourcing for central coordination and aligning with the Council's Project Management framework to strengthen the Council's approach to delivering these critical savings proposals. It was also noted that of the 2025/26 savings £45.3 million of £60 million planned proposals are forecast to be delivered in year, with a significant amount of those savings not being delivered arising from legacy decisions around assets, energy and the learning disabilities partnership. As such, Finance and Procurement and Policy, Performance, Insight and Change have been working with services to improve the diligence, transparency and challenge of all future proposals.
- 3.33 Further information on the due diligence carried out is set out in the Medium-Term Financial Strategy which is on the same agenda as this paper. Overall, this has concluded that there is a lower risk of non-delivery. Although further specific commentary on the key risks facing next year and future years is set out in the following paragraphs.
- Demand and inflationary pressures
- 3.34 The exact inflationary impact on our costs is variable depending on the specific service or budget line. For example, much of our costs are employee related and linked to national negotiations around pay, and we may be bound by contracts that have specific inflationary uplifts each year or are part of a local market that sees different supply and demand issues affecting prices. National changes, such as the effect on supply chains of an increasing minimum wage, can exceed inflation rates. Estimates of inflation in the business plan have been based on indices specific to each service or type of spend, factoring in the national inflation outlook, local trends, and uplifts built into contracts. We calculate nearly a hundred

inflation indices that apply to all spend across our budgets to calculate the overall inflationary pressure. We also need to take into account where other changes, such as increases in the minimum wage, will potentially override the effect of inflation. The starting point for many inflation indices has been linked to an average Consumer Price Index (CPI) projection 3.8% as at September 2025, but specific inflation rates are calculated for each service particularly allowing for a higher level of inflation where costs are workforce based (reflecting on average above inflation pay rises in commissioned services).

- 3.35 An assessment of the growth needed for 2025 and beyond has been applied to the budget requirements in consideration of setting the budget for 2026/27. This has been based on current and forecast levels of demand. However, whilst this has been tested and assessed recent history would suggest that in a post pandemic and worldwide economic situation there continues to be a risk of increased unforeseen inflation in Children’s social care, in demand for Special Educational Needs and Disabilities (SEND) and home to school transport. Whilst in Adult Social Services, care for older people and the volatility of activity to forecast demand is proving difficult to predict with great accuracy and as a result, the officers are engaging with further economic assessment to help forecasts going forward.
- 3.36 An assessment of the 2025/26 overspend projections has fed into the budget build for 2026/27 and for services facing significant ongoing pressures of demand and/or inflation the level of provision provided for has been set in line with forecast demand and inflation. Across five areas this accounts for 54% of the total inflation and demand pressure, they being:
- Home to school Transport – £4.728 million
 - Children in Care - £10.240 million
 - Learning disabilities - £4.958 million
 - Mental health - £2.107 million
 - Older people - £5.392 million
- 3.37 Allowing for demand and inflationary pressures has meant the Council has had a gross pressure of £60 million, before investments and prioritisations as set out in Table 2:

Table 2: Gross Pressures facing the Council in 2026/27

	Net Inflation	Demand	Pressures	Change in temporary reserves funding	Total
Children, Education and Families	£4.6m	£12.5m	£1.7m	£4.7m	£23.4m
Adults, Health and Commissioning	£9.8m	£10.0m	£8.3m	-£0.8m	£27.3m
Place and Sustainability	£2.4m	£0.1m	-£0.1m	-£0.4m	£1.9m
Finance and Resources	£0.9m	-	£0.3m	£2.2m	£3.4m
Office of the Chief Executive	£0.6m	-	£0.1m	£0.4m	£1.1m
Capital Financing	-	-	£2.1m	-	£2.1m
Corporate Items	£0.8m	-	£1.8m	£3.3m	£5.9m
Total	£19.1m	£22.5m	£14.2m	£9.4m	£65.2m

- 3.38 The Council has faced a number of pressures in 2025/26 that have been reported as part of the overspend projections. These have included a number of historical legacy matters which it is felt are now addressed or being addressed which will reduce or negate that pressure in future years, such as the income from energy projects and the increased cost of

waste disposal and the associated PFI, following legislative changes.

➤ Savings

3.39 To balance the budget and provide for the pressures faced, after accounting for grant and council tax income, the Council has needed to identify £32 million of further saving proposals. The assumption now being that the £6.4 million gap reported in December will be bridged by grant funding instead of further savings. The 2025/26 savings need to be delivered alongside the implementation of prior year saving proposals. Finance and Procurement, alongside other enabling services, such as Policy, Performance, Insight and Change, People and Culture and Customer and Digital Services, have assessed every savings proposal for deliverability in terms of timings and estimation. Timings for example has assessed any consultation needed and the time frame to implement changes. Estimation has assessed the assumptions behind calculations and any investment needed to implement a proposal thus giving a net saving. The Section 151 Officer has challenged these workings alongside other Executive Directors, seeking to learn lessons from previous years. As a result, the proposals have been signed off as deliverable, with the exception of 2 proposals, – that of the £2 million stretch target for Children in Care; and the £1.648m Home to School Transport savings (A/R 7.041 and A/R 7.018 per detailed financial tables). That is due to work ongoing and late changes to current levels of provision increasing towards the end of December after the Draft Budget Proposals were submitted to the December Committee. Work is ongoing to mitigate this. All Heads of Service and Service Directors will be required to sign off their personal responsibility for delivering the net budget for 2026/27 and there will be regular budget monitoring during the year to ensure the budgets are delivered.

○ *providing for changes to assumptions*

3.40 Whilst due diligence has been carried out to ensure the budget is robust, with the scale and complexity of local government it is inevitable that there will be changes to assumptions during the financial year that follows. As a result, there is not only a need for strong budget monitoring and management but in certain cases, notably adults and children's care and travel to learn, there will be the need for reserves as a matter of last resort. This transition to specific coverage for key risks began in 2025/26 with the result being that the majority of risk will fall now on the General Fund Reserve, for example as the Children, Education and Families (CEF) directorate no longer has any reserves Appendix 2 identifies that this reserve assumes a potential need to draw on as last resort for Children in Care (£2 million), home to school transport (£1m), and SEND (£6m). However, it should be noted that in 2026/27 any one-off support for delay in delivery of savings or demand volatility will only be capable of being funded as a one-off via General Fund Reserves. Noting that if this is drawn down it would need to be replenished and thus place pressure on future years / drive savings in these areas to recover the position. It is noted that the CEF directorate has a stretch target in relation to its Children in Care budget of £2 million. Whilst it is understood work is progressing to bridge that challenge it is also recognised that in December the number of high cost cases is above that assumed in the papers that went to Committee in December and as such any potential additional funding from the Provisional Settlement needs to be considered to derisk this position if possible.

3.41 As such the CLT will continue to oversee for the foreseeable future tight financial controls covering all pay and non-pay spend that checks and challenges expenditure as set out at paragraph 3.5 of this report. The Chief Executive, supported by the Section 151 Officer, will also continue to ensure that the four Executive Directors remain personally accountable for

their directorate budgets throughout the year.

- *The Council's business and medium-term financial plans beyond 2026/27 and the ability to manage change to control future costs*

3.42 The Institute for Fiscal Studies (IFS) ([Link to article](#)) analysis notes that core funding for English councils in 2024–25 is 9% lower in real terms than in 2010–11, equivalent to 18% lower per resident. Given local authorities' statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressures on the Council's finances and services will continue. The Council's Business and Budget Plan with the Medium-Term Financial Strategy (MTFS) considered elsewhere on the same agenda as this paper sets out a detailed assessment of the future economic projections.

3.43 The MTFS, excluding any consideration of the DSG High Needs Deficit discussed at paragraph 3.18 to 3.25, shows a £207 million gap over the next four-year period 2026-2031 as set out in the following table.

Table 3: Gap Forecast 2026-31

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Core funding	£628m	£671m	£698m	£716m	£735m	£3448m
Less - Projected Net Budget Requirement	£651m	£699m	£735m	£781m	£829m	£3696m
= Funding Gap 2025-29 before savings	£24m	£28m	£37m	£65m	£94m	£248m
Savings identified	£-31m	£-8m	£-0m	£-0m	£-0m	£-39m
Income generation	£-4m	£-3m	£-1m	£-1m	£-3m	£-12m
Reserves use	£11m	£-2m	£1m	£0m	-	£10m
Residual budget gap	£0m	£15m	£37m	£64m	£91m	£207m

3.44 The forecasts for 2027/28 and beyond are inevitably less reliable than the forecasts for 2026/27 (which themselves have a smaller degree of uncertainty as noted in the preceding paragraphs), and of course will be subject to LGR taking effect under current plans from 2028/29. This is made even more uncertain due to the impending Government reforms to SEND.

3.45 The high gearing of council tax to government grant, which is only going to get higher following the Government's changes to funding councils, means that higher costs can only be funded by higher council tax, and if that is not possible then more savings and potential draws on reserves to enable that will be needed. All of this increases the risk and uncertainty over the Council's long-term funding. As such £4.19 million has been set aside to cover the future funding risks and local tax volatility. This is circa 1% Council Tax for one year and will continue to be assessed.

3.46 In addition, the Council has a small legacy earmarked reserve to deal with, or smooth late changes to the 2021/22 settlement which led to changes in Cambridgeshire's allocations. As a result, a reserve was created to be drawn down as part of the Medium-Term Financial Strategy. This will be £2.14 million due to increased business rates in 2025/26 but will then be drawn down and spent by 2027/28 as changes in the business rates allocations are worked through. The only smoothing reserve thereafter will be one that deals with leap days for social care budgets.

- 3.47 There is a correlation between those councils which have had lower council tax increases, undeliverable savings plans, higher levels of debt, low levels of reserves and subsequent concerns about financial management. Whilst these are not the only factors which could give rise to financial management concerns, they remain an important consideration in the assessment of financial resilience and sustainability. Cambridgeshire's current council tax charge is around the average of all county councils, but levels of capital debt and borrowing are well above average compared to levels of reserves (see Chart 2 later on in this report), which remain slightly below average. The levels of debt are slowly being addressed through the capital programme and, subject to what happens with DSG deficits, avoiding additional borrowing. This needs to be a continued focus for the MTFS.
- 3.48 As the largest element of the Council's funding, there is also a risk of less collected council tax or business rates, which could adversely affect the Council's financial standing. Going forward therefore the planned financial risk reserves include £4.19 million provision still being needed for this risk. This is sufficient to cover historic averages of what an in-year collection fund deficit would be across both tax types and all districts. In addition to this, there is a moving balance on this reserve where any in-year collection fund surpluses are applied to mitigate against future year deficits to prevent one-off swings to our budget.
- 3.49 In the medium to longer term, the Council must have a sustainable plan where spending growth is closely aligned to Council priorities and available funding. This means that the Council needs to plan to deliver savings by changing the way it works. It is expected that the medium-term plan will therefore need some limited use of reserves in the future years to manage the uncertainties noted above and deliver change and the Council's ambitions. In addition, there is a need to plan for changes to national economic assumptions, in particular inflation. The Council needs greater agility in future without relying heavily on reserves. To this end it is vital that the Council continues to evolve business and financial planning alongside cross-cutting programmes to change the way it works and is configured.
- 3.50 At the Strategy, Resources and Performance Committee in October 2026, the Council approved its Change Strategy, known as 'Our Future Council', that set out the framework for the type of organisation the council will strive to become by 2030. This strategy will enable the Council to focus on addressing the challenges and opportunities facing Cambridgeshire, in which innovation will drive improved effectiveness, efficiency and productivity across council services, built upon strong foundations, to deliver financial sustainability, improved resident outcomes and increase public trust. This sets out five pillars of change which drive strong local government and thus support LGR:
- Assets.
 - Commissioning and Commercial.
 - Customer Experience.
 - Digital, Data and Technology.
 - Target Operating Model.
- 3.51 This cross-cutting approach to thematic change however needs investment and, as such, the Council has set aside £4.53 million in Strategic Framework Priority earmarked reserves to pump prime future savings, on an invest to save basis, to drive and deliver savings. The Council's Change Board, chaired by the Chief Executive, oversees the delivery of these programmes of change and will recommend the use of reserves to lead and drive "Our Future Council" to elected members. The planned level of reserves is set out at Table 5 and includes the existing Just Transition Fund established in 2021. This identifies that the

plans will see these reserves nearly all fully utilised by 2027/28.

Table 4: Strategic Framework Reserves

Fund Description	Balance at 31 October 2025 £000s	2025-26 closing balance	2026-27 closing balance	2027-28 closing balance	2028-29 closing balance	2029-30 closing balance	2030-31 closing balance
Improvement programme reserves							
<i>Just Transition Fund</i>	£6.35m	£2.97m	£0.61m	£0.27m	£0.11m	£0.11m	£0.11m
<i>Change and Digital Reserve</i>	£4.56m	£2.73m	£2.87m	£2.87m	£2.87m	£2.87m	£2.87m
<i>Other service change reserves</i>	£1.10m	£0.83m	£0.11m	£0.11m	£0.11m	£0.11m	£0.11m
Improvement programme subtotal	£12.01m	£6.53m	£3.59m	£3.25m	£3.08m	£3.08m	£3.08m
Investment reserves	£4.60m	£2.54m	£1.32m	£0.41m	£0.11m	£0.11m	£0.11m
Invest to save reserves	£0.28m	£0.08m	£0.08m	£0.08m	£0.08m	£0.08m	£0.08m
MTFS support	£5.34m	£1.45m	£0.12m	£0.12m	£0.12m	£0.12m	£0.12m
Strategic Framework Priorities Reserves Total	£22.23m	£10.60m	£5.11m	£3.86m	£3.39m	£3.39m	£3.39m

3.52 Latest forecasts for some agreed Just Transition Fund funding lines suggest the original allocations will not be fully required, particularly due to other reserves or grant funding having been used for priority areas. As such, a reallocation into more general investment reserves is proposed in the business plan.

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

3.53 The forecast opening position as at 1 April 2026 for all reserves, excluding the DSG deficit discussed earlier in this report, is expected to be around £124.833 million across all classifications as follows:

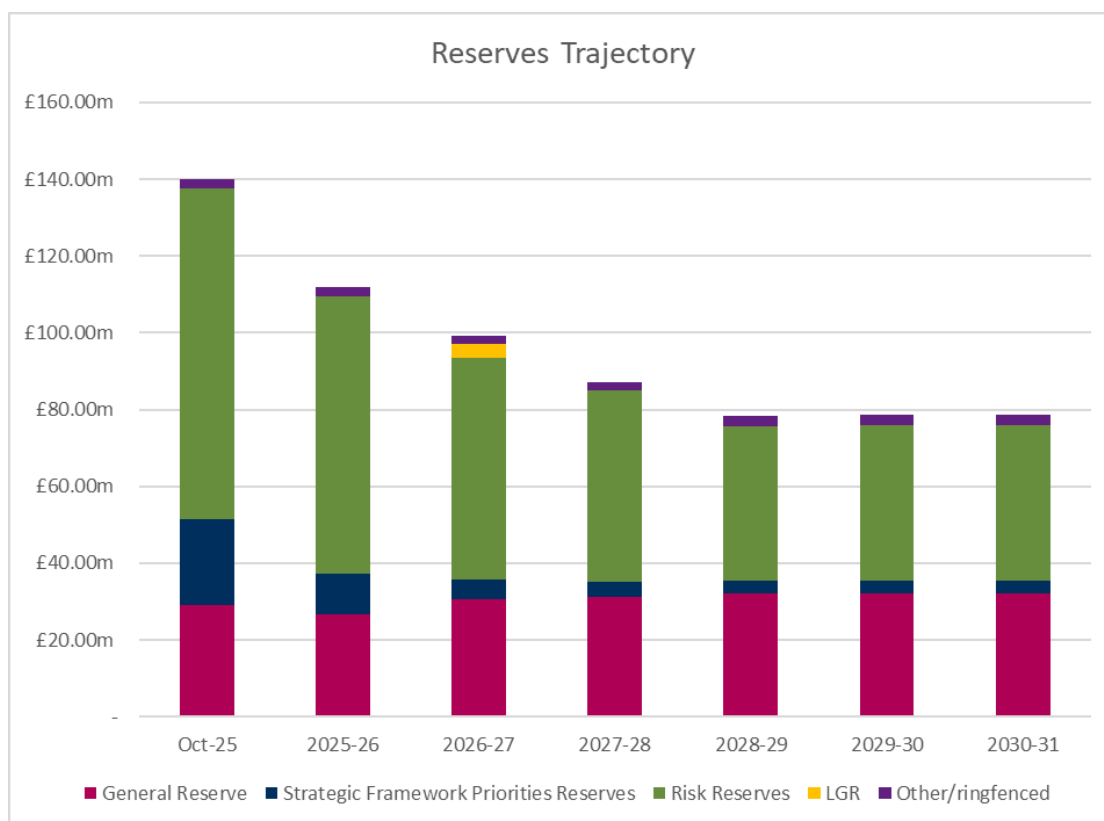
Table 5: Forecast Reserves (Detailed analysis at Appendix 1)

Reserve category	31 October 2025	Forecast closing balances					
		2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
General Reserve	£29.09m	£26.70m	£30.60m	£31.32m	£32.00m	£32.00m	£32.00m
Strategic Framework Priorities	£22.23m	£10.60m	£5.11m	£3.86m	£3.39m	£3.39m	£3.39m
Risk	£86.13m	£72.30m	£57.78m	£49.70m	£40.36m	£40.51m	£40.51m
Ringfenced	£20.22m	£14.18m	£9.72m	£5.32m	£3.33m	£1.86m	£1.86m
Local Government Reorganisation	-	-	£3.60m	-	-	-	-
Sinking Fund	£2.21m	£1.89m	£1.94m	£2.18m	£2.57m	£2.77m	£2.77m
Unusable	£0.43m	£0.38m	£0.29m	£0.20m	£0.11m	£0.00m	£0.00m
Total Revenue Reserves	£160.31m	£126.05m	£109.04m	£92.57m	£81.75m	£80.53m	£80.53m

3.54 This shows a significant fall in reserves (44% (£79.8) since October 2025 to 31 March 2031 projected) due to the continued use in particular of specific ringfenced grants, which increased during the pandemic, as well as the increased spending since the pandemic ended on schemes suspended during that time. This trend is expected to continue as

shown by Chart 1 below:

Chart 1: Forecast level of reserves 2025-31



3.55 The Council also has a number of technical sinking funds, such as to provide for future equalisation likely at the end of schools PFI scheme, this totals £1.9 million. The sinking fund also held reserve funds for the local County Council elections, the next planned being for shadow authority elections arising from LGR during 2027 and will therefore be funded not just by the County Council. As such consideration will need to be given to what further contributions need to be made from revenue. As well as a small number of other items the sinking fund reserves will stand at £1.89 million 31 March 2026 and is considered adequate.

3.56 At the start of April 2026, it is forecast that the Council will have £14 million of ringfenced reserves, whereby the conditions against which spend can be undertaken is set by contract, legislation or grant conditions. This is broken down as follows:

Table 6: Ringfenced reserves forecast analysis as at 31 March

	2025-26 closing balance	2026-27 closing balance	2027-28 closing balance
Developer contributions	£2.64m	£2.41m	£1.65m
Public Health Grant	£1.60m	£0.82m	£0.40m
Regional Adoption Agency	£0.61m	£0.61m	£0.61m
Greater Cambridge Partnership	£6.54m	£4.04m	£1.54m
Other	£1.43m	£1.02m	£0.58m
Ringfenced accounts	£1.36m	£0.82m	£0.54m
Total	£14.18m	£9.72m	£5.32m

- 3.57 The assumption is that whilst these reserves cannot be used for other purposes, and in the case of the Public Health funds are overseen by the Director of Public Health and reported to the Department for Health and Social Care (DHSC), if the cost of services related to these funds is higher, then that spending will need to be managed within available funds. This is particularly true for developer contributions (in the case of these revenue funds these are minor ‘commuted sums’ contributed by developers). Following an Internal Audit review in 2024, the Council has also introduced a s106 officer governance board that is overseeing the recording and use of such developer contributions.
- 3.58 The Council also holds a number of reserves not backed by cash resources but held in order that local government can comply with International Financial Reporting Standards. These are referred to as ‘unusable reserves’. There is one unusable reserve though that is reported that is cash backed that accounts for £0.380 million and relates to the Pupil Referral Unit (PRU) school balances and will be fully utilised by 2027/28 and is thus not available for other purposes. School balances likewise are cash backed but are treated as unusable, with further commentary provided later in this report.
- 3.59 As noted at in Table 1 earlier on in this report CIPFA’s Financial resilience indicator index identifies that Cambridgeshire’s level of reserves continues to be in the middle of the pack, although the risks are associated with the level of borrowing discussed later on in this report.

○ *Cambridgeshire maintained school balances*

- 3.60 Whilst maintained schools’ balances are earmarked there remains a risk that if it converts to an academy under the sponsored route, normally that refers to a conversion of a school eligible for intervention within the meaning of Part 4 of the Education and Inspections Act 2006, the deficit balance remains with the local authority to be funded from its core budget. At the end of 31 March 2025 Cambridgeshire had 37 schools with a deficit, compared to 29 at 31 March 2024:

Table 7 – 31 March 2025 Maintained Schools in deficit compared to 31 March 2024

2023-24 (restated)	(Deficit)	Nursery	Primary	Special	31 March 2025 Total	Change from 2023-24
6	(£100k+)	2	7	2	11	5
3	(£60k) – (£100k)	1	3	0	4	1
12	(£20k) – (£60k)	0	12	0	12	0
3	(£10k) – (£20k)	0	5	0	5	2
5	(£1) – (£10k)	0	5	0	5	0
29		3	32	2	37	8

- 3.61 As part of the 2025/26 budget setting process 37 maintained schools submitted initial deficit budgets which have required a detailed licensed deficit application and process for Governors and Head Teachers to follow. Alongside those schools reporting a deficit position there are an increasing number of schools where either a significant proportion of

surplus balances has been used during 2025/26 or where the 2026/27 is likely to be reliant on balances to be applied to meet ongoing running costs. These schools have all received an advisory notice to highlight the risk of reliance on one-off reserves.

3.62 Officers are in the process of assessing the year end forecasts and whilst the position is similar to last year this has grown worse for a number of schools. A Schools in Deficit monitoring group has been established with officer representatives from finance, education place planning, admissions, SEND, governor services to provide support and challenge to schools as part of their deficit recovery plans. Internal Audit have also undertaken several reviews and shared good practice during 2025/26, this has been reported to the Audit and Accounts Committee. At this stage whilst the position is causing concern and reported to Schools Forum it is not expected to have an impact on the Council's General Fund balances.

○ *Delivery of the Capital Programme*

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

Table 8: Capital reserves forecast 2026-2031

Fund Description	Forecast closing balances				
	2026	2027	2028	2029	2030
Adults, Health and Commissioning	-	-	-	-	-
Children, Education and Families	£7.16m	£5.65m	£5.65m	£5.65m	£5.65m
Place and Sustainability	£1.12m	£0.69m	£0.39m	£0.37m	£0.27m
Finance and Resources	£2.18m	-	-	-	-
Corporate (s106)	£21.15m	£9.03m	£9.03m	£8.61m	-
Capital Useable Reserves subtotal	£31.60m	£15.37m	£15.07m	£14.63m	£5.92m

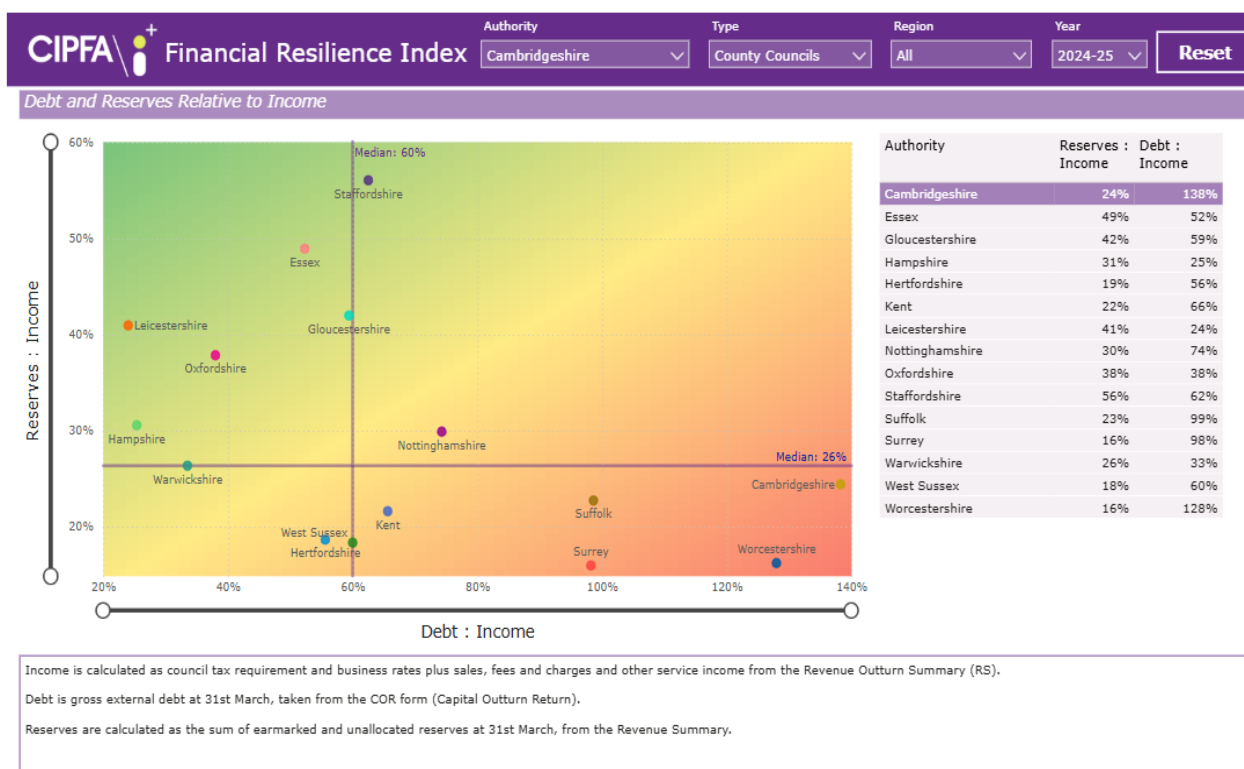
3.64 There continues to be a risk of overrun on capital programmes arising from factors such as delays or inflation. At this stage these will need to be managed within the scheme itself and as such no provision within the earmarked or general fund reserve has been made. However, there is always a risk that a capital project does not complete and as such grant needs to be repaid and/or costs can no longer be capitalised. As such the General Fund does make an allowance for such an eventuality with a one-off assumption, for 2026/27 this has been assessed at £4 million falling to £2 million in later years. This is due to the changing nature of funding, current and ongoing spike in construction costs and market failures. This is expected to improve for the remainder of the decade.

3.65 The proposed draft capital programme is £420million over the 5 years 2026 to 2031, plus £298 million brought forward from earlier years. The 5 year element of the plan primarily relates to the rolling annual programmes. Spending on approved projects is set out over the anticipated delivery timescales. A separate schedule of potential projects is not included as part of the approved programme to ensure that schemes in the initial stages of development and/or where funding has not been secured are not formally included in the programme too early in their development. However, minimising additional borrowing does not come without risks and consequences. This means the Council will need to prioritise maintenance and improvement works on the Council's assets, to prevent possible closure on safety grounds. This in turn will lead to an increase in maintenance backlogs and higher

potential future costs. The Council also needs to investigate alternative funding mechanisms for maintenance works avoiding the need for borrowing to fund what are essentially recurring costs.

- 3.66 As part of the programme of managing its own estate the Council has set aside an earmarked reserve £2.940 million for the repair and upkeep of its buildings. This is not planned to be drawn down in 2026/27 due to the planned rationalisation programme. However, a call on this set aside monies in later years may be likely due to the condition and scale of the future changes to the overall estate. The phasing of this will be determined in 2026 and linked to other considerations such as investment in net zero carbon neutral initiatives.
- 3.67 The Council also is undertaking work on a number of major infrastructure projects, such as on its Guided Busways, and has an earmarked reserve of £17.17 million for 2026/27 set aside to manage the ongoing works, including fencing. There is a clear plan to spend the majority of this over the next five years.
 - o *Treasury Management and security*
- 3.68 Cambridgeshire continues to have a higher level of borrowing exposure than other peers as is shown in the latest CIPFA Financial Resilience analysis chart overleaf:

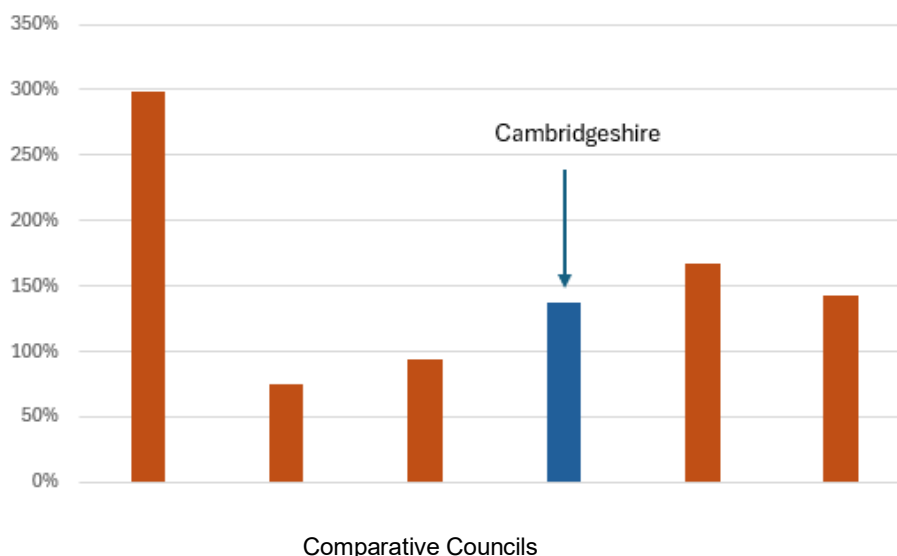
Chart 2: Borrowing to reserves analysis



- 3.69 An issue highlighted by Committee previously was the Council's security of loans against the assets the Council holds on its balance sheet compared to other councils and as well as to reflect the risk of borrowing. A very simple analysis is shown in Chart 3 that suggests most councils on the face of it have property and assets held for sale that would cover liabilities.

Chart 3 – Comparison of other county council assets to borrowing liabilities

Percentage of Property Based Assets vs Borrowing Costs
for Cambridgeshire and Statistical Neighbour County
Councils



- 3.70 However, this assumes that the asset value is realisable. For example, for Cambridgeshire the largest items held under property are for maintained schools and rural farms. Whilst the latter could be taken as an item of security if there were political support, the former is not an asset to realise in the situation of security. Instead, a key focus needs to be on how the Council can improve its ongoing capital and treasury management position.
- 3.71 The total capital programme for 2026/27 as it currently stands requires £146.5 million of funding which includes £43.2 million from borrowing. Given the financial pressures on the revenue fund, limits are set to provide a level above which capital financing costs will have an unjustifiable impact on the revenue budget – this limit is inflated each year. The level of borrowing planned for 2026/27, after adjustment for the DSG deficit, has been assessed as affordable within the current provision for financing.

Table 9 – Capital financing position

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
2025-26 draft borrowing (net figures excluding invest to save / earn schemes)	43.7	46.3	46.3	46.5	50.5	48.6
Adjustment for impact of DSG deficit	-2.3	-3.2	-4.7	-5.7	-6.7	-7.4
Recommend limit	42.2	43.0	43.9	44.7	45.6	46.5
HEADROOM (-)	-0.8	0.1	-2.2	-3.9	-1.8	-5.3

Recommend limit (3 years)	129.1	136.8
HEADROOM (-) (3 years)	-2.9	-11.0
Impact of DSG Deficit	10.2	19.8

- 3.72 The table above shows that the cost of capital is expected to continue to rise, but likely to decline after that due to reducing interest rates. The capital programme has been prioritised to ensure that the expected cost of capital is within the prudential limit set by the capital strategy for 2026/27 and therefore over the current three-year period we are very close to the recommended limit. In some later years we are expected to be in breach of the limit and further re-prioritising may be required. Headroom seen in the final two years needs to be compared to the wider budget gap and the need to bring costs down. By maintaining a more prudent and lower borrowing forecast for 2026-31 it has a positive knock-on impact to the general fund expenditure as regards the cost of repaying borrowing.
- 3.73 Whilst the Council is thus focusing efforts to manage its level of borrowing it also needs to manage its delivery of the capital programme. Following reporting last year controls over the capital programme were strengthened and this has resulted in an improved delivery with far less slippage on projects than in previous years. The capital programme expenditure for November 2025 as reported in the Integrated Financial Monitoring Report to Committee, was forecast to be online for a balanced position at year end. It is essential that future capital programmes continue to have this level of rigour and that officers continue to improve the realistic phasing of planned expenditure to also improve treasury management forecasting and management.
- 3.74 The implementation of a 5-year capital programme, the introduction of a Corporate Landlord approach for the Council's assets and the new capital monitoring and reporting system, has also ensured a more realistic capital programme resulting in significantly less slippage. Further consideration needs to be given to whole life costing and what element needs to be funded from revenue sinking fund and top slicing of capital receipts to create a future reserve. This will be further examined in 2026/27 alongside the ongoing implementation of the Council's new Land and Property Strategy as well as the Asset Change Programme arising from the 'Our Future Council' Strategy.
- 3.75 The proposed draft capital programme is funded from a combination of government grants, external funding and borrowing. In line with previous years, it is proposed that borrowing is supported where it can be from the Council's cash balances rather than external debt. This not only reduces the cost of borrowing (bearing in mind the difference between returns on cash investments and borrowing rates) but also ensures the Council does not increase accumulated debt based on spending profiles which are subsequently delayed. This strategy of internal borrowing is considered sustainable for the next one to two years providing there is no significant revenue need to draw down reserves, and the Council has sufficient cash balances. This aligns with the Council's treasury management plans within the MTFs, but further work will need to be undertaken to manage this position, including the phasing of projects noted earlier in this report. This does add further pressure to future year's gap as reported and will need to be addressed as part of the savings programmes for those later years.
- 3.76 Alongside management of the capital programme risks to improve treasury management, the Council needs a strong awareness and understanding of its investment risk. Overall, the Council's investment performance is in line with market expectations, however, it is worth noting that the Provisional Settlement announced on 18 December 2024 also set out that from 1 April 2025 the statutory override that has been in place since 2018 relating to the full implementation of International Financial Reporting Standard (IFRS) 9 will not be extended. This override has allowed councils to disapply part of IFRS 9, which would otherwise require councils to make provision in their budgets for changes in value (gains or losses) of certain types of financial investments (pooled investment funds). Local authorities' financial

accounts will now need to reflect changes in the market value of these assets such as property funds or money market funds. At the end of quarter 2 2025/26 the Council had £27.2 million of its investments pooled, so a relatively low value.

- 3.77 Any unrealised gains and losses (transactions that have occurred on paper but have not actually taken place) are from 1 April 2025 to be treated as actual revenue income and spending affecting the council's budgetary balance, even though the investment is still held by the council and may eventually be sold at a different value. Previously changes in the market value of assets and investments owned by a local authority would have been charged to an accounting reserve (non-cash resourced) until the investment was sold and the gain or loss confirmed. From 2026/27, for example, if the value of an affected investment falls by £1 million then the council's reserves will be expected to be £1 million lower and held to reflect the expected future loss, as such this money will not be available to spend on services.
- 3.78 By recognising the loss in this way if reserves fall too low then the council will need to replenish them, for example by diverting money from other reserves, raising council tax or making further service cuts. As a result, the Council would need to recognise £3.9 million of loss on its current pooling, however as noted above that is simply a snapshot not an expected maturity position and why it is important to maintain a reserve to offset this risk.
- 3.79 The other significant investment the Council holds is This Land, with £59.9 million of loans outstanding and due by 2030. Without this loan the Council's position in comparison with its peers per Chart 2 above would be at 75-80%% and thus would still be above the norm for peer grouping. This Land's latest business plan is to be considered by the Shareholder Committee in February 2026 and will provide an update on the delivery of schemes to protect the Council's loan security. Ongoing work with the Company suggests that the Business Plan remains viable. An improvement made in 2025 was that the Shareholder Sub-Committee monitors the progress on a site by site assessment against the Business Plan to hold the Company to account for security of the loans. As such, whilst the risk relating to any commercial venture always exists, the level of risk relating to This Land is lower, however the level of reserves relating to this aspect is still being held at this stage against any lost in year interest or additional minimum revenue provision need. This will be reviewed post external audit of the 2024/25 accounts and the Company's latest Business Plan assessment.
- 3.80 Looking forward the Council is the accountable body for the Greater Cambridge Partnership (GCP) set up to co-ordinate and manage the Greater Cambridge City Deal agreed with Government in 2014. The GCP has set out an Investment Strategy to deliver infrastructure change over the coming years across Greater Cambridge using City Deal funds and future contributions from developers such as s106 agreements. GCP's programme relies on funding from developer contributions that are many years away from being received, and so there is a timing difference that would require other funding to bridge. The Council is continuing to work with the GCP around its future funding of schemes and any requirement to reprofile its programme in order to fund the cost of any forward borrowing requirement, as such it is assumed this has nil impact on the County Council's borrowing or associated revenue costs.

The Council's Financial position and financial risks conclusions

- 3.81 Paragraphs 3.25 to 3.80 consider a wider range of financial risks, this concludes that:

- Whilst the audit of accounts does not yet suggest any risks to manage, the Council's revenue monitoring reports suggest the need to further manage the 2025/26 forecast outturn to a significantly better position than that currently reported.
- Whilst due diligence of the budget estimates and proposals suggest these are robust, lessons from saving implementation plans need to be recognised and improvements in budget responsibility and management must follow in 2026. At the same time current controls in place around spend are likely to remain in the foreseeable future whilst this development takes hold, and further plans are developed to address the uncertainty and gap of future years.
- Earmarked reserves adequately cover known risks as well as provide for resources to implement the Council's Strategic Framework and "Our Future Council" Change Strategy. The General Fund is deemed adequate after movements proposed in the Medium-Term Financial Plan to cover working capital and unforeseen risks, with one-off provision for changes in assumptions and saving proposals possible as a last resort. The General Fund is also felt adequate to deal with one-off climate and environment risks during 2026/27.
- The current level of reserves is adequate to manage the risk identified, and while they remain in line with peer authorities, there remain a number of key risks which need continued assessment. The most notable is the annual and cumulative Dedicated Schools Grant (DSG) High Needs deficit and the treatment of the legacy position, forecast to be circa £200m at the time the statutory override is lifted in April 2028. It is assumed this risk will be resolved by Government and a further statement is expected on the announcement of the Final Settlement in early February 2026. If that is not the case, then Council will need to reconsider the position on its reserves following further advice from the statutory officers.
- Whilst a growing number of Cambridgeshire's maintained schools are reporting deficit balances officers are working with schools and governors to review the position, and as such the impact is not deemed, outside of the DSG High Needs issue, to be significant enough to affect the Council's reserves. However, this needs to continue to be monitored.
- The Council is further improving its controls over its capital programme which is beneficial to its treasury management position. There remain a number of risks surrounding investments and the Council needs to consider its reporting under International Financial Reporting Standard 9. As such continued focus and reporting of investment risks will be a focus of 2026/27 monitoring. However, at this stage, with additional investment in reserves to reflect the position relating to company investments the reserves are deemed adequate.

Upcoming proposals or events surrounding the local government structure and funding nationally and locally

- 3.82 On 16 December 2024 Government published its English Devolution White Paper. This was followed up in July 2025 by the English Devolution and Community Empowerment Bill. This sets out plans to end the two-tier system in English local government. As such, at the end of November 2025, the 7 local authorities in Cambridgeshire and Peterborough submitted a number of proposals to Government to facilitate Local Government Reorganisation (LGR).

No final Ministerial decision is expected until at least Summer 2026. Consequently, this assessment and the MTFS proposed extend beyond the provisional vesting day for new unitary councils of 1 April 2028. It is important all councils continue to take a longer-term view regardless of the position of the views on outcomes. Secondly, the councils need to consider the funding of transition costs arising from LGR as the Government has made it clear there will be no national funding available for this. Experience from other councils who have moved from a two-tier system suggests that transition costs could be in excess of £20 million. This is expected to be funded by all 7 local authorities in the area. From an assessment of Cambridgeshire County Council's reserves and budget it is clear that there is limited to scope to provide funding for LGR transition and adequately manage reserves. At this stage the proposal to the Committee is that a £5.1 million fund is made available through the reallocation of reserves. All 7 councils in the area will need to work together effectively to jointly contribute and manage the required transition costs as a system, funding this and all associated costs collectively. This will thus remain a risk going into 2026/27 that will need to be carefully monitored from a financial and governance perspective.

4. Alternative Options Considered

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

5. Conclusion and reasons for recommendations

5.1 Taking all relevant factors into account, the Section 151 Officer can formally report that in his view, subject to all the measures set out in the draft business plan and medium-term budget being implemented, the financial estimates are robust and the level of reserves adequate within the constraints in which the Council currently has to operate, as required by the Local Government Act 2003.

5.2 This assessment is based upon key factors, including:

- The assumption that the proposed council tax increases up to but not exceeding the 3% general threshold and 2% for Adult Social Care precept are agreed for 2025/26. Council tax is now the most significant source of funding for Cambridgeshire County Council services. Any lesser increase than that proposed, without a corresponding reduction in base budget spending would have an adverse impact on the Council's financial resilience and ability to mitigate future spending risks or medium-term uncertainties over the future funding gap.
- Government proposals surrounding the DSG High Needs annual and cumulative deficit will manage the risk of these falling on the Council's general revenue account.
- The risks relating to known and provision for an element of unknown risk are based upon information available and experiences, whilst this may change at this stage these reserves provide for adequate coverage and cannot be reduced.

- A General Fund reserve at £30.6 million for 2026/27 is considered to be essential in light of increased financial risks, the increased self-sufficiency of councils and greater reliance on tax income, and medium-term uncertainties. Going forward though the Council faces further uncertainties and it is recommended at this point that this reserve is increased in the later years of the MTFs. Failure to maintain General Fund reserve at the levels prescribed would in my opinion very likely seriously impair the adequacy of the Council's reserves and consequently its financial resilience.
- The assessment of the 2025/26 forecast outturn, and the need for that to be reduced to a level that can be covered by reserves set aside for budget risks and stabilising this poses a significant risk to the adequacy of reserves and thus the Council's financial resilience.
- The longer-term capital planning within the proposed 5-year programme delivers urgent and critical works as well as addressing the need to minimise new borrowing and deficiencies in previous plans that have led to significant rephasing. Both of these have significant consequences on future revenue budgets. The level of borrowing continues to be a concern, even though it has been reduced, sustainable alternatives urgently need to be identified. Investments continue to be reviewed for valuation and security.

5.3 The revenue proposals for 2026/27 and medium-term plan are not without significant additional risks. The proposals strike a balance between affordability whilst allowing sufficient resources for the Council to fulfil its statutory responsibilities and address local priorities. This is not an easy combination and will require more difficult decisions in future years about service levels and provision. It will require all services to bear down on spending growth, particularly regarding future price levels and managing demand. In the opinion of the Section 151 Officer whilst this presents risks, the Council currently has sufficient financial resilience and reserves, such that the additional risks are neither excessive nor reckless. However, it is essential that there is a sustained focus on financial and demand management, delivery of approved savings and income plans, timely decision making and there are not additional spending requests that would add to costs over and above budgeted levels. It is also essential that where variations from the budget are identified that remedial action is taken promptly to ensure a balanced budget can be delivered.

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

6. Significant Implications

6.1 Finance Implications

This report sets out the Section 151 Officers assessment under his statutory duty per Section 25 of the Local Government Act 2003.

6.2 Legal Implications

This paper fulfils the duty of the Section 151 Officer and should be read alongside the Business and Financial Planning paper also on this Committee agenda.

6.3 Risk Implications

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

6.4 Equality and Diversity Implications

There are no direct equality and diversity direct implications of this report which are not already captured within the draft Business Plan and Budget for the Council, although further changes to assumptions would need further consideration in this regard.

6.5 Climate Change and Environment Implications

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

7. Source Documents

- 7.1 This paper draws and builds upon the Council's Financial Plan presented to Full Council in February 2025 – [Council 11 February 2025](#)

Appendices

Appendix 1 – Detailed analysis of reserves

Appendix 2 – General Fund Assessment

Appendix 3 – Specific reserves

3a - Public Health

Appendix 1 – Detailed analysis of reserves

Fund Description	Balance at 31 October 2025 £000s	Forecast						Paragraph within report
		2025-26 closing balance	2026-27 closing balance	2027-28 closing balance	2028-29 closing balance	2029-30 closing balance	2030-31 closing balance	
General Reserve	£29.09m	£26.70m	£30.60m	£31.32m	£32.00m	£32.00m	£32.00m	3.7, 3.17d and j & Appendix 2
General Reserves subtotal	£29.09m	£26.70m	£30.60m	£31.32m	£32.00m	£32.00m	£32.00m	
Strategic Framework Priorities Reserves								
Improvement programme reserves								
<i>Just Transition Fund</i>	£6.35m	£2.97m	£0.61m	£0.27m	£0.11m	£0.11m	£0.11m	3.51 & 3.52
<i>Change & Digital Reserve</i>	£4.56m	£2.73m	£2.87m	£2.87m	£2.87m	£2.87m	£2.87m	3.51
<i>Other service change reserves</i>	£1.10m	£0.83m	£0.11m	£0.11m	£0.11m	£0.11m	£0.11m	3.51
Improvement programme subtotal	£12.01m	£6.53m	£3.59m	£3.25m	£3.08m	£3.08m	£3.08m	
Investment reserves	£4.60m	£2.54m	£1.32m	£0.41m	£0.11m	£0.11m	£0.11m	3.51
Invest to save reserves	£0.28m	£0.08m	£0.08m	£0.08m	£0.08m	£0.08m	£0.08m	3.51
MTFS support	£5.34m	£1.45m	£0.12m	£0.12m	£0.12m	£0.12m	£0.12m	3.51
Strategic Framework Priorities Reserves Total	£22.23m	£10.60m	£5.11m	£3.86m	£3.39m	£3.39m	£3.39m	
Risk Reserves								
Risk contingencies								
<i>This Land Credit Loss & Equity Offset</i>	£11.98m	£9.98m	£9.98m	£9.98m	£9.98m	£9.98m	£9.98m	3.17e
<i>This Land Minimum Revenue Provision</i>	£0.81m	-	£0.81m	£1.58m	£2.23m	£2.77m	£2.77m	3.17e
<i>This Land Income Phasing</i>	£6.91m	£7.92m	£9.10m	£9.30m	-£0.00m	-£0.00m	-£0.00m	3.17e
<i>Revaluation & Repair (Buildings)</i>	£2.94m	£2.94m	£2.94m	£2.94m	£2.94m	£2.94m	£2.94m	3.66
<i>Local taxation volatility & appeals account</i>	£2.57m	£2.57m	£4.19m	£4.19m	£4.19m	£4.19m	£4.19m	3.45 & 3.48
<i>High Needs Block Offset</i>	£7.88m	£7.62m	£7.43m	£7.43m	£7.43m	£7.43m	£7.43m	3.17a and 3.18
<i>Adults Risk Reserve</i>	£5.80m	£2.60m	£1.24m	£1.13m	£1.13m	£1.13m	£1.13m	3.17b
<i>Children's risk reserve</i>	£0.11m	£0.00m	£0.00m	£0.00m	£0.00m	£0.00m	£0.00m	3.17b
<i>Major infrastructure cost reserve</i>	£24.19m	£17.17m	£11.17m	£5.18m	£4.43m	£3.93m	£3.93m	3.17h & 3.67
<i>Ukraine Risk Reserve</i>	£4.78m	£3.91m	£3.04m	£3.04m	£3.04m	£3.04m	£3.04m	3.30
Risk contingencies subtotal	£67.96m	£54.70m	£49.90m	£44.76m	£35.37m	£35.41m	£35.41m	

Fund Description	Balance at 31 October 2025 £000s	Forecast						Paragraph within report
		2025-26 closing balance	2026-27 closing balance	2027-28 closing balance	2028-29 closing balance	2029-30 closing balance	2030-31 closing balance	
Specific legal/contractual risks reserves	£3.39m	£4.57m	£1.31m	£0.52m	£0.43m	£0.41m	£0.41m	3.17f
Funding Review Shortfall Reserve	£6.21m	£4.82m	-	-	-	-	-	3.17i
Risk - Smoothing	£3.25m	£3.38m	£2.14m	£0.00m	£0.13m	£0.27m	£0.27m	3.46
Insurance Reserve	£5.33m	£4.83m	£4.43m	£4.43m	£4.43m	£4.43m	£4.43m	3.17g
Risk Reserves Total	£86.13m	£72.30m	£57.78m	£49.70m	£40.36m	£40.51m	£40.51m	
Ringfenced Reserves	-	-	-	-	-	-	-	
Ringfenced contribution	£15.09m	£10.18m	£6.49m	£3.13m	£1.41m	£1.41m	£1.41m	3.56
Ringfenced account	£2.17m	£1.36m	£0.82m	£0.54m	£0.27m	£0.00m	£0.00m	3.56
Ringfenced - Developer Fund / Commuted Sum	£2.96m	£2.64m	£2.41m	£1.65m	£1.65m	£0.45m	£0.45m	3.56
Ringfenced Reserves Total	£20.22m	£14.18m	£9.72m	£5.32m	£3.33m	£1.86m	£1.86m	
Local Government Reorganisation Reserve	-	-	£3.60m	-	-	-	-	3.82
Sinking Fund	£2.21m	£1.89m	£1.94m	£2.18m	£2.57m	£2.77m	£2.77m	3.55
Unallocated	-	-	-	-	-	-	-	
Unusable	£0.43m	£0.38m	£0.29m	£0.20m	£0.11m	£0.00m	£0.00m	3.58
Total Revenue Reserves	£160.31m	£126.05m	£109.04m	£92.57m	£81.75m	£80.53m	£80.53m	

Appendix 2 – General Fund Assessment

Event	Risk assessment	Assumption 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m	Provision 2030/31 £m
1. Climate and weather	<p>There is a risk that with the changes seen in recent years that there is a risk of adverse weather conditions which could result in impacts to our services. This includes higher cases of flu, flooding or heat exhaustion. For some events the Council is covered under the Bellwin Scheme whereby if the Council needs to spend greater than 0.2% of its net expenditure (after accounting for insurance) responding to the incident it can claim back funds. Whilst such events have not occurred in recent years that does not preclude from providing for the unfunded element, or for events such as increased care not covered by the scheme. As such it is felt prudent to provide for at least one event per annum of flooding (£1.1m 2026/27 and rising by 3% p.a. for inflation thereafter) plus an amount for increased pressure on care (£1.8 million – 500 extra care clients for 6 weeks at £600 per week), plus £0.600 million for additional gritting).</p>	3.4	3.5	3.6	3.7	3.8	3.9
2. Overspend in year	<p>Every effort will be made to manage budgets in year. However, the current volatility in demand as well as the scale of the task in future years given the funding uncertainty, even with earmarked reserves to provide for some damping, gives rise to an ongoing risk of in year overspends. To manage this risk the general fund will contain a minimum £5 million provision due to the scale of savings and risk of LGR resource draw.</p>	4.0	5.0	4.0	4.0	4.0	4.0

Event	Risk assessment	Assumption 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m	Provision 2030/31 £m
	This is to be used as a matter of last resort at year end. This is just lower than the current level of overspend, and lower than most councils are current experiencing elsewhere, as such this sum needs to be kept under review.						
3. Exceptional increases in children's care	Whilst demand is factored into the setting of the base budget and the change programme within the Children, Education and Families Directorate contains proposals to focus on preventing costs and demand there is always a risk that there is a sudden influx of costs due to children coming into care who are not known to the Council. That could be from within or out of county travelling to the County context. As such a provision has been made for such circumstances whereby the General Fund would provide financial resilience up to 10 weeks for 20 such children at an assumed cost of £4,000 per week. For 2026/27 it is suggested to increase this to £3m to cover the stretch target included within the savings and the cost increase seen in 2025/26	0.8	3.0	0.8	1.0	1.0	1.9
4. Exceptional increases in home to school transport	Demand for home to school transport is difficult to predict due to parental preference, circumstances and SEND provision. Whilst demand has been provided for in 2026/27 and the base budget increased there will always remain a volatility to this area. The current forecast is a £2m overspend. Further national reform is expected in 2026/27 as such a minimum sum is provided for short	1.0	2.0	1.0	1.0	0.5	0.5

Event	Risk assessment	Assumption 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m	Provision 2030/31 £m
	term costs of £2 million based on previous experience and CCN studies.						
5. SEND provision	The risk of DSG deficit remains even though the Council has agreed a draft plan of recovery with the DfE there is a hazard that the pace of recovery will not meet the plan agreed. From 1 April 2026 the statutory override which sits in place to ensure that the deficit is not recognised on the balance sheet, is lifted. This means that the deficit at that time will need to be covered. At this stage that deficit or the position of the override is unclear. The Council has a £7 million earmarked reserve but the position regarding the remainder and the risk of no return to surplus means that a provision is being kept in the General Fund for 2026/27 of £6 million. This would not be called upon until 2028 as a last resort in response to no resolution of the position by Government and the need to consider a Section 114.	6.0	6.0	15.0	16.0	17.0	17.0
6. Pay inflation	The pay settlement for 2025/26 was finalised in August 2024. At this stage the 2026/27 budget assumes 3%, if that were to be higher, then there would be a need to fund that position in year. Whilst further savings may be possible the ongoing lateness of a national agreeing means it is prudent for provision to be made in 2026/27 There is also a risk given the level of the National Living Wage and the structure of previous pay awards has had on the current lower bandings and gaps to tiers that could cause potential knock on	1.0	0.6	0	0	0	0

Event	Risk assessment	Assumption 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m	Provision 2030/31 £m
	impacts to the pay spine. No provision is made above the assumed MTFP for future years at this stage.						
7. Insurance	Whilst there is insurance cover there is always a risk that Insurance liability/claims premiums /level of deductibles rise above provision and a top up is needed. Whilst this is unlikely in the early years it is more likely in later years. There is also a risk that were the Council self-insures the provisions are insufficient.	0	0	0.2	0.5	0.5	0.5
8. Cyber attack	There is growing risk of cyber-attacks, with a number of local authorities had disruption and ransoms. As such whilst the Council seeks to mitigate loss and will not pay ransoms the cost of recovery could be significant and at present the cost to insure is prohibitive. As such a provision has been made to enable recovery.	1.0	1.0	1.0	1.0	1.0	1.0
9. Partnership / contract risks	Liabilities arising from ongoing partnerships or contracts such as matched funding contributions increase due to increasing costs. Whilst these should be monitored and managed a risk remains. There could also be grant clawbacks arising from failed schemes not managed by CCC. Again, these need to be managed but a small provision is suggested for prudence.	0.5	0.5	0.5	0.6	0.6	0.6
10. HSE and employment tribunals	The Council could be deemed liable for events or incidents through tribunal or legal cases. Whilst some protection may be available through insurance a level of	0.5	0.5	0.5	0.5	0.5	0.5

Event	Risk assessment	Assumption 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m	Provision 2030/31 £m
	financial cover is suggested in order to enable negotiated settlements.						
11. Unsuccessful capital schemes	Accounting rules require that where a capital scheme cannot be completed for whatever reason that the costs are funded from revenue. There is a risk that given the scale of the capital programme that such events happen in the current environment of high interest rates, borrowing and land values. As such a provision has been made to allow for such events.	5.0	4.0	2.0	2.0	2.0	2.0
12. Bad debt provision	The Council is seeking to improve its income and debt collection processes in order to reduce its bad debt provision. Debt has increased, particularly in Adult Social Care during and since the pandemic. Some of this is due to the pace of processing Court of Protection (CoP) cases. Whilst some debt is possible of being managed by the Council the CoP is heavily dependent on third parties and as such a provision has been set aside for this in 2026/27.	0.5	1.0	0	0	0	0
13. Global events impact on specific costs.	Whilst the Council has provided for inflation in setting the base budget and for supplier cost risks within the earmarked risks, that is based on current market understanding. As the last few years have proven the global economic position can change on singular events, having significant short term cost implications of such things as utilities and borrowing. As such a provision has been made for such potential impact.	1.0	1.0	1.0	1.0	1.0	1.0

Event	Risk assessment	Assumption 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m	Provision 2030/31 £m
14. Pandemic	Whilst the occurrence of a pandemic cannot be ruled out, recent experience would suggest that Government would fund additional costs arising from this. As such no provision has been made for such an event.	0	0	0	0	0	0
15. Waste	The position relating to the Waste service provision of disposals under changed Government requirements continue to cause pressures to the service. Whilst specific earmarked reserves are to be applied in 2025/26 to support that position there remains a risk that higher costs and tonnage could yield overspends as well as unforeseen contractual costs. As such a further provision is made in the General Fund and will be reviewed as Government direction and local plans continue.	1.3	2.5	1.0	0.7	0.1	0
16. Equal pay	Experience at other councils has led to this being assessed for risk. At this stage there is no evidence that this risk applies to CCC and as such again no provision has been made. It should be noted that as part of LGR, successor councils will however inherit an immediate challenge with respect of pay and terms and conditions of employment harmonisation, which will give risk to potential risks in this area. This not, however, expected to directly impact CCC prior to LGR being implemented.	0	0	0	0	0	0
Total		26.0	30.6	30.6	32.0	32.0	32.0

Appendix 3a- Public Health

PH Reserves Expected Usage	2026/27 £'000	2026/27 £'000	Reserve Description
Brought forward 1st April Projection	1,681	599	
Children's Public Health	200		Children's mental health
PHI and Emergency Planning		9	Residual balance
Prevention and Health Improvement	705	377	Health-checks, care together, obesity
Health in All Policies	25	31	Training and analysis
Miscellaneous	80		Analytics
In year spend	1,009	417	
Carried forward 31st March	599	181	