

Medium-Term Financial Strategy



2025-30

Business Plan Section 2



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1 – Introduction

This strategy for our medium-term funding and spend position is a key component of good financial management, and is updated annually as part of the business planning and budgeting process, and feeding into the decision around the level of council tax. The strategy sets out both the process and assumptions in aligning the council's financial resources with its strategic framework. That strategic framework has been refreshed for 2025-26 and the medium-term, and a number of factors locally and nationally have changed in financial resources available to the council:

- The level of inflation, and linked to that interest rates, has remained somewhat higher than was originally forecast, particularly as a result of staffing costs across the general economy increasing by more than general inflation rates. Other key supplies to the council, including children's social care placements, transport and construction, have also increased more than general inflation. Looking to 2026-27 and beyond we expect inflation to slow and return to the 2% national target for general supplies and to 3.5% for staffing costs.
- We are seeing patterns of demand for council services that remain in flux since the pandemic. Demand for children's social care and social care services for working age adults is increasing more than expected, particularly in terms of complexity of need, but demand for older people's social care has not increased much in the last year. This leads to a rebalancing of resource but still a net increase in funding required for social care.
- Changes in key markets including transport has seen increasing costs in the provision of Home to School Transport, particularly alongside an increasing demand in rural areas.
- The council's commercial and other investments are facing challenges linked to the wider economic position, and some other key council contracts are resulting in pressures.

Due to these external factors, the council tax level for 2025-26 is proposed at 4.99% (inclusive of 2% for the adult social care precept). However, looking forward to 2026-30 the council is assuming at this stage no higher than 2% increases in council tax each year. A large part of that is down to the change programme set out below to manage these external pressures, whilst also improving the service and thus value for money.

In nearly all other scenarios the MTFs has been updated on an iterative basis on the assumption of the five year demand models that are produced, inflation projections that are bespoke for each inflation category, and that the current level of funding will be maintained, other than business rates increasing in line with inflation. The remainder of this document sets out the funding position, pressures facing the council, balancing the budget, and then our reserves and fees & charges approach.

2 – Revenue Strategy: Local Government Funding

Forecasting our financial resources over the medium-term is a key aspect of the revenue strategy, allowing us to understand the context in which the council must operate. We have carried out a detailed examination of the revenue resources that are available to the council. Revenue funding comes from a variety of national and local sources, including grants from Central Government and other public bodies, Council Tax, Business Rates and other locally generated income.

At this stage, the government has not issued a local government finance settlement for 2025-26 and beyond, and so funding projections are based on some information given in the previous settlement, and assumptions about the level of funding the council will receive from national pots of funding announced in the Autumn Budget.

Uncertainty is added to our funding projections due to announced local government funding reforms. The outcome of these is not known, but could impact significantly on our funding if, for example, more funding is distributed based on deprivation which would adversely impact shire counties. As such, we are generally assuming flat cash for funding for 2026-27 and beyond.

In 2025-30, Cambridgeshire is expected to receive £1,158m of funding including funding of £137m delegated to maintained schools. The key source of funding is Council Tax, which is budgeted to rise by 4.99% in 2024-25 and 2% in the remaining four years of the planning period. Including business rates and charges, locally generated funds account for 59% of our overall non-schools funding, and 87% of our net budget.

Table 2.1: Medium-term funding forecast

	2025-26	2026-27	2027-28	2028-29	2029-30
Core funding					
Council Tax ¹	£418m	£433m	£448m	£464m	£480m
Business Rates	£76m	£78m	£79m	£81m	£83m
Revenue Support Grant ²	£0.03m	£0.03m	£0.03m	£0.03m	£0.03m
General Government Grants	£74m	£73m	£103m	£103m	£103m
Core funding subtotal	£568m	£584m	£631m	£648m	£666m
Schools Grants ³	£319m	£319m	£319m	£319m	£319m
Fees & Charges	£165m	£167m	£165m	£158m	£157m
Ringfenced Grants	£104m	£98m	£68m	£68m	£68m
Total gross budget	£1156m	£1167m	£1182m	£1193m	£1210m

1. Assumed to increase by 4.99% in 2025-26 and 2% thereafter
2. Unlike many councils, Cambridgeshire receives minimal revenue support grant from government.
3. This is dedicated schools grant that is received by CCC, and high needs recoupment on the basis that we commission places. Most of this number is passed out to schools.

As is evident from Table 2.1, the council will continue to face a challenging funding environment over the medium-term. In 2025-26, we are expecting an increase of 6.1% on 2024-25 from our core funding sources of council tax, business rates and unringfenced grants (our net budget), despite significant demand and inflationary

pressures. The council expects to see an overall increase in core funding of 29% to 2029-30, primarily due to increases in Council Tax. However inflationary pressures, population growth and increased demand for services are expected to result in much higher additional budget pressures over the same period. This leaves a residual medium-term funding pressure of £132m.

In recent years local government funding has stabilised following a period of significant fiscal tightening from 2010. During this period income from government grants fell sharply; the Revenue Support Grant, worth £86m a year to the council in 2013-14, is expected to be just £0.3m in 2025-26. Additional ring-fenced funding for social care has recently been forthcoming, acknowledging the acute pressures faced by the social care system due to an aging population, increasing complexity of need and the requirement to work more closely with the NHS. Other grants are received from government for a range of services. Despite the reduction in general government grant, these additional ring-fenced grants mean that we still have a dependency on central government funding; with the government capping Council Tax increases this dependency is growing.

The updates to our funding projections resulting from the local government finance settlement are, at this stage:

- Subject to the Provisional Settlement we understand funding to offset the additional staffing costs the council is facing due to the rise in employer's national insurance - £2m
- Continuation of one-off social care grant funding announced in 2024-25 - £4.7m
- A further increase in social care grant - £4.2m
- A continuation of New Homes Bonus - £1.3m
- Ceasing of the services grant - -£0.5m
- New Children's Social Care grant – TBC
- New Recovery Grant – TBC but not assuming anything for CCC

This gives an overall change in funding from the previous medium-term financial strategy of:

Table 2.2: Funding changes

	2025-26	2026-27	2027-28	2028-29	2029-30
Council Tax increase	£20m	£9m	£9m	£9m	£10m
Council Tax base increase	£6m	£6m	£7m	£7m	£7m
Council Tax collection fund adjustments	-£1m	-	-	-	-
Change in general grants	£7m	-£0m	£29m	£0m	-£0m
Business rates	£1m	£2m	£2m	£2m	£2m
Total change in general funding	£33m	£16m	£47m	£17m	£18m
Change in ring-fenced grants	£8m	-£6m	-£29m	-	-
Total change in funding	£41m	£10m	£17m	£17m	£18m

Following spend updates reported later in this document, this gives a medium-term funding gap of:

Table 2.3: Medium-term funding gap

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Core funding	£572m	£588m	£635m	£652m	£671m	£3118m
Less - Projected Net Budget Requirement	£603m	£623m	£660m	£673m	£692m	£3251m
= Funding Gap 2025-29 before savings	£31m	£34m	£25m	£20m	£22m	£132m
Savings identified	-£33m	-£16m	-£15m	-£0m	-£0m	-£64m
Income generation	£2m	-£1m	£1m	£2m	£2m	£5m
Residual budget gap	£0m	£18m	£10m	£22m	£24m	£73m

Sources of Funding

Council Tax, including Adult Social Care Precept (73.8% of net budget)

Council Tax is a key source of funding for local government and is the main locally raised income stream for Cambridgeshire. It is a tax on domestic properties. The tax rate is set based on the difference between our spending requirement and the other projected income streams, within constraints set by central government.

Council Tax is collected by District Councils on behalf the County Council, and we rely on them for projections of the number of taxable properties in their district and the expected collection rate. District Councils have a 'taxbase', which is the number of taxable households in the area, weighted by band.

In recent years, the rate of growth in Council Tax has been effectively capped by central government at between 2% and 5%. Any growth beyond that would require a referendum locally. The specific referendum limit is set by government each year.

Council Tax receipts can also increase if the underlying taxbase increases. Parts of the County are seeing growth in their taxbase, and these are factored into our funding assumptions using projections supplied by District Councils.

Since 2016, central government has permitted councils with Adult Social Care responsibilities to levy a further element of Council Tax, called the 'Adult Social Care Precept'. This tax has usually been a further 2% or 3% increase and is ringfenced for adult social care services. Other than being hypothecated to funding adult social care services, this ASC precept is functionally identical to Council Tax. For 2025-26 we understand that the presentation of Council Tax bills will be reformatted such that the general Council Tax and the ASC Precept are no longer separately reported.

The table below sets out the current assumptions about Council Tax and the ASC Precept over the planning period.

Table 2.4: Council Tax Assumptions

	2025-26	2026-27	2027-28	2028-29	2029-30
Council Tax	2.99%	2.00%	2.00%	2.00%	2.00%
ASC Precept	2.00%	0.00%	0.00%	0.00%	0.00%

Based on District Council projections, we assume a rate of growth in housing stock in each district, which increases the local taxbase. Any shortfall, or surplus, on expected collection rates by each District results in a deficit or surplus on the collection fund. The collection fund is generally returned to its desired balance each year, which can have an impact on the amount of income we get. We are reliant on District Council projections for our estimated income from Council Tax over the medium-term and any fluctuations in those will need to be met from, or released to, the council's revenue budget. Fluctuations in collection fund values, which are one off changes, will be met from or returned to a dedicated earmarked reserve where possible.

Council Tax Requirement

The current Council Tax Requirement (and all other factors) gives rise to a 'Band D' Council Tax of £1,700.84. This is an increase of 4.99% on the actual 2024-25 level which comprises a 2.99% increase in the general precept and 2% increase in the Adult Social Care Precept. This figure reflects information from the districts on the final precept and collection fund.

Table 2.5: Build-up of recommended Council Tax Requirement and derivation of Council Tax precept 2025-26

	2025-26 £000
Revised gross budget	1,133,707
Inflation	24,542
Demography	17,138
Pressures	19,075
Investments & Priorities	-2,968
Movement in budget for reserve drawdowns	-306
Savings	-32,617
Budget Gap	0
Changes in schools budgets	0
Total budget	1,158,571
Less funding:	
Business Rates plus Top-up	76,208
Revenue Support Grant	28
Dedicated Schools Grant	318,661
Unringfenced Grants (including schools)	73,680
Ringfenced Grants	103,992
Fees & Charges	163,684
Surplus/deficit on collection fund	0
Council Tax requirement	422,317

	2025-26 £000
District taxbase	248,328.59
Band D	£1,700.64

Taxes for the other bands are derived by applying the ratios found in the table below. For example, the Band A tax is 6/9 of the Band D tax.

Table 2.6: Ratios and amounts of Council Tax for properties in different bands

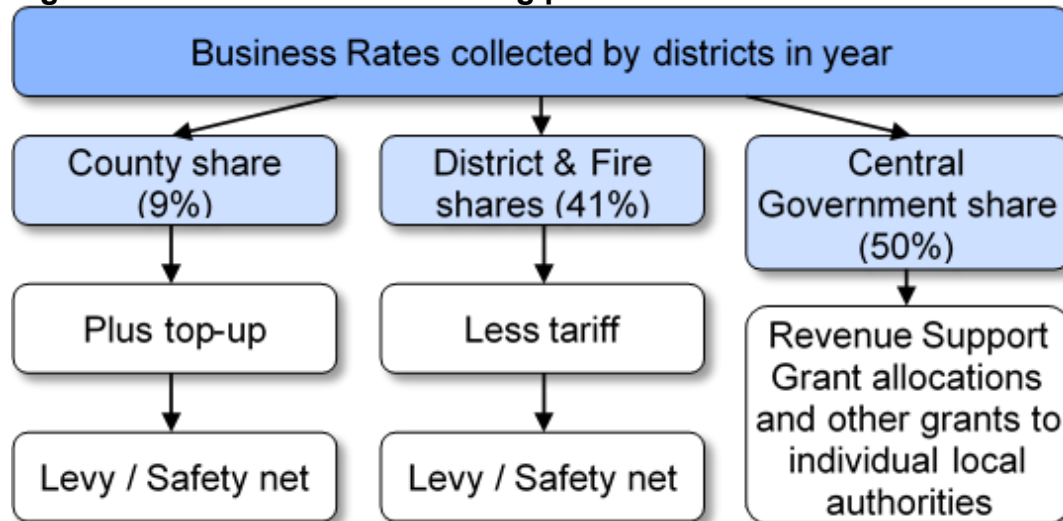
Band	Ratio	Annual Amount	Increase on 2024-25
A	6/9	£1,133.76	£53.88
B	7/9	£1,322.72	£62.86
C	8/9	£1,511.68	£71.84
D	9/9	£1,700.64	£80.82
E	11/9	£2,078.56	£98.78
F	13/9	£2,456.48	£116.74
G	15/9	£2,834.40	£134.70
H	18/9	£3,401.28	£161.64

Business Rates (13.3% of net budget)

Business rates are a tax on non-domestic property. Since 2013, councils have retained a portion of the business rates collected locally (the Business Rates Retention Scheme). Business rates collected during the year by billing authorities are split 50:50 between Central Government and Local Government. Central Government's share is used to fund Revenue Support Grant (RSG) and other grants to Local Government.

This is a historic approach that was intended to increase the self-sufficiency of local government and provide an additional incentive for local authorities to invest in local economic growth. It links an element of local authority income to a share of the Business Rates collected in their area. County Councils currently receive a 9% share of Business Rates as compared to the District Councils' share of 40% which provides some stability against the variability of Business Rates. However, this means that County Councils retain a lower proportion of business rates growth and therefore receive smaller increases in funding than Districts with high levels of growth. Figure 2.7 illustrates how the current scheme works:

Figure 2.7: Business rates funding process



In two tier areas such as Cambridgeshire, the County Council will receive a top-up from the Government on top of business rates income and the district authorities will pay a tariff to central government. Tariff and top-ups are designed to realign business rates baselines with assessed need.

Business rates are collected by District Councils, and so we rely on their estimates of collection rates in our funding projections. Any changes in estimates will need to be factored into business planning. Like Council Tax, there is a collection fund for business rates that can have an impact on the amount of income we get, but these one-off adjustments will be factored into the balance on a dedicated earmarked reserve.

There was a revaluation of properties for business rates purposes in 2023.

For several years we have been expecting further government announcements about the future of business rates, particularly around the retention of a greater proportion of business rates locally. This would provide more incentive to generate economic growth, but reforms have not yet been set out by government.

Non-ringfenced Grants (12.9% of net budget)

These grants are received from government without strict conditions for spending. They go to the corporate centre and are used to fund services generally, forming part of the funding for our net budget. In some cases, these may be allocated out to a specific service.

The MTFs is currently predicated on the assumption that the council will receive £73.7m in unringfenced grants in 2025-26, excluding schools' grants, an increase of £7m on the 2024-25 level. This is predominantly due an increase in the social care grant and an expected grant to fund the National Insurance increases.

Unringfenced government grant funding is typically announced late in the financial year during the local government finance settlement (usually late December). This has an impact on our ability to draft the business plan as a key funding source remains unclear until close to the end of the planning process. The one-year nature

of recent settlements has made it hard to project grant funding over the medium-term.

Table 2.8: Forecast Unringfenced grants for Cambridgeshire 2025-26:

	2025-26 £000
Social Care Support Grant	45,816
New Homes Bonus	1,300
Education Services Grant	1,951
Domestic Abuse Grant	1,188
Extended Rights to Free Travel Grant	1,394
Section 31 grants and local taxation support	17,925
Other unringfenced grants	4,106
Total unringfenced grants	73,680

1. Section 31 grants are those given under s31 of the Local Government Act 2003, and in this table are generally narrow-focussed grants linked to taxation, such as government reimbursing us where they require exemptions from business rates.

Ring-fenced Grants and Contributions

These are funding received from central government for a specific purpose. If we receive a ringfenced grant, these are passed straight to the relevant service. This funding is managed by the appropriate Service Area and the council's ringfenced grants are set out within part 7 of Table 3 of the relevant Service Area in Section 3 of the Business Plan. The two largest ring-fenced grants are the Public Health Grant (over £30m) and Better Care Funding (over £37m, funding adult social care).

Unless we have good reason to assume otherwise, we will project ring-fenced government grants forward throughout the MTFs on a flat cash basis. Government grants are usually not confirmed beyond a single year, and even then, can be confirmed quite late, and it would be imprudent based on experience to assume that these grants will end.

We assume the Public Health Grant will remain ringfenced until 2027-28, at which point it is expected to be rolled into the shift to increased business rates retention. Planning collaboratively across directorates on an outcomes basis should enable the council to reach a position where the presence or absence of the ringfence becomes less important. However, there may be a risk that when the ringfence is removed, Public Health England will require achievement of performance and activity targets which require more funding to deliver than we are currently allocating. The allocation of any increase to the Public Health Grant will be agreed by Strategy & Resources Committee despite being a ringfenced grant as it is a large source of funding that covers services across the whole Council.

Fees & Charges

A significant, and increasing, proportion of the council's income is generated by charging for some of the services it provides. This is charging of either people who use services or other organisations. The council reviews its charges on an annual basis, with proposals presented to Members. Local authorities faced significant shortfalls in sales, fees, and charges income in 2021-22 as a result of national restrictions imposed in response to the coronavirus pandemic. While in some areas income generation has quickly returned to normal, in other services it is still slow to recover. The pandemic has also accelerated shifting behavioural trends, such as online purchasing and working from home that could impact the council's fees and charges income and reshape our non-statutory service provision for years to come.

Some of the income we receive is from statutory charging regimes such as in Adult Social Care. In these cases, charging rates are generally defined nationally and we will have a specific policy about how that works in Cambridgeshire. Those policies will define how charges are calculated and how they may be increased year-on-year.

The Fees & Charges Policy forms part of this strategy, in chapter 8.

Dedicated Schools Grant

The council receives the Dedicated Schools Grant (DSG) from the Government, and it is therefore included in our gross budget figures. However, this grant is ringfenced to pass directly on to schools, other education providers and services. This plan therefore uses the figure for "total budget excluding grants to schools".

The below table sets out the breakdown of dedicated schools grant, what funding will actually be received directly by the council, and what is accounted for as part of our budget.

Table 2.9: Dedicated Schools Grant (DSG)

	£000
Gross DSG to be received	656,725
Less Academy Recoupment	-339,844
DSG within CCC's gross budget	316,881
<i>of which spent or commissioned by CCC</i>	<i>118,621</i>
<i>of which delegated to maintained schools</i>	<i>198,260</i>
Less High Needs Place Recoupment	-17,366
Total DSG estimated to be Received in 24/25	299,514

Due to the continuing increase in the number of children and young people with an EHCP, and the complexity of need of these young people, the overall spend on the High Needs Block element of the DSG funded budgets has continued to rise. Work is ongoing to remodel demand and develop new approaches to manage costs whilst meeting the increased level of need.

More information including updated allocations will be available when the Department for Education publish school budget information in December.

Table 2.10: Parameters used in modelling future funding

Funding Source	Parameters
Business Rates	<ul style="list-style-type: none"> Assumed 0.5% taxbase growth in Cambridge City, and 0.25% growth in South Cambridgeshire, with no growth in other districts National CPI inflation (September) applied to the underlying business rates multiplier, which will either be charged to business or funded by government if rates are frozen.
Top-up	<ul style="list-style-type: none"> Based on September CPI
Council Tax	<ul style="list-style-type: none"> 4.99% for 2025-26 and 2% thereafter Occupied Cambridgeshire housing stock (1.46% increase in 2025-26, around 1.5% thereafter) – based on district council projections
Government grants	<ul style="list-style-type: none"> Grants allocated by individual government departments assumed to be flat cash unless otherwise known
Fees & charges	<ul style="list-style-type: none"> Charges set by council (national CPI inflation as at September 2024 and forward projections from the Office of Budget Responsibility)

Local Government Finance Settlement

In November 2024 the government issued a policy statement for local government, setting out its approach to certain parts of local government funding for 2025-26 in advance of the provisional settlement. The implications of this were to confirm indications in the previous settlement in 2023 that the council Tax limit for upper tier councils would be 4.99%, and confirmed certain national levels for grants that were in line also with the previous settlement (particularly the social care grant) along with the discontinuation of some grants (such as services grant).

Following this, the provisional local government finance settlement will be issued as usual just before Christmas in December 2024, setting out the settlement funding assessments for councils, the government's assessment of councils' core spending power, and the actual authority-level allocations of certain grants. The settlement will again be one-year only.

The final settlement is set to be issued in February 2025.

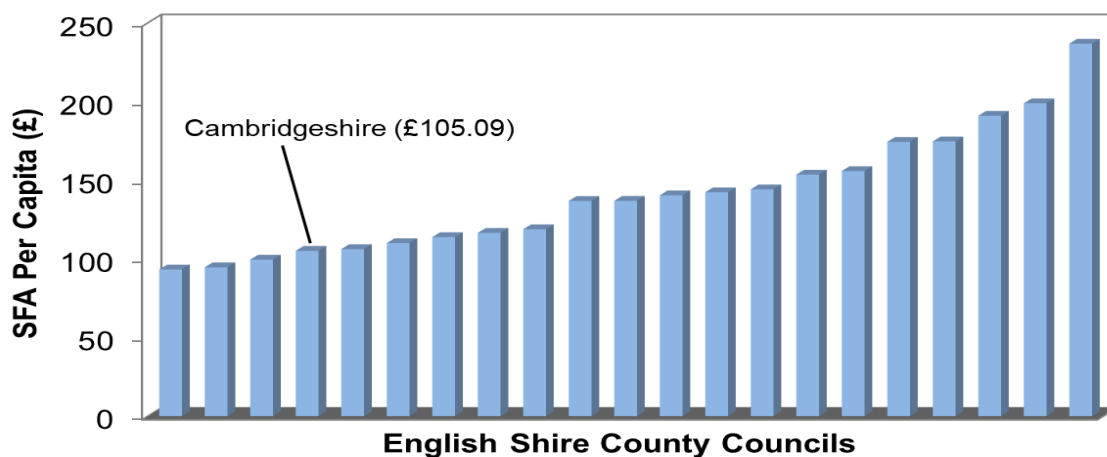
Table 2.11: Comparison of Cambridgeshire's government funding 2019-20 to 2025-26

	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m Estimated
Revenue Support Grant	-	-	-	-	-	-	-
Covid Grants	-	-	27.6	-	-	-	-
Other Unringfenced Grants	14.6	23.8	26.3	43.9	56.2	66.9	73.7

	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m Estimated
Better Care Funding	27.9	31.7	31.7	33.8	34.7	36.3	37.2
Other Ringfenced Grants	38.1	43.1	43.0	44.3	51.6	59.2	66.8
Government Revenue Funding (excl schools)	80.6	98.6	128.6	122.0	142.5	162.4	177.7

The council's core revenue funding is described as its Settlement Funding Assessment (SFA) and comprises Business Rates, Top-up grant and Revenue Support Grant. For 2024-25 Cambridgeshire's SFA award per head of population was the fourth lowest of shire counties, with an SFA of £105 per head compared to the average for the group of £140. This will be updated once the 2025-26 allocations are known.

Chart 2.12: SFA per capita for shire counties 2024-25



3 – Revenue Strategy: Building the Budget

If all things were equal the council would be able to use the additional funding income for new service provision and to fund growth. However, the scale of cost pressures facing the council is more than the projected increase in income. The potential increase in the base budget are as follows:

- Priority decisions – these are policy decisions to invest monies from another Directorate, or from external funding into a new service or area that will deliver a change; and that supports the Strategic Framework delivery.
- Growth in demand – this is recognition that some demand cannot always be prevented, and as such we have to allocate funding
- Cost Pressure – this is the recognition that inflation cannot always be avoided. It could also be recognition of a prior year base budget ‘issue’ that needs to be addressed, an example that could include an over statement of income target not achieved

The reason we recognise investment, growth and pressures is so that we understand the scale of the task. If we simply gave a service the same cash budget as the previous year, that service would still have to make savings to stand still as pay costs or contract prices may have risen. Without this analysis we cannot be sure we are setting robust and open budgets. The next step is to assess what is a ‘priority’ and needs to be funded and what is ‘not a priority’ and will not be funded and each service must make changes to stay within its current (prior year) base budget.

Forecasting the cost of providing current levels of services over the medium-term is the second key aspect of our revenue strategy. This allows us to assess the sustainability of current service provision and the level of savings and additional income that we will need to balance the budget over the medium-term. Our cost forecasting takes account of pressures from inflation, demographic and demand changes, amendments to legislation and other factors, as well as any investments the council has opted to make.

This process has continued to prove challenging for 2025-26 and beyond due to ongoing changes to patterns of demand for local government services and the costs we face to provide services. Both of these are impacted by the current economic position and uncertainty in future economic projections.

Inflation

Inflation levels in the UK for 2024-25 are expected to be higher than the predictions made last year, which has impacted on our planning by pushing up the opening budget gap. The high level of inflation continues to impact on the council and the residents of Cambridgeshire.

Rising inflation in the economy has a direct and broadly proportionate impact on our costs. Overall CPI inflation is expected to be reducing throughout 2024-25, but we are also having to address inflationary pressures in 2023-24 that exceeded budget

allocations in that year and have increased the baseline cost of services which increases the overall inflationary impact on budgets.

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 & 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 this 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 CPI projection 6% as at September 2023, but specific inflation rates are calculated for each service.

The table below shows expected overall inflation levels for the council:

Table 3.1: Inflation pressures

	2025-26	2026-27	2027-28	2028-29	2029-30
Inflationary cost increase (£000)					
Children, Education and Families	5,960	5,462	5,653	5,852	6,059
Adults, Health and Commissioning	12,756	11,392	11,939	12,736	13,454
Place and Sustainability	4,166	2,967	2,691	2,249	2,385
Finance and Resources	387	1,045	922	956	990
Strategy and Partnerships	759	959	998	1,039	1,082
Capital Financing	0	0	0	0	0
Corporate and Funding Items	514	424	441	235	241
Total Inflationary cost increase (£000)	24,542	22,249	22,644	23,067	24,211
Inflation on Income (£000)					
Children, Education and Families	-74	-65	-73	-76	-74
Adults, Health and Commissioning	-2,483	-2,182	-1,769	-1,827	-1,904
Place and Sustainability	-414	-218	-256	-265	-266
Finance and Resources	-34	-38	-45	-47	-45
Strategy and Partnerships	-20	-19	-22	-23	-24
Capital Financing	0	0	0	0	0
Corporate and Funding Items	0	0	0	0	0
Total Inflation on Income (£000)	-3,025	-2,522	-2,165	-2,238	-2,313
Total Net Inflation Impact (£000)	21,517	19,727	20,479	20,829	21,898
Average inflation on expenditure	3.01%	2.66%	2.65%	2.65%	2.78%
Average inflation on net budget	3.87%	3.46%	3.46%	3.27%	3.35%

Demand Pressures

Increases in demand for services can result from changes in population numbers and changes in population need. The underlying general population growth in Cambridgeshire is forecast to be around 0.3% per year across the MTFs period. The demand pressures set out in the table below relate to circumstances where:

- Services cannot absorb the financial impact of general population growth
- Service user population growth exceeds that of the general population
- Needs of service users are expected to increase, resulting in more care being provided or a more expensive mix of care types

Our demand projections are underpinned by models for each service area that are reviewed annually, and factor in demographic information, price projections, trend analysis and knowledge of likely future trajectories.

Table 3.2: Demand pressures

	2025-26	2026-27	2027-28	2028-29	2029-30
Demand cost increase (£000)					
Children, Education and Families	7,041	7,428	7,862	8,351	8,900
Adults, Health and Commissioning	10,050	10,697	11,072	11,451	11,812
Place and Sustainability	47	51	51	51	51
Finance and Resources	0	0	0	0	0
Strategy and Partnerships	0	0	0	0	0
Capital Financing	0	0	0	0	0
Corporate and Funding Items	0	0	0	0	0
Total Demand cost increase (£000)	17,138	18,176	18,985	19,853	20,763
Demand cost increase	2.10%	2.17%	2.22%	2.28%	2.35%

Our demand projections continue to be subject to uncertainty following the pandemic. In particular, patterns of demand for adult social care are still variable month to month, and we are seeing an increase in the needs of children which is driving up costs.

Other Service Pressures

There are some other unavoidable cost pressures that we will have to meet. Where possible services are required to manage pressures, if necessary being met through the achievement of additional savings or income. If this is not possible, particularly if the pressure is caused by a legislative change, pressures are funded corporately, increasing the level of savings that are required across all Council services. Specific pressures are set out in the budget tables for the relevant service. Examples of these pressures include the rising costs of placements for children in care with high needs and changing environmental regulations around disposal of certain categories of waste, as well as statutory changes such as the increase in employer's national insurance.

Overall around £19m of pressure funding is applied to 2025-26's budget.

Table 3.3: Other pressures

	2025-26	2026-27	2027-28	2028-29	2029-30
Pressure cost change (£000)					
Children, Education and Families	5,553	-268	-191	0	0
Adults, Health and Commissioning	8,231	0	0	0	0
Place and Sustainability	676	-2,337	-934	-77	30
Finance and Resources	1,754	-221	0	0	0
Strategy and Partnerships	861	55	0	0	0
Capital Financing	0	0	0	0	0

	2025-26	2026-27	2027-28	2028-29	2029-30
Corporate and Funding Items	2,000	0	0	0	0
Total Pressure cost change (£000)	19,075	-2,771	-1,125	-77	30
Pressure cost change	2.34%	-0.33%	-0.13%	-0.01%	0.00%

Investments & Priorities

Despite the challenging financial position that the council is in, there remains a need to prioritise funding for certain services. This may be to improve service outcomes and help our residents, promote a better financial position over the medium-term, or improve sustainable use of natural resources.

Where investments result in a permanent increase in a service's budget requirement, this is ultimately funded by savings or additional income across the council. For time-limited investments, it is appropriate to use reserves funding. Chapter 5 of this MTFS provides more detail on the source of reserves funding used for prioritisation that require only short-term budget.

Overall, £9.8m of ongoing prioritisation of funding is made over the medium-term in this business plan.

Table 3.4: Investments & Priorities

	2025-26	2026-27	2027-28	2028-29	2029-30
Budget for new investments (£000)					
Children, Education and Families	650	1,950	0	0	0
Adults, Health and Commissioning	1,114	210	-465	-120	0
Place and Sustainability	3,690	2,433	-128	-38	-38
Finance and Resources	100	200	0	0	0
Strategy and Partnerships	0	0	0	0	0
Capital Financing	0	0	0	0	0
Corporate and Funding Items	245	0	0	0	0
Total budget for new investments (£000)	5,799	4,793	-593	-158	-38
Budget adjustments for temporary prior-year investments (£000)					
Children, Education and Families	0	0	0	0	0
Adults, Health and Commissioning	-2,757	-104	-150	0	0
Place and Sustainability	-15	-13	-14	-15	-15
Finance and Resources	-188	-345	-407	-1,203	-533
Strategy and Partnerships	-3,511	0	-150	0	0
Capital Financing	0	0	0	0	0
Corporate and Funding Items	-1,730	0	0	0	0
Total budget adjustments for temporary prior-year investments (£000)	-8,201	-462	-721	-1,218	-548
Total Investment cost change (£000)	-2,402	4,331	-1,314	-1,376	-586

Financing of Capital Spend

All capital schemes have a potential three-fold impact on the revenue position due to interest payments on borrowing, costs of making a revenue provision for the repayment of borrowing, and the ongoing revenue impact of the asset (pressures, or savings / additional income). Therefore, to ensure that available resources are

allocated optimally, capital programme planning is determined in parallel with the revenue budget planning process. Both the borrowing costs and ongoing revenue costs and savings of a scheme are considered as part of a scheme's Investment Appraisal, and therefore, the process for prioritising schemes against their ability to deliver outcomes.

In addition, the council is required by CIPFA's Prudential Code for Capital Finance in Local Authorities to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to guarantee that it achieves this, at the start of each Business Planning Process the council determines what proportion of revenue budget is spent on services and the corresponding maximum amount to be spent on financing borrowing. This is achieved by setting an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan. Future changes to the code will be factored into future business plans.

Once the service programmes have been refined, if the amalgamated level of borrowing and thus debt charges breach the advisory limit, schemes will either be re-worked in order to reduce borrowing levels, or the number of schemes included will be limited according to the ranking of schemes within the prioritisation analysis.

Due to the council's strategic role in stimulating low carbon economic growth across the county through infrastructure investment, any capital proposals able to reliably demonstrate revenue income or savings at least equal to the debt charges generated by the scheme's borrowing requirement, are excluded from contributing towards the advisory borrowing limit. These schemes are called 'Invest to Save' or 'Invest to Earn' schemes and will be self-funded in the medium-term.

The estimated impact of the capital programme on revenue through debt charges over the medium-term is shown in the table below:

Table 3.5: Capital financing charges

	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Net interest payable	17.2	17.3	16.0	16.6	15.4
Minimum revenue provision	24.5	26.9	29.9	27.0	26.2
Management expenses	0.3	0.3	0.2	0.2	0.2
Total capital financing costs	41.1	45.4	47.6	45.1	42.3

Savings & Income Generation

This business plan contains some savings and additional income generation proposals that were agreed in previous years' medium-term financial plans. Proposals carried over from previous plans are reviewed to assess deliverability and value of expected savings/income. Table 3.6 below sets out which saving and income lines in service budgets were agreed in a previous business plan.

Table 3.6: Savings and income proposals agreed in previous business plans

	2025-26	2026-27	2027-28	2028-29
Adults, Health and Commissioning	-5,820	-2,651	-412	0
Children, Education and Families	-2,882	-870	0	0
Place and Sustainability	-328	921	1,201	106
Finance and Resources	-2,442	-459	1,444	2,340
Strategy and Partnerships	-416	-139	350	0
Corporate and Funding Items	250	250	0	0
Total	-11,638	-2,948	2,583	2,446

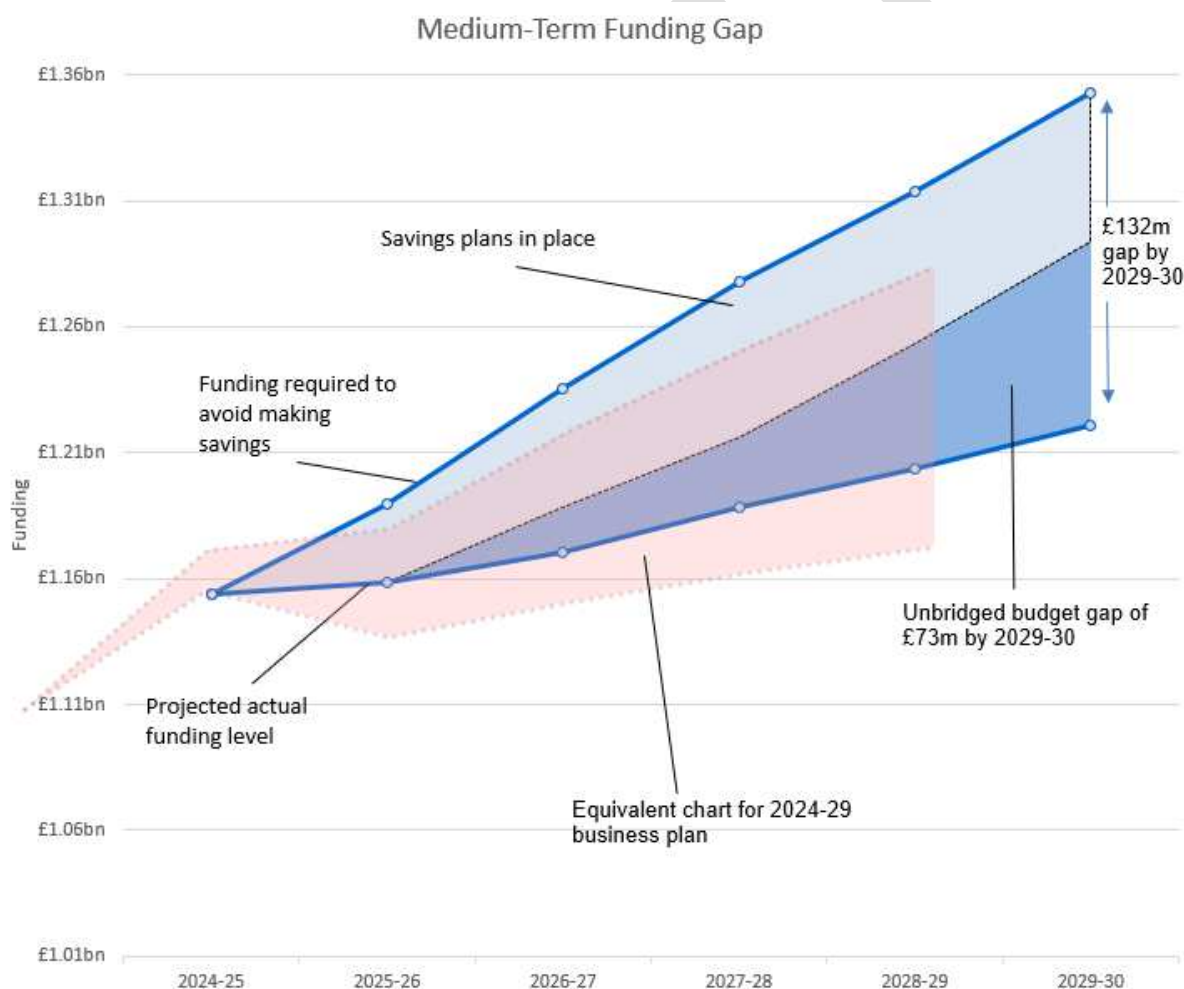
New savings and income proposals to balance 2025-26's budget and close the budget gap over the medium-term are described in chapter 4 below.

4 - Revenue Strategy: Balancing the budget

Every local authority has a legal obligation to set a balanced budget every year. It is the Section 151 Officer's statutory responsibility to provide a statement on the robustness of the budget proposals when they are considered by Council.

Inevitably, cost pressures are forecast to outstrip available resources over the medium-term, given the rising costs caused by inflation, growth and associated demand pressures and renewed pressure on levels of funding for local government from public sector spending restraint. Consequently, we will need to make significant further savings, or generate significant additional income, to close the budget gap next year and over the medium-term.

Figure 4.1: Medium-term funding gap



Closing this budget gap over the next five years means making tough decisions on which services to prioritise. Sufficient savings and income generation plans are included in this draft business plan in order to balance the first year's budget, with some included in later years.

For many years, services have made significant savings through increasing efficiency and targeting areas that are not our highest priority with the aim of minimising the impact on our service users.

For over a decade, the council has had to make significant savings each year, and so many of the opportunities to make incremental efficiencies have been made already. Nevertheless, a very detailed review of the council's budget lines has been undertaken ahead of this business plan, with further efficiency savings identified in all directorates. Despite this though, further savings still need to be found, and so we need to focus on more difficult decisions, including reviewing any service areas where we can disinvest as a lower priority, maximise the income we bring into the council, and through a drive towards organisational change.

Our Future Council - Change Strategy

The council's new change strategy was agreed in October 2024. It sets out the council's high-level vision and an approach to transforming the way it operates, explaining how the council understands the context in which it operates, expected future developments, and the way it intends to adapt and innovate to mitigate risks and exploit opportunities. This is therefore a key strategy through which some of the work to balance the budget over the medium-term will take place.

The key portfolios of this change strategy are:

- Assets – Maximise the use of all our property assets to support efficient working and effective service provision.
- Commissioning and Commercial – Ensure the council gets the best value out of public money, takes an active role in the economic development of the area it is responsible for and achieving social value, and that our commissioning and commercial activity meets the needs of our residents.
- Customer Engagement / Experience – Review how we engage with our residents across the county to ensure that access is easy to use and designed around residents and their needs, achieving the right outcome without the need for repeat referrals or contacts, essentially creating a 'no wrong door' approach for residents.
- Digital, Data and Technology – Build the required foundations to leverage the use of digital, data and technology to improve customer experience and drive efficiencies in service delivery and a digital by design approach, whilst exploiting new opportunities such as Artificial Intelligence.
- Target Operating Model – Redesigning how the council is organised and operates to deliver our services closer to our communities, removing professional silos and creating integrated teams that work together to improve outcomes for residents, both locally and at a countywide level.

As a result, the MTFs will be aligned to these portfolios to deliver savings. At this stage, however, the full scope and goals of the portfolios are being developed – but we anticipate the need to provide through reserves, and possibly capital, to enable and resource the portfolios. Through this business plan, broad funding is allocated through a bolstered change & digital reserve, and some capital funding is already in place for work linked to the assets portfolio.

We will annually update the MTFFS forecasts and assumptions based on the progress of these change portfolios.

Balancing the budget

In working to balance the budget, we have worked in a cross-council way to identify the areas for saving or additional income. We prioritise the resources available to us to meet the changing and growing needs of communities, and only consider service reductions as a last resort.

Services review their budgets each year to identify any areas that have been given budget in excess of that needed to deliver the service. This is particularly the case in demand-led budgets, where estimates of growth or demand patterns will have been used and may subsequently change. In undertaking this review, services should bear in mind the corporate reserves position and the general provision for risk, and not assume an excessive amount of risk or contingency needing to be met within service budgets.

The council also undertakes an annual budget review and rebaselining during the first quarter of each financial year to reassess the budget position in light of developments from the point at which the business plan is approved by Full Council in the preceding February. This allows the budget to be flexed to take account of material changes in circumstances such as significant increase in inflationary pressures or any new legislative requirements. This can contribute towards closing the budget gap in future years if budgets are reduced.

If savings are identified and made in the current financial year but were not planned for, for example a reduction in cost on a new contract, then these will be factored into the business plan for the next financial year. In the meantime, they can be used to mitigate other pressures or funding can be transferred to the general reserve, but they should not be reinvested into ongoing costs.

In generating additional income, we will ensure the Fees & Charges Policy is reviewed annually and should assume that by default, charges should go up by inflation each year if permitted.

We will also consider whether services are funded appropriately, or whether any changes can be made. An example of a change would be capitalising expenditure currently funded by revenue. Provided this is within capital financing regulations, it can defray revenue cost over the life of the linked asset.

As well as considering further savings or generating additional income, we need to ensure our projections for income from taxation are accurate. We will work with District Council colleagues, who collect local taxation on our behalf, at several stages throughout the year to receive updated projections for tax base levels and collection rates.

A certain level of reserves contribution is also proposed to balance the budget (as well as using reserves to fund specific budget lines in services). For 2025-26 this is £2.4m, and is based on an existing profile of sustainable draw-downs from reserves accumulated during the pandemic over the medium-term to meet costs associated with it. As part of setting this MTFs, we have appraised all earmarked reserves and challenged the future need and their fit with the strategic framework. Reserves are summarised later in this document.

Savings and income generation proposed, or already included in the business plan, to close the budget gap in 2024-25 and reduce the gap in future years are summarised below (and reconcile back to Finance Tables in section 3 of the Business Plan):

Table 4.2: Savings and additional income proposals

	2025-26	2026-27	2027-28	2028-29	2029-30
	£000	£000	£000	£000	£000
Expenditure Savings					
Children, Education and Families	-12,794	-9,264	-5,700	0	0
Adults, Health and Commissioning	-21,144	-8,147	-4,898	-523	-149
Place and Sustainability	-1,692	3,179	-3,098	41	0
Finance and Resources	-3,108	-602	-250	0	0
Strategy and Partnerships	-548	-1,035	-1,255	0	0
Corporate and Funding Items	6,669	250	0	0	0
Income Generation					
Children, Education and Families	-205	-83	0	0	0
Adults, Health and Commissioning	-260	-270	0	0	0
Place and Sustainability	-1,884	-220	-81	-55	-290
Finance and Resources	3,992	-296	678	1,880	2,279
Strategy and Partnerships	111	-64	-50	0	0
Total Savings Identified	-30,863	-11,818	-3,143	2,443	2,301
Total Savings Requirement	-30,863	-29,505	-13,366	-19,356	-21,264
Unidentified Savings	0	-17,687	-10,223	-21,799	-23,565

Despite the level of savings identified, budget gaps remain as shown in the final line of table 4.2 above.

5 – Financial Overview

Funding and Net Budget Summary

The council's revenue spending is funded from a range of sources, both national and local. A summary of forecast funding levels over the next five years is set out below.

Table 5.1: Total funding 2025-26 to 2029-30

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Business Rates plus Top-up	74,928	76,208	77,822	79,470	81,154	82,873
Council Tax	397,617	422,318	437,281	452,769	468,558	484,913
Revenue Support Grant	28	28	28	28	28	28
Other Unringfenced Grants	66,859	73,680	73,191	102,688	102,700	102,700
Dedicated Schools Grant (DSG)	318,661	318,661	318,661	318,661	318,661	318,661
Other grants to schools	10,593	0	0	0	0	0
Better Care Funding	36,317	37,162	38,042	38,957	38,957	38,957
Other Ringfenced Grants	59,178	66,830	59,667	29,481	29,481	29,481
Fees & Charges	199,973	163,684	165,853	166,148	164,033	163,210
Total gross budget	1,164,155	1,158,571	1,170,546	1,188,202	1,203,571	1,220,823
Less schools grants	-329,254	-318,661	-318,661	-318,661	-318,661	-318,661
Add back DSG retained and spent by CCC	181,788	181,788	181,788	181,788	181,788	181,788
Total gross budget excluding schools	1,016,689	1,021,698	1,033,673	1,051,329	1,066,698	1,083,950
Less Income	-477,256	-449,464	-445,350	-416,374	-414,259	-413,436
Total net budget	539,433	572,234	588,323	634,955	652,439	670,514

The build up of the council's net budget can also be shown through a reconciliation of funding and expenditure changes:

Table 5.2: Summary medium-term financial strategy update

	2025-26	2026-27	2027-28	2028-29	2029-30
Funding					
Council Tax	-£422m	-£437m	-£453m	-£469m	-£485m
Business Rates	-£76m	-£78m	-£79m	-£81m	-£83m
General government grants	-£74m	-£73m	-£103m	-£103m	-£103m
Funding total (Net Budget)	-£572m	-£588m	-£635m	-£652m	-£671m
Net Expenditure					
Opening net budget	£539m	£572m	£588m	£635m	£652m
Base adjustments	£17m	-£2m	£4m	£3m	£0m
Inflation	£25m	£22m	£23m	£23m	£24m
Income inflation	-£3m	-£3m	-£2m	-£2m	-£2m
Demand	£17m	£18m	£19m	£20m	£21m
Pressures	£19m	-£3m	-£1m	-£0m	£0m
Priorities & Investments	-£2m	£4m	-£1m	-£1m	-£1m
Capital Financing budget changes	-£1m	£1m	£0m	-£5m	-£3m
Changes in ringfenced grants	-£8m	£6m	£29m	-	-
Change in budget for reserves draw-down	-£0.3m	£5.8m	£1.2m	£0.7m	£0.4m
Subtotal	£603m	£623m	£660m	£673m	£692m
Changes in income generation	£2m	-£1m	£1m	£2m	£2m
Savings	-£33m	-£16m	-£15m	-£0m	-£0m
Net Expenditure Budgets	£572m	£606m	£645m	£674m	£694m
Cumulative budget gap	-£0m	-£18m	-£10m	-£22m	-£24m
Funding Requirement	£572m	£588m	£635m	£652m	£671m
Council tax as %	73.8%	74.3%	71.3%	71.8%	72.3%

Expenditure Summary

The council's projected revenue spending by department is summarised below.

Table 5.3: Directorate net budgets 2025-26 to 2029-30

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Children, Education and Families	151,033	161,861	170,251	184,378	199,263
Adults, Health and Commissioning	238,338	249,158	292,673	314,390	337,603
Place and sustainability	82,659	89,118	87,605	89,496	91,353
Finance and Resources	15,331	17,295	18,193	19,779	22,470
Strategy and Partnerships	26,134	26,430	27,020	28,036	29,094
Capital Financing	41,947	44,494	46,109	43,875	41,799
Corporate and Funding Items (including budget gap)	16,792	-33	-6,895	-27,514	-51,067

Total budget	572,234	588,323	634,956	652,440	670,515
% Change in budget	6.1%	2.8%	7.9%	2.8%	2.8%

For 2025-26, the gross budget compared to the net budget for each service area is below.

Table 5.4: Gross to net service budgets for 2025-26

Directorate	Gross Budget	Fees & Charges	Ringfenced Grants	Net Budget
Children, Education and Families	182,665	-23,400	-8,232	151,033
Adults, Health and Commissioning	385,266	-67,172	-79,756	238,338
Place and Sustainability	121,014	-31,415	-6,940	82,659
Finance and Resources	43,432	-28,101	0	15,331
Strategy and Partnerships	38,381	-3,955	-8,292	26,134
Capital Financing	51,588	-9,641	0	41,947
Corporate and Funding Items	17,564	0	-772	16,792
Total budget excluding schools	839,910	-163,684	-103,992	572,233
Schools	318,661		-318,661	0
Total Budget	1,158,571	-163,684	-422,653	572,234

6 - Reserves and Risks

The Section 151 Officer's section 25 financial sustainability assessment report sets out the revenue and capital reserves that are available to the council and the key risks that the council faces. This was last presented in January 2024 and will be updated in January 2025. This section summarises those items, and sets out how reserve balances factor into our medium-term financial position.

We need reserves to protect and enhance our medium-term financial sustainability. In particular, reserves are necessary to:

- Maintain a degree of in-year financial flexibility
- Enable us to deal with unforeseen circumstances and incidents
- Set aside monies to fund major developments in future years
- Enable us to prioritise funding for change programmes
- Provide for predicted liabilities
- Enable us to deal with unexpected legislative or legal developments, or contractual disputes

Reserves are vital to mitigate risks that the council faces. The key risks we face are:

- Containing inflation to funded levels – we will achieve this by closely managing budgets and contracts and further improving our control of the supply chain. We will also ensure our inflation projections are robust.
- Managing service demand to funded levels – we will achieve this through clearer modelling of service demand patterns using numerous datasets that are available to our internal Research Team and supplemented with service knowledge. A number of the proposals in the Business Plan are predicated on averting or suppressing the demand for services.
- Delivering savings to planned levels – we will achieve this action plans and detailed reviews. All savings – efficiencies or service reductions – ought to be recurrent. We have built savings requirements into the base budget, and we monitor these monthly as part of budgetary control.
- Containing the revenue consequences of capital schemes to planned levels – capital investments sometimes have revenue implications, either operational or capital financing costs. We will manage these by ensuring capital projects do not start without a tested and approved business case, incorporating the cost of the whole life cycle.
- Future funding changes – our plans have been developed in the context of continued uncertainty due to delays in the introduction of significant reforms to local government funding and other government reforms with potentially significant implications.

Reserve Types

The reserve categories that we will maintain in 2025-26 are:

- General reserve – this is the contingency that the council holds for unforeseen events and costs, ensuring that we are able to respond and maintain services in emergencies. This reserve is also called on if there is an overspend in-year that cannot be otherwise mitigated. The minimum balance on this reserve is set by the section 151 Officer in his s25 report, and the minimum balance set in that for 2025-26 and beyond will be met through a reallocation from other risk reserves.
- Risks reserves – reserves held for particular known and quantifiable risks. For example, a risk reserve is held to mitigate the impact of the deficit on the DSG account, and risk reserves are held for contractual/legal disputes.
- Strategic Framework Priorities – reserves that are available to be prioritised to deliver the council's strategic framework ambitions. This includes reserves such as the Just Transition Fund. These are projected to be fully spent over the medium-term.
- Ringfenced reserves – where we receive grants or contributions that come with an expectation that funding is spent on a particular purpose but where that spend does not occur in the same year, a ringfenced reserve may be created. This differs from formal grant accounting where a strict grant condition that has not been met can result in us having to account for income received in advance instead. The s151 Officer may determine the carrying-forward of ring-fenced grants/contributions, and the matching of those against spend in future years.
- Sinking funds – reserves that are added to annually in anticipation of a future cost, which may be a cyclical cost in the case of elections, or may be drawn on an ad hoc basis in the case of a maintenance reserve.
- Unusable reserves – reserves that are not usable to the council. The only such reserve currently held relates to a maintained Pupil Referral Unit.

As part of the business plan, reserve movements are proposed. In some cases these are corporate allocations to support general council expenditure, usually inherited from previous business plans. In other cases these are to offset specific pressures or prioritisations within services. Finally, one off fluctuations in collection fund balances from council tax or business rates are offset by movements to/from the local taxation volatility reserve to prevent single-year impacts on our budget, and any shortfall in income from local taxation due to the lateness of funding confirmations by billing authorities can also be met from that reserve; the overall level of that reserve will be reviewed each year and an assessment made about whether any funding can be drawn from it or reallocated. Movements between reserves are also undertaken where necessary. These proposed changes in the current business plan are set out below.

Table 6.1 Reserve movements

Reserve line	Movement type	2025-26 £000	Later years £000	Notes
General Reserve	Existing corporate commitments	754	1414	Existing planned increases to the minimum policy level of the reserves
MTFS support	Existing corporate commitments	-3733	-2261	Existing medium-term draw-down of covid grant reserve in line with expected costs resulting from the pandemic
Risk - Smoothing	Existing corporate commitments	-214	-3462	Existing planned movements to this reserve which follows previous decisions to smooth the medium-term financial position
Minimum revenue provision risk	Existing corporate commitments	811	2773	Existing planned annual MRP benefit from 2016 calculation change goes into this reserve to mitigate MRP risks
Children's risk reserve	Existing service commitments	-3100	0	Funding children's placements pressure
High Needs Block Offset	Existing service commitments	-259	-191	Funding SEND capacity
Major infrastructure cost reserve	Existing service commitments	-2394	-750	Funding capital schemes linked to the guided busway
MTFS support	Existing service commitments	-1900	0	Funding holiday free school meal vouchers and children's academy
Ukraine grant reserve	Existing service commitments	-350	-350	Funds services in Strategy and Partnerships
Local taxation volatility & appeals account	New draft budget commitments	-245	0	Funding counter-fraud work to increase council taxbase
This Land Credit Loss & Equity Offset	New draft budget commitments	-2000	0	Offsets temporary expected reduction in income
Ukraine grant reserve	New draft budget commitments	-512	-518	Funds services in Strategy and Partnerships
Change & Digital Reserve	Movements between reserves	2643	0	Bolsters this reserve to deliver on the council's change programme
Funding Review Shortfall Reserve	Movements between reserves	-1721	-4702	Reallocates this reserve to fund the necessary increase in the general reserve
General Reserve	Movements between reserves	2231	2435	Brings this reserve back up to the minimum policy level
Investment reserves	Movements between reserves	-700	0	Reallocates reserve identified as no longer allocated to the Change & Digital reserve

Reserve line	Movement type	2025-26 £000	Later years £000	Notes
Just Transition Fund	Movements between reserves	-643	0	Moves the anticipated remaining balance on this reserve to the Change & Digital reserve, consolidating our change reserves
MTFS support	Movements between reserves	190	1918	Deals with anticipated negative balance on this reserve line following pressure allocations in 2024-29 business plan
Risk - Smoothing	Movements between reserves	0	349	Deals with anticipated negative balance on this reserve line following pressure allocations in 2024-29 business plan
Specific legal/contractual risks reserves	Movements between reserves	-3158	0	Predominantly transfer to This Land risk reserve (below).
This Land Credit Loss & Equity Offset	Movements between reserves	3500	0	Transfer from specific risk reserve to bring back up to balance following commitments
Ukraine grant reserve	Movements between reserves	-2342	0	Remaining grant reserve balance transfers to specific risk reserve to meet costs in line with grant conditions.
Total		-13,142	-3,345	

The projected balances of the summary categories of reserves over the medium-term are:

Table 6.2 Reserve projections

Reserve category	Forecast closing balances					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
General Reserve	22,960	26,700	30,600	31,965	31,965	31,965
Strategic Framework Priorities	22,454	7,946	2,636	981	860	860
Risk	84,875	63,449	52,385	46,927	47,323	47,862
Ringfenced	16,773	11,153	7,550	653	144	144
Sinking Fund	2,301	1,964	2,005	2,045	2,236	2,236
Unusable	274	137	0	0	0	0
Total Revenue Reserves	149,638	111,350	95,176	82,570	82,527	83,066

7 - Business Plan roles and responsibilities

The Business Plan is developed through the council's committee structure. It is therefore beneficial to clarify the respective roles and responsibilities of committees within this process. These are defined in the Constitution but are set out below in order.

Full Council

Council is the only body that can agree the council's budget and the associated Council Tax to support the delivery of that budget. It discharges this responsibility by agreeing the Business Plan in February each year. In agreeing the Business Plan the council formally agrees the budget allocations for the service blocks (currently based on a departmental structure). The Business Plan includes both revenue and capital proposals and needs to be a 'balanced' budget. The following is set out within Part 3 of the Constitution – Responsibility for Functions.

Council is responsible for:

- “(b) Approving or adopting the policy framework and the budget.
- (c) Subject to the urgency procedure contained in the Access to Information Procedure Rules in Part 4 of this Constitution, making decisions about any matter in the discharge of a committee function which is covered by the Policy Framework or the Budget where the decision-making body is minded to make it in a manner which would be contrary to the policy framework or contrary to, or not wholly in accordance with, the budget.
- (d) Approving changes to any plan or strategy which form part of the council's Policy Framework, unless:
 - i. that change is required by the Secretary of State or any government minister where the plan or strategy has been submitted to him for approval; or
 - ii. Full Council specifically delegated authority in relation to these functions when it approved or adopted the plan or strategy.”

Strategy, Resources & Performance (SRP) Committee

SRP has the responsibility for the delivery of the Business Plan as agreed by Council. It discharges this responsibility through the service committees. In order to ensure that the budget proposals that are agreed by service committees have an opportunity to be considered in detail outside of the council Chamber, those proposals will be co-ordinated through SRP, though Full Council remains responsible for setting a budget. SRP does not have the delegated authority to agree any changes to the budget allocations agreed by Council save for any virement delegations that are set out in the Constitution.

The following is set out within Part 3 of the Constitution – Responsibility for Functions.

“The Strategy and Resources Committee is authorised by Full Council to co-ordinate the development to Full Council of the Strategic, Policy and Budget Framework, as described in Article 4 of the Constitution, including in-year adjustments.”

“Authority to lead the development of the council’s draft Business Plan (budget), to consider responses to consultation on it, and inform the draft Business Plan to be submitted for approval by Full Council.”

“Authority for monitoring and reviewing the overall performance of the council against its Business Plan.”

“Authority for monitoring and ensuring that Policy and Service Committees operate within the policy direction of the County Council and making any appropriate recommendations.”

SRP is also a service committee in its own right and, therefore, also has to act as a service committee in considering proposals on how it is to utilise the budget allocation given to it for the delivery of services within its responsibility.

Policy & Service Committees

Policy & Service committees have the responsibility for the operational delivery of the Business Plan as agreed by Council within the financial resources allocated for that purpose by Council. The specific functions covered by the committee are set out in the Constitution but the generic responsibility that falls to all is set out below:

“This committee has delegated authority to exercise all the council’s functions, save those reserved to Full Council, relating to the delivery, by or on behalf of, the County Council, of services relating to...”

8 – Fees & Charges Policy

Fees and charges are a very important source of income to the council, enabling important services to be sustained and provided. As the overall cost of service provision reduces, the proportion of costs that are recovered through fees and charges is likely to grow. In order to sustain the delivery of some services in the future this revenue is essential. However, the majority of the funding for the council's statutory services will likely still come from other sources, such as taxation and government grants.

This policy will be revised following a corporate review of fees and charges across the council. The policy and Best Practice Guidance set out the approach to be taken to fees and charges where the council has discretion over the amounts charged for services provided and for trading activities.

The purpose of this policy is to provide a consistent approach in setting, monitoring and reviewing fees and charges across the authority. This will ensure that fees and charges support Council objectives and are set at a level that maximises income generation in accordance with the Commercial Strategy. The policy currently incorporates the following Charging Principles:

1. Council Priorities

A Schedule of Fees and Charges shall be maintained for all charges where the council has discretion over the amounts charged for services provided and for income generating activities. All decisions on charges for services and income generating activities will be taken with reference to and in support of Council priorities and recorded as delegated decisions, as appropriate.

2. Charge Setting

In setting charges, any relevant government guidance will be followed. Stakeholder engagement and comparative data will be used where appropriate to ensure that charges do not adversely affect the take up of services or restrict access to services. Full consideration will be given and documented to the full costs of delivery and the opportunities for improving efficiency and reducing bureaucracy.

3. Subsidy

In general, fees and charges will aim to recover the full cost of services except where this is prevented by legislation, market conditions or where alternative arrangements have been expressly approved by the relevant Director. A proportionate business case should be created for all charges that are subsidised by the council. Approval for the level of subsidy should be obtained from the relevant Service Director, in consultation with the Chief Finance Officer.

4. Charging Levels

A number of factors should be considered when determining the charge:

- Inflation – charges must be inflated by a corporately estimated inflation rate as a minimum unless there is good reason not to. For 2025-26 this is 2.6%, being the CPI rate for the preceding June; or 5.5% for charges that predominantly cover staffing costs.

- Statutory requirements/restrictions – charges and/or changes to charges are sometimes determined by statute, which must be followed
- Services should aim to fully recover the cost of delivering the service through its charging, including an allowance for overheads. As a rule of thumb, 15% of income above the level needed to fund a service's direct costs should be allowed for.
- Services must assess elasticity of demand, ie will a price rise actually reduce income levels as people decline to take up the service. We must not be too risk averse in this assessment, however.

5. Charging Exemptions

All services provided by the council will be charged for unless prevented by statute or determined to not be appropriate for charging in consultation with the Chief Finance Officer.

6. Concessions

Concessions to priority and target groups will be considered where appropriate, in accordance with any relevant government guidance and will take account of the user's ability to pay. All concessions should be fully justified in terms of achieving the council's priorities. Wherever possible we will aim to provide concessions consistently across the Authority, in line with the Best Practice Guidance.

7. Review of Charges

All charges and the scope for charging will be reviewed at least annually within the service area, though charges within the same service area may need reviewing at separate times in the year. The review will include those services which could be charged for, but which are currently provided free of charge. The annual review will be undertaken in accordance with the Best Practice Guidance.

The council receives revenue income for the provision of services from a very diverse range of users. These range from large corporate organisations to individual residents. Some charges are set at the total discretion of the council whereas other charges are set within a strict national framework.

Overall, however, fees and charges income is both an invaluable contribution to the running costs of individual services and a tool for assisting the delivery of specific service objectives. Either way, it is important for the level of charges to be reviewed on an annual basis. This will not necessarily result in an increase but to not do so should be as result of a conscious decision rather than as an oversight. Detailed schedules of fees and charges have been reviewed by relevant services during 2023-24 and reviewed by committees.

When considering increases services must take into account elasticities of demand. Whilst the majority of Council services are unaffected by market factors there will be some price sensitivities in all of the services that are provided, albeit many of these may only be short term.