

Business Planning Proposals for 2022-27: Current position

To: Strategy and Resources Committee

Meeting Date: 27 January 2022

From: Amanda Askham, Interim Chief Executive
Tom Kelly, Chief Finance Officer

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Outcome: The committee is asked to consider an overview of the key issues contained within the Business Plan prior to formal recommendation by S&R for Council decision in February.

Recommendation: It is recommended that the Committee:

1. Considers the Business Plan, including supporting budget, business cases, consultation responses and other material, in light of all the planning activities undertaken to date.
2. Agrees the proposed approach to balancing the budget in 2022-23 set out in section 3.
3. Reviews the following recommendations to Council:
 - a) Approve the Service/Directorate budget allocations as set out in each Service/Directorate table in Section 3 of the Business Plan.
 - b) Approve a total county budget requirement in respect of general expenses applicable to the whole County area of £922,004,000, including a levy of £9,684,976 payable to the Cambridgeshire and Peterborough Combined Authority for the delivery of Transport Services and a levy of £433,000 payable to the Environment Agency for flood and coastal services.
 - c) Approve a recommended County Precept for Council Tax from District Councils of £346,853,825.13 (to be received in equal instalments in accordance with the fall-back provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995).

- d) Approve a Council Tax increase for each Band of property, based on the number of “Band D” equivalent properties notified to the County Council by the Districts (235,800.2), reflecting a 3% ASC precept increase and a 1.99% increase in Basic Council Tax Precept:

Band	Ratio	Amount
A	6/9	£979.74
B	7/9	£1,143.03
C	8/9	£1,306.32
D	9/9	£1,469.61
E	11/9	£1,796.19
F	13/9	£2,122.77
G	15/9	£2,449.35
H	18/9	£2,939.22

- e) Approve the Capital Strategy as set out in Section 6 of the Business Plan including:
- Commitments from schemes already approved;
 - Expenditure on new schemes in 2022-23 shown in summary in Section 2, Table 8.2 of the Business Plan.
- f) Approve the Treasury Management Strategy as set out in Section 7 of the Business Plan, including:
- i. The Council's policy on the making of the Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008.
 - ii. The Affordable Borrowing Limit for 2022-23 (as required by the Local Government Act 2003).
 - iii. The Investment Strategy for 2022-23 and the Prudential Indicators as set out in Appendix 3 of Section 7 of the Business Plan.
4. Authorise the Chief Finance Officer, in consultation with the Leader & Deputy Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations to the County Council, so as to take into account any changes deemed appropriate. This includes updated information on District Council Tax Base and Collection Funds, Business Rates forecasts and Collection Funds, capital receipts and prudential borrowing, and updated grant values from awarding bodies

Officer contact:

Name: Tom Kelly / Amanda Askham
Post: Chief Finance Officer / Interim Chief Executive
Email: Tom.Kelly@cambridgeshire.gov.uk / Amanda.Askham@cambridgeshire.gov.uk
Tel: 01223 703599 / 01223 703565

Member contacts:

Names: Cllr Lucy Nethsingha / Cllr Elisa Meschini
Post: Chair/Vice-Chair
Email: lucy.nethsingha@cambridgeshire.gov.uk
elisa.meschini@cambridgeshire.gov.uk
Tel: 01223 706398

1. Background and context for business planning

- 1.1 The Council's Business Plan sets out how we will spend the resources we have at our disposal to achieve our vision and priorities for Cambridgeshire, and the outcomes we want to achieve. It is a statutory requirement under the Local Government Finance Act 1992 for the Council to approve a balanced budget "before 1 March in the financial year preceding that for which it is set". In doing so, the Council undertakes financial planning covering a five-year timescale in order to align spending plans with the projected resources available and ensure that we recognise and provide for growth in demand for services.
- 1.2 This paper builds on the information which has been provided to this Committee during November and December and sets out the latest financial position for the period 2022-27 together with potential decisions Members could take in order to set a balanced budget in February.
- 1.3 The financial situation, detailed in previous Committee papers remains challenging. COVID-19 has resulted in increased costs for our supply chain, an increase in the complexity of needs for those we support, and the Council continues to be disadvantaged by an unfair central government funding distribution. The recent announcement that fairer funding may be implemented in 2023/24 is welcome, however it continues to leave Cambridgeshire at a disadvantage for at least another financial year. Despite this, we continue to strive to support our citizens to ensure Cambridgeshire is a place we are all proud to call home. The Council continues to take a central role in coordinating the response of public services to respond to the complex public health situation, impact on vulnerable people, education of our children and young people and economic consequences. We are in the middle of the winter pressures of a new variant coupled with other seasonal illnesses impacting hospital capacity, alongside delivery of an accelerated vaccine booster programme. We are already seeing the impacts of the pandemic on our vulnerable groups as well as those who have become vulnerable as a result of health or economic impact of the pandemic.
- 1.4 Longer term there will be significant increases and changes in the pattern of demand for our services alongside the economic aftereffects. In this proposed business plan, there are COVID-19 impacts across demand for services, pricing and supplier changes, and impacts on funding and income. Emerging work is shifting the Council's decision-making framework to prioritise sustainable development for our county, whereby our citizens' social foundations are strengthened in the context of pandemic recovery and ongoing ecological emergency.
- 1.5 With changes in local and national policy coinciding with hopes for a stabilisation of the public health response to the pandemic, in section 2 of this report we summarise the Council's revised strategic framework including the five corporate priorities.
- 1.6 As part of the December Committees, a number of assumptions and risks to the presented business planning figures were highlighted. The Council must make its best estimate for the effect of known pressures when setting its budget and retain reserves to mitigate against unquantifiable risks. Risks which remain are as follows:
 - High Needs DeficitThe Council is spending £11m more per annum on meeting costs of high needs education than it receives in funding. Additional funding and national and local reforms are urgently

needed. If the Government changes the approach to deficits, the Council could have to fund the accumulated overspend, which could result in the exhaustion of unallocated reserves.

- COVID-19

As stated earlier in the report, COVID-19 remains a high risk to our budgets. The long-term impact continues to be unknown and if there are further waves of COVID-19 and additional restrictions, then services may face additional disruption resulting in additional cost pressures.

- Staff Pay Award

As mentioned in previous reports, unions have rejected the most recent offer. If staff pay award is negotiated higher than budgeted for, then costs will be higher than predicted resulting in a cost pressure. Some additional budget has been factored in following the Autumn Budget.

- Central Government funding and reforms

If Central Government brings in reforms/ changes funding, then costs to deliver services may increase/ funding received may reduce resulting in additional cost pressures.

- Uncertainty about demand for services

Predicting demand continues to be difficult due to COVID-19 and if demand projections are inaccurate due to COVID-19 or other reasons, then financial projections will be incorrect resulting in incorrect budget provision allocated for demand.

- Inflation/ interest rates

If inflation/interest rates increase by more than our economic advisors predict, then costs to deliver services and borrowing will increase, resulting in a cost pressure.

- Adult Social Care Provider Sustainability and Variation

If the ASC market continues to be unstable, there may be an increased number of provider failures or variation requests for additional funding, resulting in increased budget pressures for the service. As part of this budget additional funding is proposed to prevent this impacting on service provision.

- Children's social care

Demand patterns within children's services during the pandemic have fluctuated, and there is uncertainty about how much demand will spike in the short-term. There is also a national shortage of social work staff that could present a financial risk. This draft business plan assumes some growth in the cost of children's services resulting from the above, after several years of containing cost rises.

- Funding from Partners

Budgets are based on an assumption of a certain level of funding from our partners, such as the NHS. Close monitoring is taking place to understand whether assumptions are correct.

- Implications of the Care Act part 2 reforms.

We are currently waiting for further details but implementing the Care Act could result in a number of potential financial risks to the authority e.g., proposal of a cap to contributions. The implications are being monitored closely.

- 1.7 The Joint Administration is committed to ensuring that it invests the limited funding available to the Council in the right functions to help create a greener, fairer and more caring Cambridgeshire. As a result, the Council will make major investments into improving outcomes for the county achieving the vision of a Just Transition. The Just Transition framework is internationally recognised and supports social, political and economic actions to tackle inequalities, improve lives for people in their local places and achieve greater environmental sustainability. The Just Transition Fund will enable a fairer, greener and more sustainable future for Cambridgeshire through a series of investments, across the term of the medium-term financial strategy. The Just Transition Fund will enable ongoing positive interventions and innovation, supported by investment cases, throughout the MTFS period. The first set of investments intended to be funded from the Just Transition Fund were brought to committees in December as investment proposals and are confirmed in this update as drawing down from that fund. Any investments already confirmed against the former transformation fund will continue to be funded from reserves, but no new transformation funding allocations will be made. The Just Transition Fund will begin with at least £14m of funding.
- 1.8 The areas which we are considering using this fund to invest in as part of this budget are listed in the table below. Details of these are included with the business case proposals which can be found within Section 4 of the Business Plan.

£000	2022-23	2023-24	2024-25	2025-26	Total
Floods prevention Investment	75				75
Managing Climate Risk	340	260	150		750
Think Communities, and Innovate & Cultivate	1,354				1,354
Special Educational Needs & Disability Capacity increase	325				325
Independent Living Services	180		70		250
Expansion of Direct Payments and Individual Service Funds	222				222
Care Together programme expansion	689	735	739	751	2,914
Future Parks / 'Active Parks'	40				40
Total	3,225	995	959	751	5,390

- 1.9 As well as implementing a Just Transition Fund, this draft business plan includes significant investment into initiatives to tackle climate change. Over £50m of capital funding is allocated to schemes such as the installation of low carbon energy generation assets on park and ride sites, installation of clean energy schemes on closed landfill sites, a new solar farm and a community heat project. On top of these schemes, further capital funding of around £20m is made available to implement net zero energy buildings principles within existing capital schemes. Tackling climate change and biodiversity is at the heart of the Council's work. The Climate Change and Environment Strategy has been reviewed and an accompanying Net Zero Programme and Resourcing Plan (NZPRP) is under development for March 2022. We are committed to delivering environmental gains across the Council.

2. Updates to position from December Committee

- 2.1 At its December meeting, Strategy and Resources Committee received information about the draft business planning proposals. These have been developed in liaison with Members

throughout the year using the strategic approach outlined above. The proposals were reviewed by Service Committees in December before coming forward to S&R to form part of the Business Plan. Through this process we been able to make progress towards closing the budget gap in 2022-23 through budget rebaselining, savings and additional income generation opportunities. At the same time, large additional pressures have been added because of revised inflation and demand projections, as well as government reforms such as the increase in national insurance.

2.2 The position set out to Committees in December was:

December Committee Position	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Unidentified Savings	15,216	24,384	21,917	17,593	17,198

2.3 We have continued to review the draft budget. Updated forecasts have been received from district council colleagues around their tax bases, and some further opportunities to optimise budgets have been identified. A further significant budget pressure has become apparent, however, in Adult Social Care services. The social care market is under strain this Winter, and so several proposals to bring forward and increase fee uplifts to care providers have been drawn up. These are being considered at Adults & Health Committee in January 2021, but it is prudent to factor them into the draft budget at this stage. We will further draw down £6m of our Covid grant carry-forward to sustainably offset part of the rising demand in Learning Disability services over four years, reflecting the ongoing increased in need that has been caused by the pandemic.

2.4 The following section highlights the key developments which have occurred since the December Committees which have impacted the gap for both 2022-23 and beyond:

£000	2022-23	2023-24	2024-25	2025-26	2026-27
Gap at December Committee	15,216	24,384	21,917	17,593	17,198
ASC Market Pressures	1,984	0	0	0	0
Retention payments for ASC Staff	427	223	-79	18	-71
Increase in estimate for staff pay inflation to 2.5%	664	692	728	766	804
Real Living Wage - Impact on social care supply chain (reduction in economic estimate)	-399	-1,661	-1,364	-202	-205
Real Living Wage - Impact on CCC Staff	60	0	0	0	0
Revised income estimates	391	-834	289	-20	-50
Retain mileage budgets at 2021-22 levels	-378	0	0	0	0
New IT System – savings and efficiencies	0	-293	0	0	0
Revised estimates of savings	245	-96	25	335	0
Revised estimates of miscellaneous pressures	-53	0	0	0	0
Combined Authority Levy increase	263	113	119	124	133
Updated council tax base forecasts	-1,023	-1,467	-1,587	-966	264
Updated Business Rates estimates	-963	587	-119	-124	-133
Debt charges	-434	178	3,198	-2,518	791
Further application of Covid grant reserve – offset Learning Disability demand pressures	0	-1,500	0	0	0
Pooled budget with NHS rebaselining - rephasing	700	-700	0	0	0
Gap before local government finance settlement	16,700	19,626	23,127	15,006	18,731

2.5 On Thursday 16 December, the provisional local government finance settlement was announced by government. This is a key part of the budget setting process as it confirms several financial allocations from government departments and the principles for setting Council Tax. Contrary to some expectations, only a one-year settlement was announced. This gives some certainty over government grant funding in 2022-23 but not beyond and does not help with setting a financial plan over the medium-term. The settlement followed the government's budget in October that added pressures into our budget through increases in National Insurance contributions and the minimum wage, and the ending of the public sector pay freeze. The headline government announcement was that Cambridgeshire's core spending power would increase by 8%, but around two thirds of this is due to the additional Council Tax that the settlement allows us to precept and that the government assumes will be utilised. The increase in spending power before additional taxation was lower than the pressures the government announced in the Autumn Budget.

2.6 The key elements of the settlement announcements were:

2.6.1 Grant-funding – a new un-ringfenced grant called the 'services grant' was announced to partially offset the pressures in the Autumn budget referred to in 3.3 above but was only confirmed for one year. An existing grant that provides funding for social care was announced to be increasing. The Improved Better Care Fund grant, which supports Adult Social Care, will receive an inflationary uplift, and the New Homes Bonus grant will be slightly lower than expected. These grant changes are summarised below:

	Item	Additional Funding (£000)	Notes
1	Services Grant	4,508	New un-ringfenced grant. Announced for one year only.
2	Social Care Grant	5,501	Increase in existing grant given to cover adult and children's social care
3	Improved Better Care Fund	446	Increase in existing grant, to fund pressures in ASC
4	New Homes Bonus	-184	Expected reduction in grant
5	Market Sustainability and Fair Cost of Care Fund	1,569	First tranche of funding for ASC reforms. Ring-fenced grant, expected to be spent on implementing care act reforms.

2.6.2 Items 1 to 4 above are changes in grant that can be applied to cover pressures already included in the draft budget. The expenditure related to item 5 needs to be considered in light of the expected reforms to Adult Social Care, but it is estimated that at least half of it can be used to part-fund estimates for increased social care fees (£1.84m of cost in table 2.4 above) as this is a key element of the grant conditions that we have now seen. Item 1 was announced for one year only and so cannot provide long-term funding towards pressures.

2.6.3 The funding announced as part of the settlement is not sufficient to meet those additional pressures that were announced as part of the Autumn Budget in October. We estimated that this budget added £11m of pressures into our business plan through the increase in national insurance, rising minimum wage and ending of the public sector pay freeze. The

additional funding announced for Adult Social Care does not address the over £10m of pressures we expect in 2022-23 from rising demand from services and inflation.

- 2.6.4 Council Tax - Councils will have the ability to increase general Council Tax by up to 2% without a local referendum, and that councils with adult social care responsibility would be able to levy a further 2% increase in the Adult Social Care Precept. It was also confirmed in the settlement that councils that did not use their ability to raise ASC Precept in 2021-22 to the full extent allowed (up to 2% in Cambridgeshire) would be able to carry-forward any unused portion and raise the precept by that amount in 2022-23 instead. Cambridgeshire County Council raised the ASC Precept by 1% in 2021-22, leaving a further 1% available for 2022-23. In full, therefore, the Council has the flexibility to raise Council Tax by this much in 2022-23:

Element	Maximum allowable without referendum	Amount raised (£000)
General Council Tax	1.99%	6,564
Adult Social Care Precept	1%	3,292
Unused 2021-22 ASC Precept	2%	6,066
Total	4.99%	16,462

- 2.6.5 The medium-term financial strategy already assumes that 2% of further Council Tax will be levied in 2022-23, so the net additional income that could be generated from additional taxation is £9,877k. Due to growth in the underlying tax base, increases in Council Tax generate additional income in later years of around £125k per percentage point raised.
- 2.6.6 The settlement did not announce any continuation to government support for free school meals during holidays, or for the household support fund.
- 2.6.7 CCC responded to the government's consultation on the finance settlement, highlighting the key issue that government funding increases were significantly lower than the cost increases faced by the Council year on year due to rising demand and government policy decisions. We also responded by saying that the allocation methodologies for the new grant funding announced were disadvantaging Cambridgeshire by using needs assessments that are out of date, and by channelling funding to parts of the local government sector that were not facing the same service pressures as those with social care responsibility. We emphasised the need to ensure fair funding reforms take place as soon as possible to ensure Cambridgeshire receives a fairer funding settlement. In responding to the consultation, many of our points were reinforced by responses from sector groups such as the Society of County Treasurers, but the consultation itself is unlikely to change the outcome of the finance settlement.
- 2.7 There remain some uncertainties to be confirmed as part of the final stage of budget setting:

Category	Item	Remarks
Revenue	Better Care Fund uplift	Based on recent experience, an increase in the BCF has been assumed. The actual uplift is yet to be confirmed by government, and when it is this is applied nationally to the amounts the Council receives from the local NHS.

Revenue	Public Health Grant	A real terms uplift has been announced in general terms but without specific allocations. These are expected to be announced in January 2022 but may come with new burdens.
Revenue	Local Taxation	Taxbase forecasts will be updated by district council colleagues in January and may be different to those currently assumed. There may also be a substantial variation on the collection funds, though we retain a reserve to offset small fluctuations on collection funds.
Revenue	Cost of capital / debt	We will continue to update projections around the cost of borrowing to finance our capital programme in January.
Capital	Roads Fund / Potholes	We are awaiting local authority level allocations of the next stage of investment in roads and potholes. Council funding through prudential borrowing is currently planned in to fund work in this area, which could be replaced by additional grant funding.

3. Closing the remaining budget gap for 2022-23

- 3.1 Significant progress has been made towards closing the budget gap for 2022-23 through savings, additional income and budget rebaselining, allowing for additional investment in services. However, due to the scale of the opening budget gap for 2022-23, as well as increased pressures through changes announced by the government there remains a large gap – £16.7m as shown in the table at 2.4 above. There are also budget gaps remaining in future years. The Council must set a balanced budget for 2022-23 at least.
- 3.2 The local government finance settlement announced several new or increased grants, shown in table 3.6.1 above. This funding can be used to partially close the budget gap in 2022-23. The new Services Grant has only been announced for one year, with its allocation under review thereafter. It would be prudent to assume that this funding cannot be relied on over the medium-term to close the budget gap. We can, however, apply around £6m to reduce the budget gap on an ongoing basis, and could prudently retain most of the services grant into 2023-24 to contribute towards the significant gap in that year.
- 3.3 The opportunities to generate additional savings at the scale required without drastically impacting on the quality of services delivered, and risking not meeting statutory minimums, have reduced in number and scale over recent years. This is compounded by the ongoing effects of the pandemic and the operational issues it poses.
- 3.4 The Council retains one-off reserve funding to mitigate risks and also as a means of financing future investment. The Medium-Term Financial Strategy sets out the reserves approach for this business plan, including retaining a general reserve at 4% of our budget for unforeseen pressures. It also includes prudently providing to offset the growing deficit on high needs funding in schools, as well as setting up a Just Transition Fund. Our carried-forward COVID-19 grant reserve is proposed to be partly used over the medium-term in a sustainable, decreasing way to address pandemic related pressures, with a small residual balance held in case of further costs from COVID-19. Our one-off reserves funding could

be used to close the budget gap in 2022-23 but we recognise this would be a temporary intervention only. Recurring savings would need to be addressed in the following year, creating a larger cliff edge, and so no further reserves funding is proposed to be used to balance the budget for 2022-23.

- 3.5 The local government finance settlement also confirmed the limits for raising Council Tax without a referendum. The current assumption on Council Tax agreed as part of last year's MTFs is that it will increase by 2%. Raising Council Tax by the maximum 4.99% permitted (rather than the 2% assumed in the existing MTFs) would generate nearly £10m of additional income. From a financial perspective, this is the most advantageous approach to closing the budget gap as it generates ongoing revenue on a sustainable basis. It is also important to note the cumulative effect of raising the level of council tax; with a higher base rate, the value of each % of increase agreed in future years is also increased. Maximising tax revenue also places the Council in a better position with regard to challenging central government in respect of adopting a fairer funding distribution methodology. As noted in 3.5 above, the government assumes in its recording of local authorities' spending power that available Council Tax rises will be taken.
- 3.6 The impact of raising Council Tax by 4.99% on the Council's budget deficits over the planning period and the average cost per household to taxpayers are shown in the tables below.

- 3.6.1 Impact on Council budget position – the table below shows the cumulative impact of raising Council Tax by 4.99% versus the current 2% assumption. As the underlying taxbase is assumed to grow each year, there is a small annual effect in future years from raising the Council Tax level.

Additional Council Tax Raised					
£000	2022-23	2023-24	2024-25	2025-26	2026-27
2%	6,606	252	246	280	248
4.99%	16,483	631	636	666	642
Change	9,877	379	390	386	394

- 3.6.2 Impact on households – the table below shows the average impact on a band B and band C property of the 2% increase currently assumed and a 4.99% increase. Around half of the properties in Cambridgeshire are within these two bands:

Percentage Council Tax Increase	Annual Impact on a Band B Household	Impact per Week on a Band B Household	Annual Impact on a Band C Household	Impact per Week on a Band C Household
2%	£21.77	£0.42	£24.88	£0.48
4.99%	£54.32	£1.04	£62.08	£1.19

- 3.7 Council Tax provides a long-term and sustainable source of additional funding to meet the rising cost of providing our services. The Local Government Association peer review in Cambridgeshire in 2021 identified that 'historic decisions not to raise council tax by the

maximum possible has resulted in significant ongoing lost income'. The table below sets out rises in Council Tax over recent years:

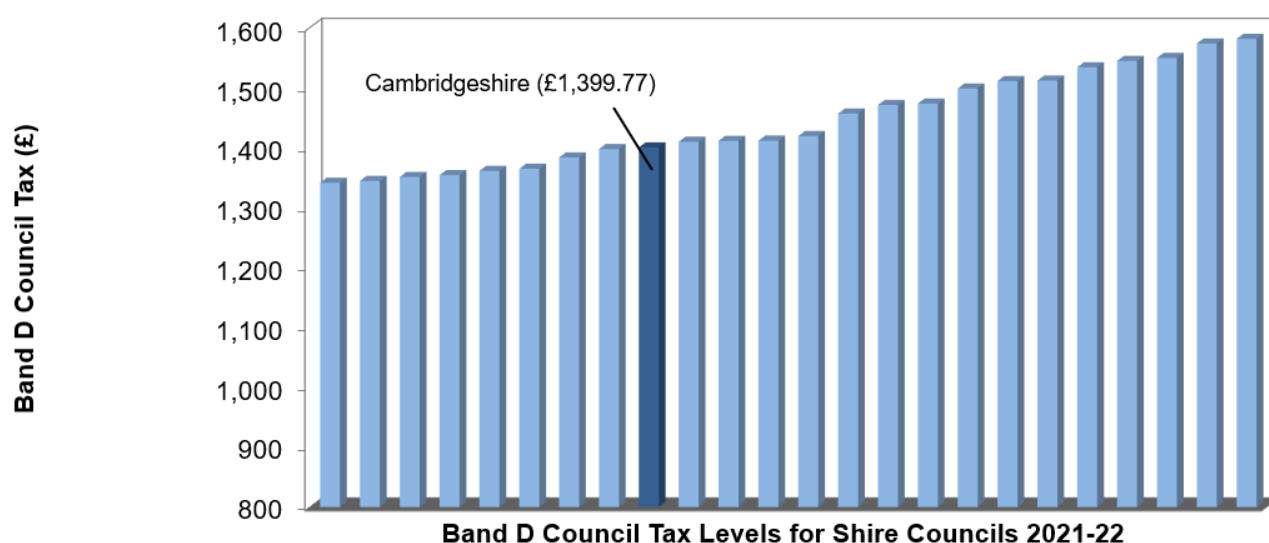
Financial Year	Maximum possible tax rise*	Council Decision		
		General precept	ASC precept	Total precept
2016/17	3.99%	0.00%	2.00%	2.00%
2017/18	3.99%	0.00%	2.00%	2.00%
2018/19	4.99%	2.99%	2.00%	4.99%
2019/20	4.99%	2.99%	2.00%	4.99%
2020/21	3.99%	1.59%	2.00%	3.59%
2021/22	4.99%	1.99%	1.00%	2.99%

*without a referendum being required

- 3.8 Due to the scale of the budget gap in 2022-23, raising Council Tax by more than the 2% already budgeted for is unavoidable without creating an unsustainable medium-term financial position. The Council still faces budget gaps of around £75m in total over the final four years of the planning period, which would be even greater if an unsustainable approach to balancing 2022-23's budget was taken. The further items needed to produce a balanced budget for 2022-23 are therefore:

£000	2022-23	2023-24	2024-25	2025-26	2026-27
Budget Gap	16,700	19,626	23,127	15,006	18,731
Ongoing grant funding changes from settlement	-6,823	-1,851	0	2,162	0
4.99% increase in Council Tax, versus 2% increase already assumed	-9,877	-379	-390	-386	-394
Remaining Budget Gap	0	17,396	22,737	16,782	18,337

- 3.9 The graph below shows Cambridgeshire has below average Band D levels for shire counties in 2021-22. Assuming the shire counties on average increase by at least 2%, Cambridgeshire's precept will remain below average in that group.



- 3.10 Each district council in Cambridgeshire has a Local Council Tax Reduction Scheme, to reduce the council tax liability for qualifying individuals, and ensure that financially vulnerable households receive a bill that reflects their circumstances. In addition, a resident's council tax bill can be reduced by a wide range of discounts and exemptions that reflect the individual's circumstances such as single-person occupancy. Entitlement to the scheme and additional support options such as hardship payments are set by the relevant district council.
- 3.11 In addition to the above, we will use part of our carried-forward Covid grant funding to enable the continuation of support for free school meals and to households in the event that government funding to these priorities is discontinued in 2022. The amounts to be allocated towards these priorities are as follows:
- Free school meals during holidays - £3.6m
 - Household Support Fund - £1m
 - Children & Young People Covid recovery fund - £1m

4. Capital Strategy

- 4.1 Including current commitments, the Council will be spending £684m on capital investment in the county over the period of the Business Plan. This is financed by a combination of the following funding streams:
- External grants and contributions (£480m)
 - Prudential borrowing (£160m)
 - Capital receipts (£40m)
- 4.2 The debt charges budget is now forecast to spend £34.0m in 2022-23, increasing to £42.6m by 2026-27. Over the five-year planning period, this remains within the advisory debt charges limit contained within the Capital Strategy.

5. Treasury Management Strategy

- 5.1 The Council is required to approve and monitor a series of Prudential Indicators for 2022-23 to 2026-27. These include indicators for the authorised limit and operational boundary for

external borrowing, the cost of servicing debt as a percentage of net revenue and the Council's underlying borrowing requirement. Maximum principal sums invested for periods longer than 365 days, fixed and variable interest rate exposure and the maturity profile of debt are also reported.

- 5.2 CIPFA is currently consulting on a revised Prudential Code and Treasury Management Code, anticipated for implementation in 2023/24 Treasury Management Strategies. The proposed draft Codes contain some significant changes, including:
- A new objective for proportionate commercial investments
 - Replaced section regarding prohibited borrowing in advance of need with a new requirement not to borrow to invest primarily for financial return
 - Authorities with commercial financial investments who expect to borrow will have to provide an annual strategy to review options for exiting commercial investments
 - New prudential indicator for net income from commercial and service investments as % of net revenue stream
 - Revised definition of Investments (to include non-financial assets held primarily for financial return)
- 5.3 Throughout 2022-23, the Council intends to maintain an under-borrowed position, which means borrowing will continue to be lower as a result of utilising internal cash balances – this ultimately will keep the cost of borrowing down. As a result, cash balances will be generally lower, and the level of loan debt reduced. However, loan debt is expected to rise significantly throughout the medium-term planning period as a direct result of additional capital investment.
- 5.4 While the Bank Rate is forecast to rise over the medium-term, it still is expected to remain historically low. Therefore, the Council plans to predominately use a mixture of taking borrowing over short periods of time (1-3 years) at low rates of interest to generate revenue savings, whilst fixing out longer periods of financing whilst PWLB rates are low in order to spread the maturity profile over the next 50 years and reduce the amount of refinancing required on an annual basis. This strategy maximises short-term net interest savings; however, given projections over the next three years show an increasing Capital Financing Requirement (CFR), and recognising the risks within economic forecasts, caution will be adopted with treasury operations.
- 5.5 The Council will continue to prioritise the security and liquidity of capital and achieve an investment return that is commensurate with these priorities. A prudent investment strategy is proposed, and external advice provides a guide on the creditworthiness of institutions. The majority of the Council's investments are in liquid instruments and shorter-term deposits with Money Market Funds and high credit quality banks. The Council has also invested money into Multi-Class Credit Funds, Infrastructure Funds, the CCLA Local Authority Property Fund and CCLA Diversified Income Fund as 3-to-5-year strategic treasury investments to generate additional interest income.

6. Impact of proposals

- 6.1 The Equality Duty set out in S149 of the Equality Act requires the Council to demonstrate 'due regard' to consciously think about the following three aims as an integral part of developing policy, making decisions, and delivering inclusive services:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it
- Foster good relations between people who share a protected characteristic and people who do not share it

6.2 The Council takes very seriously the need to be aware of the impact that our policies, decisions, and services have on our workforce and communities across Cambridgeshire including people with protected characteristics, and the importance of using this information to inform the preparation of the Business Plan. It is important the Council understands the positive and negative impacts that its decision-making has on these groups and the need to ensure compliance with the Equality Act 2010 and its Public Sector Equality Duty. Equality Impact Assessments encourage the diversity of our workforce and communities to ensure our plans and outcomes are inclusive. There are nine protected characteristics under the Equality Act (2010); the Council has chosen to include two additional protected characteristics of poverty and rural isolation. If a plan or decision has potential adverse effects on people with protected characteristics, then a full Equality Impact Assessment is completed. Where relevant, for each of the detailed proposals, services have undertaken an Equality Impact Assessment (EqIA).

6.3 EqIAs have been considered as part of the business cases associated with each proposal – the business cases are published within section 4 of the Business Plan. The impact assessments state that in some instances the way we deliver services for communities will change and that service users will experience a transition from one service model to another – however, we are clear that in all instances the local authority will still be fulfilling all its statutory requirements and will be meeting the needs of residents and service users.

7. Budget Consultation

7.1 The Council carries out a consultation process to inform the business planning process. It is a statutory requirement for councils to consult on budget proposals each year, and the results should be considered alongside other statutory requirements such as delivering a balanced budget and providing certain services. This year, a representative household survey and an open online survey on key savings and investments and options for council tax were carried out.

7.2 An independent, professional research company (MEL Research Limited) was commissioned to carry out the representative household survey. MEL organised the household survey to ensure that a randomised, representative sample of approximately 1,100 residents was carried out so that the results were statistically significant at a county level. The survey sample was stratified to include a proportional sample of age, home district and gender to ensure it was representative of the residents of Cambridgeshire.

7.3 The headline results on Council Tax from the household survey are as follows:

- 37% of residents did not support any increase in Council Tax
- 25% supported increasing either General Council Tax by 2% or the Adult Social Care Precept by 2% but not both (2% total increase)
- 21% supported increasing Council Tax by 2% for the Adult Social Care Precept and 1% as a general increase (3% total increase)
- 8% supported increasing Council Tax by 2% for the Adult Social Care Precept and 3% as a general increase (5% total increase)
- 5% supported increasing Council Tax by 3% for the Adult Social Care Precept and more than 3% as a general increase (6% or more in total)
- 4% did not support any option given

7.4 In terms of support for investment areas (strongly agree / agree) the MEL survey results showed the following:

- 93% agreement for projects and services which support people across Cambridgeshire to live their lives as independently as possible
- 85% agreement for initiatives which join up more closely with local partners, reducing duplication of effort and resources
- 84% agreement for more measures to tackle inequalities across Cambridgeshire, particularly those that have been made worse by the pandemic
- 81% agreement for investing in schemes which respond to the environmental crisis and work towards the County Council's target of achieving net zero carbon by 2030.

7.5 Support for savings areas (strongly support / support), the results were:

- 82% of respondents supported a review of how we award and manage contracts
- 73% of respondents supported advertising and sponsorship from local businesses, displaying banners, signs or logos on some council assets or products
- 70% of respondents supported generating further efficiencies by working in new ways and making the most of digital innovations – e.g. more online self-service
- 55% of respondents supported increasing charges to deter and reduce non-sustainable transport
- 40% of respondents supported delaying or reducing investment in Highways projects

7.6 512 people responded to the open online survey. This survey is not representative of the county's population. The headline results on Council Tax from the public survey are as follows:

- 34% of residents did not support any increase in Council Tax
- 17% supported Increasing either General Council Tax by 2% or the Adult Social Care Precept by 2% but not both (2% total increase)

- 18% increasing Council Tax by 2% for the Adult Social Care Precept and 1% as a general increase (3% total increase)
- 9% supported Increasing Council Tax by 2% for the Adult Social Care Precept and 3% as a general increase (5% total increase)
- 17% supported Increasing Council Tax by 3% for the Adult Social Care Precept and more than 3% as a general increase (6% or more in total)
- 5% did not support any option given

7.7 Full results of both surveys are available in Section 5 of the draft business plan attached.

8 Robustness of estimates and adequacy of reserves

8.1 The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget, and precept, the Chief Finance Officer must report to it on the following matters:

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

8.2 This statement will be considered along with the rest of the Business Plan by the Council in February. It is included for the Committee's consideration at this point in order to provide additional context for the discussion around the options available to the Council to set a balanced budget for the next financial year.

8.3 The estimates that support this budget have used all the data and supporting information that the Council has at its disposal at this point in time. When considering the budget each year, the assumptions that have been used in order to construct that budget and the uncertainties contained therein are made clear. Building a robust projection of the level of demand for services is always challenging, but the pandemic has greatly increased this difficulty. Both the future trajectory and the in-year position in 2021-22 are affected by the uncertainty, and the recent mutation of the virus have exacerbated this.

8.4 In formulating estimates for future demand for services, the Council has drawn on long-term and medium-term trend analysis of activity levels, local estimates of population growth as well as our in-year experience of spending levels, which are closely monitored from month-to-month. Demand estimates are the result of collaboration and insight from commissioning and operational colleagues and financial professionals, quality assured by business intelligence specialists. Our estimates for inflation and cost increases refer to more than 60 individual indices relevant to different service activities. We have drawn on nationally published statistics, economic projections and our own experience of rising prices in local markets. As with demand, inflation is particularly volatile at the point of setting this budget because of the disruption caused by the pandemic.

8.5 This year, the Council enhanced its officer governance processes for scrutinising budget proposals and pressures. A governance board was established, chaired by a chief officer, comprising director level representation from all services, alongside finance and corporate challenge. This enabled a further layer of peer oversight and understanding to be applied to proposals to assure their robustness. Committee Chairs and Vice Chairs also participated in service specific scrutiny chambers.

- 8.6 In 2021-22, the Council is reporting a forecast underspend, reflecting appropriate risk planning alongside continuation of some government grant funding related to the pandemic. In this proposed budget I am satisfied that the Council is making reasonable estimates taking account of the experience this year, whilst continuing to recognise that are major uncertainties stemming from the pandemic. There are risks and uncertainties related to levels of demand (particularly for social care), supply of services and cost issues (such as construction costs and labour market pressures leading to rising costs of care), and economic impacts on our income (from local taxation and changing patterns of behaviour).
- 8.7 In that context, it is appropriate, in the Chief Finance Officer's view, to continue to hold the level of general reserve at 4% during 2022-23. The proposed medium term financial strategy sets out a number of material risks and sensitivities which justify holding the balance at that level, given the heightened uncertainty that the Council is currently facing. Through this budget, the Council will make a number of commitments to apply certain reserves that accumulated during the pandemic to expenditure. Rather than deploying all of these one-off funds more rapidly, the budget applies funds available to known pandemic related pressures and commitments to phase their deployment over several years, thereby creating a sustainable basis for budgeting and avoiding a "cliff edge" where expenditure levels would suddenly need to drop. In this way we seem a planned reduction in the level of reserves occur across the medium term period, as set out in the MTFS, from the current levels accumulated in the first stage of the pandemic.
- 8.8 There are significant pressures and risks for the Council in funding high needs education, illustrated by a rapidly growing deficit in the high needs block. Whilst we expect local and national reforms to progress during 2022-23, it is prudent to set aside additional general funds by way of reserve to offset that growth in the deficit held on the balance sheet.

9. Next steps

- 9.1 This meeting of Strategy and Resources Committee on 27 January 2022 is the last opportunity for the Committee to publicly scrutinise the business plan before Full Council debates the plan for approval on 8 February 2021.

January	Strategy and Resources Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

10. Alignment with corporate priorities

The purpose of the Business Plan is to consider and deliver the Council's vision and priorities and section 1 of this paper sets out how we aim to provide good public services and achieve better outcomes for communities, whilst also responding to the changing challenges of the pandemic. As the proposals are developed, they will consider the corporate priorities:

- 10.1 Communities at the heart of everything we do
- 10.2 A good quality of life for everyone
- 10.3 Helping our children learn, develop and live life to the full
- 10.4 Cambridgeshire: a well-connected, safe, clean, green environment
- 10.5 Protecting and caring for those who need us

11. Significant Implications

11.1 Resource Implications

The proposals set out the response to the financial context described in section 4 and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget will be described in the financial tables of the business plan. The proposals will seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

11.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for the proposals set out in this report. Any implications within specific proposals will be included within the individual business cases within Appendix 3.

11.3 Statutory, Legal and Risk Implications

The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget. Cambridgeshire County Council will continue to meet the range of statutory duties for supporting our citizens.

11.4 Equality and Diversity Implications

Each business case will consider whether there are any impacts (positive or negative) to vulnerable, minority or protected groups and this information is included within each of the business cases in Section 4 of the Business Plan within the appendix.

Full Equality Impact Assessments that will describe the impact of each proposal, in particular any disproportionate impact on vulnerable, minority and protected groups have been developed or are being refreshed where identified / required.

11.5 Engagement and Communications Implications

Our Business Planning proposals are informed by the CCC public consultation and will be discussed with a wide range of partners throughout the process. The feedback from consultation will continue to inform the refinement of proposals. Where this leads to significant amendments to the recommendations a report would be provided to Strategy and Resources Committee.

11.6 Localism and Local Member Involvement

As the proposals develop, we will have detailed conversations with Members about the impact of the proposals on their localities. We are working with members on materials which will help them have conversations with Parish Councils, local residents, the voluntary

sector and other groups about where they can make an impact and support us to mitigate the impact of budget reductions.

11.7 Public Health Implications

We are working closely with Public Health colleagues as part of the operating model to ensure our emerging Business Planning proposals are aligned.

11.8 Environment and Climate Change Implications on Priority Areas

The climate and environment implications will vary depending on the detail of each of the proposals. The implications will be completed accordingly within each business case in Section 4.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the CCC Head of Procurement? Yes

Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact? Yes

Name of Officer: Beatrice Brown

Have any engagement and communication implications been cleared by Communications? Yes

Name of Officer: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Name of Officer: Julia Turner

Have any Public Health implications been cleared by Public Health? Yes

Name of Officer: Jyoti Atri

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer? Yes

Name of Officer: Emily Bolton

12. Source Documents

Business Plan contents:

(Section 1 Strategic Framework - separate paper)

Section 2 Medium Term Financial Strategy

Section 3 Finance Tables

Section 4 Business Cases

Section 5 Public Consultation

Section 6 Capital Strategy

Section 7 Treasury Management Strategy