STRATEGY, RESOURCES AND PERFORMANCE COMMITTEE: MINUTES

Date: 28th January 2025

Time: 10.00a.m. to 12.10p.m.

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

Present: Councillors Ambrose Smith, Boden, Corney, Count, Dupré, Howitt, McDonald, Meschini, Murphy, Nethsingha (Chair), Sanderson, Sharp, Whelan and Wilson

241. Apologies for Absence and Declarations of Interest

Apologies were received from Councillor Goldsack. There were no declarations of interest.

242. Minutes – 17th December 2024 and Action Log

The minutes of the meeting held on 17th December were agreed unanimously as a correct record and signed by the Chair. Whilst noting the action log, Members were informed that in relation to action 236 the design for Alconbury Weald Secondary School Scheme would be reworked to include sprinklers whilst remaining within budget.

243. Petitions and Public Questions

No petitions or public questions were received.

244. Integrated Finance Monitoring Report for Period 8 2024-25

The Committee was informed that the forecast overspend of £6.8m in the revenue budget was an improvement on the previous reported forecast of £7.5m. This overspend continued to reflect the pressures in looked after children placement costs, home to school transport, waste disposal costs, delays in income generation, and higher than expected capital financing costs which had worsened since last month. These pressures continued to be off set partly by lower than expected demand for Adult Social Care, and additional funding from grants and business rates. The forecast in-year pressure in the Dedicated Schools Grant (DSG) had increased from £11.7m to £18.4m with a cumulative £58.4m deficit projected. A balanced in year position continued to be forecast for the capital budget, which reflected a higher level of spend compared to recent years. The earmarked reserves, debt and borrowing position also remained broadly unchanged.

One Member queried the significant increase in the Safety Valve Programme from £11.7m to £18.4m since last reported. It was noted that the forecast had been revised following detailed work on the latest available information. It was not unusual to see significant changes based on a review in the middle of the academic year, which more accurately reflected the number of children moving or leaving schools. The same Member queried the Department for Education's (DfE) reaction to this variance. The

Executive Director of Finance and Resources reported that discussions were continuing with the DfE around the council's position, which was not significantly different from other Safety Valve Programme authorities. The Safety Valve Programme had been closed to new entrants as the DfE was reviewing the high needs and Special Educational Needs and Disabilities (SEND) position. Significant reform was expected nationally, which should provide some clarity for the future.

The same Member drew attention to the impact of the late delivery of special schools by the DfE on the Safety Valve Programme overspend. There was concern that the new government had paused the building of these schools including the one in March. It was therefore queried whether any information was available on progress. Members were reminded that it was not unusual for new governments to pause and review capital projects. The government was aware of the situation and had as a first step allocated £1bn nationally. The Chair asked for a briefing note to be prepared for all Members detailing the Safety Value Programme position, and the situation regarding the new SEND schools as they were vital in order to provide better education for children and young people and for the Council's finances. **Action Required.**

The Chair thanked the Head of Finance and his Team and officers across the council for the significant amount of work undertaken to reduce the overspend.

It was resolved unanimously to note and comment on the report.

245. 2025-30 Financial Sustainability Assessment

The Executive Director of Finance and Resources presented the Section 151 Officer's assessment of the Council's financial standing in line with the statutory duty of that role under Section 25 of the Local Government Act 2003. The report covered the robustness of the budget estimates and the level of reserves held by the Council in order to assess and ensure its financial sustainability. Section 2.5 of the report reflected the continued improvement in controls including the delivery of the savings tracker, and the strengthening of controls in relation to workforce and third party spend which would continue.

Attention was drawn to Section 3 of the report which provided assumptions and considerations to enable conclusions to be made about the level of reserves and use going forward to support the medium-term financial plan and ensure the financial standing of the Council remained robust. Members were reminded that the single greatest financial risk remained the growing deficit on High Needs spending from the DSG. A statutory override which meant that DSG deficits did not have to be covered by the General Fund ended on 31 March 2026. The government had delayed any update on the override until proposed reforms of the SEND system were announced. In the meantime, the Executive Director of Finance and Resources had made a number of assumptions, which had been agreed at the Association of Local Authority Treasurers and the Society of County Treasurers.

Members were informed that funding was available to support change but not Local Government Reform. However, the Change Programme would be a key driver for reform. Resources had also been set aside to manage uncertainty around funding reform. In conclusion, the Executive Director of Finance and Resources reported that the budget estimates were robust and the reserves adequate subject to continual review to reflect medium term challenges of both known and emerging risks.

Individual members raised the following issues in relation to the report:

- queried the total shortfall in funding to cover the increase in national insurance employers' costs in 2025/26. Members were informed that the government had announced that the National Insurance grant would be confirmed at the final settlement. It was likely the grant would be around £2m which was unlikely to cover all the Council's costs. The Market Forces grant in Adults, which was subject to negotiation with the commercial sector, was also unlikely to be sufficient to meet all needs.

- highlighted the need to make strong representations to government regarding local authority funding reform in order to recognise growth. The Executive Director of Finance and Resources reported that initial consultation had taken place through the Society of County Treasurers and Association of Local Authority Treasurers. An announcement was expected towards the end of the year, which was likely to result in the introduction of four block model. The Council had a Financial Review Shortfall Reserve to mitigate the impact. Members were reminded that the Council had been an unfunded authority per head of population for many years so lobbying was continuing. It was confirmed that funding reform did not yet reflect the devolution white paper. It was noted that the Chair and Vice-Chair had been energetic in pushing the case for growth areas particularly if the government wished to achieve growth.

- acknowledged the importance of recognising the risks relating to the statutory override. It was possible that information could be available before the Council meeting on 11 February which might not be in line with the Executive Director of Finance and Resources assumptions so would require Members to consider the validity of the budget. Members were informed that the override remained in place until April 2026 so the Government would have to take a proactive decision to remove it earlier. Full Council would be updated if necessary but it was unlikely that there would be announcement until the end of February at the earliest.

- highlighted the fact that the white paper on "Devolution and local government reorganisation" was not reflected in the report. It therefore needed to be recognised that this process fundamentally changed the outlook of sustainability outlined in the report. It was possible that the Council might need to amend some policies particularly its Procurement Policy in order to be cognisant of future change. It was therefore important to consider severance in all procurement processes. The Executive Director of Finance and Resources acknowledged the challenge of local government reorganisation from a personal experience. The Council had a published procurement pipeline and also needed to consider other issues such as systems, property, and debt liabilities. During 2025, the impact of local government reorganisation on the reserves position and Medium Term Financial Plan would be considered.

- highlighted the need to review the Change Strategy in light of local government reorganisation. The Chief Executive reported that the five thematic strands in the

Council's Change Strategy would provide firm foundations for any type of local authority, which could be shaped accordingly in the future. The Council had a duty to forecast in the medium term for financial strategy purposes.

- expressed concern about the debt and reserves relative income heritance for future authorities, which was very poor compared to the Council's statistical neighbours. The Council should therefore try and reduce this figure over the next three years in order to avoid encumbering successor authorities with excessive debt.

- acknowledged that the Council would be binding new authorities to decisions on procurement and the capital programme so it was important to reflect on decisions being taken now and in the short term to recognise longer term responsibilities. The Executive Director of Finance and Resources acknowledged the importance of running the organisation in its current state but with an overlay in relation to local government reorganisation. Due diligence was also needed in relation to the Council's peers so that a proper assessment could be made particularly in relation to corporate contracts. The Chief Executive added that Members would be updated as the Council progressed the government's reorganisation programme.

- highlighted the discussions taking place relating to the Learning Disabilities pooled budget which had unfortunately not resulted in an agreement with the NHS Integrated Care Board so this remained a risk to the Council.

- confirmed that higher savings were being predicted for elderly persons services, which was reflected in the report. Whilst the accuracy of the forecasts had improved, there was still a risk that the new forecast savings would not be fully realised. Attention was drawn to Section 3.36 of the report which reflected earmarked reserves set aside to manage volatility in care related service areas. However if called on, it was getting to a level where it could not be called on in the future.

One Member explained that as the report was inextricably linked to the Business Plan it contained different opinions which could not be supported. The focus should be on what the County Council could do to make resources sustainable to deliver services. There was concern that the proposed approach focused on increasing Council Tax to the maximum in order to improve services. The Conservative approach was to focus on what was needed to deliver the Council's statutory duties and what the public had told the Council to fund so that Council Tax could be limited accordingly.

The same Member highlighted the fact that the Council had failed to deliver £16m of savings. The Conservative amendment to the budget had focused on the finances and four areas of concern including SEND assessment team capacity and Home to School Transport, which had both failed to meet savings plans. The former required a further investment of £700k per annum to address the backlog in SEND assessments. It was reported that £4m in the General Fund was assumed as a prudent one off needed to cover future non delivery of savings. Instead it was suggested that £4m of further savings should be identified to ensure the Council remained on budget. It was felt that reserves were being used to cover too many issues. It was acknowledged in the report that earmarked reserves were unlikely to be called upon at the same time in a financial year so the current approach was too restrictive. There were therefore fundamental difference between parties as to what constituted a sustainable report.

The Executive Director of Finance and Resources explained that the General Fund was for any eventually whilst the earmarked reserves were for future items, which needed to be protected as the size of some of these items could be a significant draw on the Council's finances. The Council had a duty in terms of its peers and future councils to provide for such eventualities. It also enabled the Council to take choices in relation to the management of funding via its Treasury Management Strategy.

The Chair highlighted the importance of holding significant reserves as the risks to the Council were very wide ranging and unpredictable. There were also risks around climate and the unpredictability of the health of the population. Rapidly rising levels of anxiety and depression amongst young people was one of the biggest challenges facing the Council. The concerning issue was that reserves were not adequate for some of the risks which were dependent on government decisions.

It was resolved unanimously to scrutinise the Section 151 Officer's assessment and note the conclusions in consideration of the proposed Budget for 2025/26 to Full Council, and the proposed level of reserves set out at Appendix 1.

246. 2025-30 Business Plan and Budget

The Chief Executive introduced a report setting out the 2025-30 Business Plan and Budget, which included background and progress updates on the business planning process and delivery of the council's Strategic Framework, a summary of resident and policy and service committee feedback, detailed proposals for achieving a legal budget, and recent financial updates. He thanked officers who had contributed to this extensive piece of work in particular the Service Director: Policy, Insight and Change and the Service Director: Finance and Procurement and their teams, and Executive Directors. He drew attention to the fact that 93% of the council's £1.2bn expenditure related to the servicing of statutory duties. It was acknowledged that the council was in a period of significant change following the publication of the government white paper on "Devolution and local government reorganisation", however local government reorganisation would take some time to deliver so it was important to set a legal budget to continue to deliver services and provide stability and certainty until the transfer to any future local authority.

The Chair echoed the thanks of the Chief Executive and added her thanks to the Chairs and members of the Policy and Service Committees who had scrutinised the budget.

Individual members raised the following issues in relation to the report:

- highlighted the ability of council to question the way 93% of the funding allocated to statutory duties was spent including whether it was being spent in the most cost effective way.

- expressed concern regarding the failure to take into account risk in relation to the policies adopted as risk could relate to any failure to match assumptions made. It was felt that there was no flexibility to manage incorrect assumptions during the course of a financial year. The Executive Director of Finance and Resources acknowledged the volatility of the demand for adult social care nationally post pandemic, and officers would continue to work with researchers to refine data.

However, there was flexibility for the Adults and Health Committee through finance monitoring process to offset pressures in year.

- expressed concern that Council Tax had automatically been increased to the maximum regardless of the need for savings in order to improve services. The Chair challenged this assumption and acknowledged the significant burdens being faced by residents. She added that Council Tax was not increased to the maximum regardless of need but was used to deliver and improve public services. It was noted that all upper tier councils were facing very challenging budgets and the majority were increasing Council Tax by 4.99%. The Chief Executive reminded Members that 57% of respondents to the formal consultation had supported at 4.99% Council Tax increase.

- explained that 86% of Council funding was from Council Tax and Business Rates which provided very little flexibility to raise funding to deliver community priorities and to do what was needed and what residents wanted. There were also concerns about the fairness of the Council Tax system.

- reminded Members of the Council's vision and seven ambitions, and the guidance provided by the Quality of Life survey in identifying what mattered to local residents.

- queried who was responsible for improving bus shelters in new developments in order to access Section 106 funding. The Chief Executive confirmed that it was not clear who had responsibility for the installation and maintenance of bus shelters as some were the responsibility of District Councils, the County Council had responsibility for some legacy shelters, and the statutory authority responsible for transport was the Combined Authority. The Chief Executive agreed to provide Members with a detailed briefing note. **Action Required**.

- expressed concern that the Council could be subsidising the work of the Combined Authority by using some of the £8.1m allocated for potholes to fund the maintenance of bus shelters. The Chief Executive reminded Members that this unringfenced funding from government had been allocated to the Highways revenue budget and its allocation would be considered by the Highways and Transport Committee.

- acknowledged the good work carried out by officers on Local Highway Improvement Scheme projects but highlighted the need for more funding to deliver more projects.

- acknowledged the need for the £244k reduction in the transport levy to the Combined Authority to be used to repair potholes. It was also important to address the causes of potholes and not just complete the repair.

It was resolved to recommend the following to Full Council:

a) To approve the Business Plan for 2025-30 including the supporting budget, consultation responses and other material, in light of all the planning activities undertaken to date. (Appendix 1 to the report)

b) To approve the directorate budget allocations as set out in each directorate table in section 3 of the Business Plan

c) To approve a total county budget requirement in respect of general expenses applicable to the whole county area of £1,206,290,000

d) To approve a recommended county precept for council tax from district councils of £420,986,969.57 (to be received in equal instalments in accordance with the fall-back provisions of the Local Authorities (Funds) (Amendment) Regulations 1995)

e) To approve a council tax increase for each band of property, based on the number of 'Band D' equivalent properties notified to the county council by the district councils (247,546.2), reflecting a 4.99% increase (2.99% in the basic council tax precept, and 2% in the adult social care precept):

Band	Fraction	County council tax charge
A	6/9	£1,133.76
B	7/9	£1,322.72
C	8/9	£1,511.68
D	**9/9**	**£1,700.64**
E	11/9	£2,078.56
F	13/9	£2,456.48
G	15/9	£2,834.40
H	18/9	£3,401.28

f) To approve the Capital Strategy as set out in section 5 of the Business Plan including:

i. Commitments from schemes already approved

ii. Expenditure on new schemes in 2025-26

g) To approve the Treasury Management Strategy as set out in section 6 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 and Accounting) (England) (Amendment) Regulations 2008

ii. The affordable borrowing limit for 2025-26 (as required by the Local Government Act 2003)

iii. The investment strategy for 2025-26 and the prudential indicators as set out in appendix 1f - Section 6 of the Business Plan

iv. The delegation to the Executive Director of Finance and Resources contained in the Treasury Management Strategy to alter the council's counterparty and lending list in the conduct of the council's treasury management operations

h) To authorise the Executive Director of Finance and Resources, as the Section 151 Officer, in consultation with the Leader and Deputy Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations to the county council, so as to take into account any changes deemed appropriate, including but not limited to:

   i. The final tax base, forecast council tax and business rates receipts for 2024-25 from the billing authorities (due by 31 January 2025)

   ii. The final Local Government Finance Settlement from the Government (expected early February 2025) alongside other grant announcements, outside of the settlement, primarily based on treatment proposed in this report

   iii. Changes to the accounting code for the Treasury Management Strategy.

It was also resolved to agree to allocate funding from the Government through ‘extended producer responsibility for packaging’ in 2025-26 to an earmarked reserve, as per section 6.1.6 of this report.

247. Agenda Plan, Training Plan, Appointments to Outside Bodies and Internal Advisory Groups and Panels

The Committee considered its agenda plan, training plan, appointments to outside bodies and internal advisory groups and panels. It was noted that a report on Digital Future had been added to the March meeting and a special meeting had been called on 11 March to consider the Waste Private Finance Initiative.

In acknowledging the significant amount of cross party co-operation, the Chair asked officers to consider whether an item on Local Government Reorganisation should be added to the agenda for the next meeting. **Action Required.** The Chief Executive informed Members of the work taking place in this area and the need for full Council to take the final decision. In response to questions, it was confirmed that an item on Local Government Reorganisation had been added to the Member Induction Programme, and the current risk register was being reviewed to reflect this work.

One Member asked officers to consider the impact of a recent accounting change relating to profit and loss. **Action Required.**

It was resolved unanimously to note the agenda plan and training plan.

Chair