

Business Planning and Budget setting 2025-26 – 2029-30

To: Strategy, Resources and Performance Committee

Meeting Date: 31 October 2024

From: Chief Executive

Electoral division(s): All

Key decision: No

Forward Plan ref: Not Applicable

Executive Summary: Each year the council must set a balanced budget, which is presented alongside a medium-term business plan detailing how the council will deliver the seven ambitions within its Strategic Framework. The council is committed to an evidence-led process to develop a business plan and budget that delivers residents' priorities whilst maintaining financial sustainability. The process and timeline for the development, scrutiny and sign off of the Business Plan and Budget 2025-26 – 2029-30 is set out alongside plans for engagement and consultation with residents and key stakeholders.

Recommendation: The Strategy, Resources and Performance Committee is asked to:

- a) Approve the process and timelines for setting the Business Plan and Budget 2025-26 to 2029-30;
- b) Approve the plans for engagement and consultation with residents and key stakeholders; and
- c) Delegate any amendments requested by the committee to the Executive Director of Finance and Resources, and Executive Director of Strategy and Partnerships, in consultation with the Chair and Vice Chair of the Strategy, Resources and Performance Committee.

Officer contact:

Name: Joe Lacey-Holland and Tom Kelly

Post: Service Director: Policy, Insight and Change and Service Director: Finance and Procurement

Email: joe.lacey-holland@cambridgeshire.gov.uk
tom.kelly@cambridgeshire.gov.uk

1. Creating a greener, fairer and more caring Cambridgeshire

- 1.1 The Strategic Framework sets out the council's vision to create a greener, fairer and more caring Cambridgeshire. The annual Business Plan and Budget sets out how the council intends to continue delivering the seven ambitions in its [Strategic Framework](#), whilst ensuring spending commitments are responsive to resident needs and do not exceed available resources by balancing income with expenditure.
- 1.2 Proposals included in the Business Plan and Budget cover all of the council's seven ambitions. For example, in the 2024-25 Business Plan and Budget the council approved ongoing investment in:
- Implementing strategies to enhance biodiversity and natural capital in the county to support net zero carbon emissions for Cambridgeshire by 2045, and to ensure our communities and natural environment are supported to adapt and thrive as the climate changes.
 - £43m investments in Highways to support safer and more environmentally sustainable travel for schemes including management of potholes and improvements to public rights of way.
 - £90k in community initiatives to support families with children who self-harm or have eating disorders to reduce health inequalities.
 - £320k to address children's mental health and £38.1m to enable adult social care to meet increasing demand and pressures and help people enjoy healthy, safe, and independent lives through timely support that is most suited to their needs.
 - A continued focus on anti-poverty with £2.2m to support an Anti-Poverty Strategy and action plan to be developed through a system-wide Poverty Commission.
 - Investing in our libraries to offer a wider range of services, providing business advice, digital connectivity, training opportunities and spaces where skills can be developed to help people gain employment, thereby enabling places and communities to prosper because they have a resilient and inclusive economy and access to good quality public services.
 - A focus on increasing the in-house fostering service and working with our schools to improve the educational performance and outcomes for children across the county so that children and young people have opportunities to thrive.

2. Background

- 2.1 Cambridgeshire County Council is committed to delivering its vision to create a greener, fairer and more caring Cambridgeshire. Each year the council must set a balanced budget, which is presented alongside a medium-term business plan that details how the council will deliver its seven ambitions within its Strategic Framework and respond to resident needs.
- 2.2 Cambridgeshire has been one of the fastest growing counties in the country with a population growth of 9.2% between the 2011 and 2021 census compared to England at 6.6% and the East of England at 8.3%. The population is forecast to grow by 21% between 2021 and 2041 compared to national projected growth of 12%. The Cambridgeshire area has a globally competitive economy driven by a high-tech and bio-tech sub-economy. However, the county is also a place of socio-economic contrast, with significant pockets of

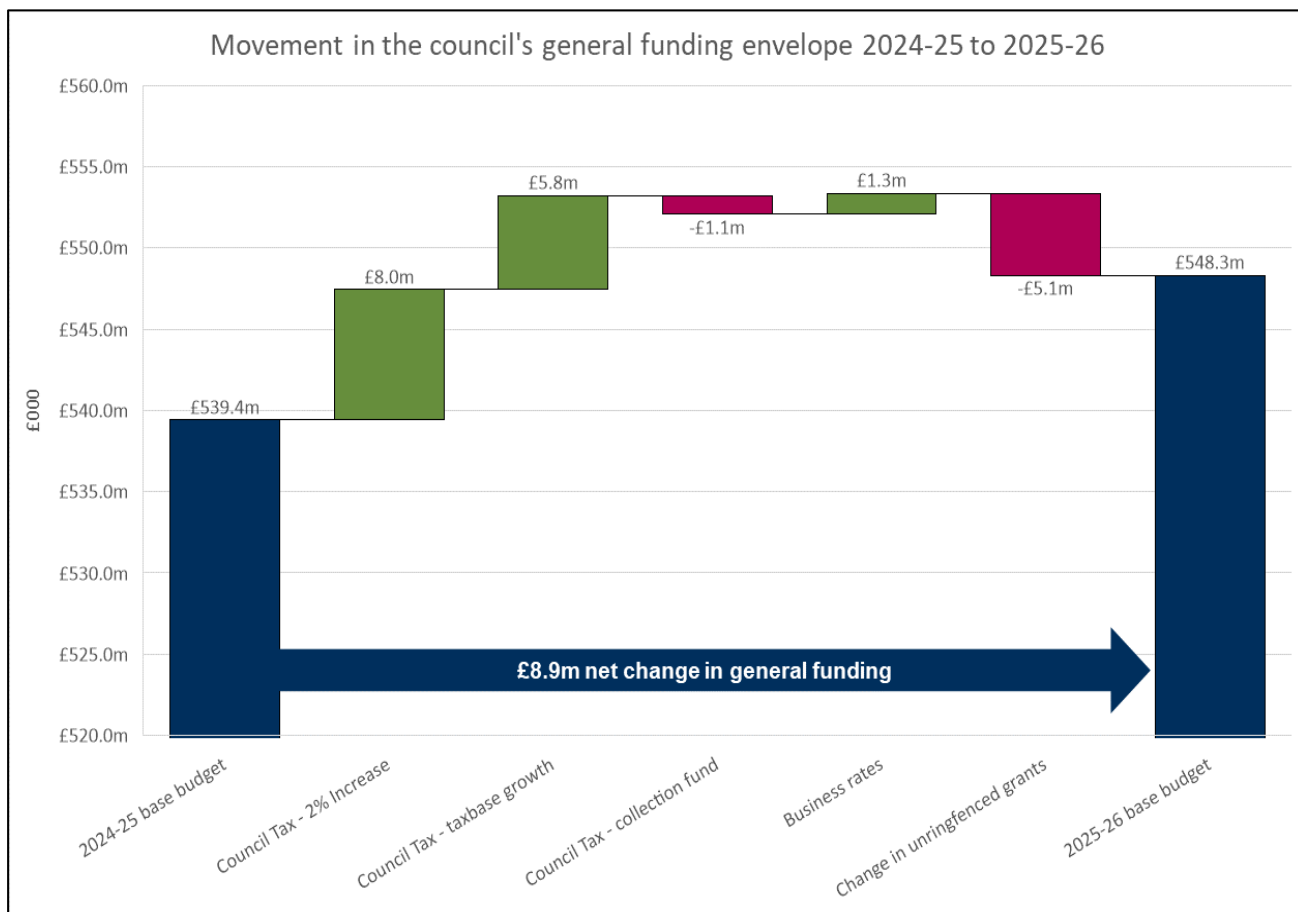
deprivation across districts and significant barriers to productivity, including poor transport infrastructure and expensive housing.

- 2.3 Over the last 10 years the council's core government funding has reduced by 70% in real terms, and more recently steep rises in inflation have added new cost pressures to council services. Alongside this challenge of decreasing resource and increasing cost, the council has also faced a surge in demand for services that support some of our most vulnerable residents, like adults' and children's social care. This is creating a significant pressure on the council's budget, requiring it to drive ever greater value out of each pound it spends through a sharper focus on organisational productivity and efficiency.
- 2.4 The council is committed to being an evidence-led organisation with resident priorities at the forefront of planning. The annual Quality of Life Survey, presented in item 7 on the agenda of this committee, shows that whilst most of Cambridgeshire's residents report high-level happiness, feel safe and believe the county is a good place to raise children, many are concerned about loneliness, the cost-of-living and climate change. The council will work closely with communities, as well as partners in the local public and private sectors, to overcome these challenges, taking both immediate action and longer-term strategic planning.
- 2.5 The refreshed Strategic Framework, presented in item 8 on the agenda of this committee, details the progress the council has made towards delivering the seven ambitions within the context of these challenging circumstances over the first half of 2024-25 (in addition to other progress made since the seven ambitions launched in 2023). The council has delivered services to the most vulnerable residents, invested in highways and maintained an extensive network of libraries.
- 2.6 The council's Business Plan and Budget 2025-26 to 2029-30 will set out how the organisation will continue to deliver the seven Strategic Framework Ambitions, address the needs of residents identified through the Quality of Life Survey, and do so in a financially sustainable way that allows the organisation to set a balanced budget – see Section 3 below. To help inform our Business Plan and Budget we will engage with residents and stakeholders between 4 November 2024 and 2 December 2024 to better understand their priorities for the council. Following the publication of our draft Business Plan and Budget on 9 December 2024 we will consult further with residents and stakeholders so their views on our draft budget can be considered ahead of the budget being set on 11 February 2025. Alongside this the council is also publishing an organisational Change Strategy, presented in item 9 on the agenda of this committee. This strategy – 'Our Future Council' – provides a framework for delivering improved, cross-organisational innovation to drive productivity and efficiency through a focus on areas like technology, assets and ways of working.

3. Current Financial Position

- 3.1 The latest Integrated Finance Monitoring Report (IFMR), presented in item 4 on the agenda of this committee, sets out the current in-year financial position. At the end of period 5 for 2024-25, the council is forecasting a revenue overspend of £9.6m (2%). The detailed causes of this are set out in the IFMR, but broadly relate to increased costs for placements for children in care, rising home to school transport costs and delayed returns on income generation plans. These are offset, in part, by lower than expected costs for adult social care due to levels of projected demand in last year's budget not materialising.

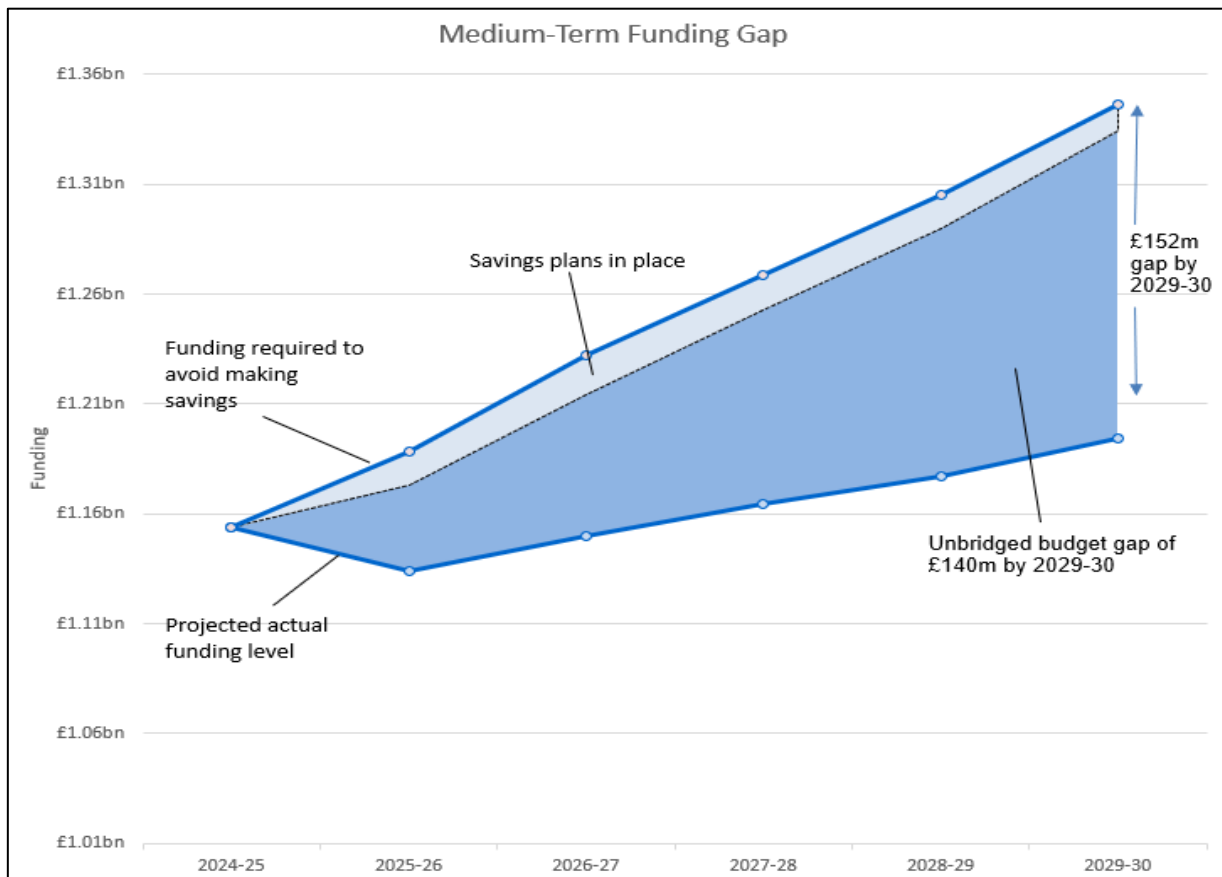
3.2 The council has continued to update its funding projections since the Business Plan for 2024-29 was set in February 2024. This update includes some changes to government grant figures, and a favourable update to the business rates baseline. Other funding sources remain as they were set in the current plan, including a projected 2% increase in council tax in all years of the current medium-term plan, and an anticipated reduction in government grant funding announced in the 2024-25 local government finance settlement (mainly losing £1m of new homes bonus and the reversal of nearly £5m of one-off social care grant funding).



3.3 Alongside updates to forecasting for the in-year position, throughout 2024-25 the council has updated projections for its medium-term budget position. Starting from the position agreed by Full Council in February 2024 for the final four years of the previous medium-term plan, with a new fifth year projection, the council has reviewed the estimates for demand, inflation and income generation. There also needs to be account taken of the anticipated 2024-25 overspend detailed at 3.1. These updated projections give a much-increased budget gap for 2025-26 of over £39m, and around £140m over the medium-term, compared to the projections presented in February 2024:

	2025-26	2026-27	2027-28	2028-29	2029-30
Feb 2024 Full Council	£23.5m	£25.7m	£26.0m	£24.6m	
Initial new year 5 estimate					£23.2m
Inflation estimates update	£6.2m	£2.1m	£1.7m	£0.9m	£1.4m
National Living Wage - high point estimate	£5.4m				
Children's placements pressure	£3.0m				
Waste diversion pressure	£4.2m	£-4.2m			
Energy schemes income update	£1.4m	£1.1m			
This Land income	£3.8m	£-0.3m	£-0.6m	£-1.2m	£2.4m
Top up general reserve due to 2024-25 overspend	£2.2m	£1.0m	£-3.2m		
Demand estimates update	£-6.4m				
Funding changes	£-1.8m				
Grant funding usage	£-2.2m				
Current position before savings	£39.3m	£25.4m	£23.9m	£24.3m	£27.0m

3.4 These updates give a medium-term funding gap picture of:

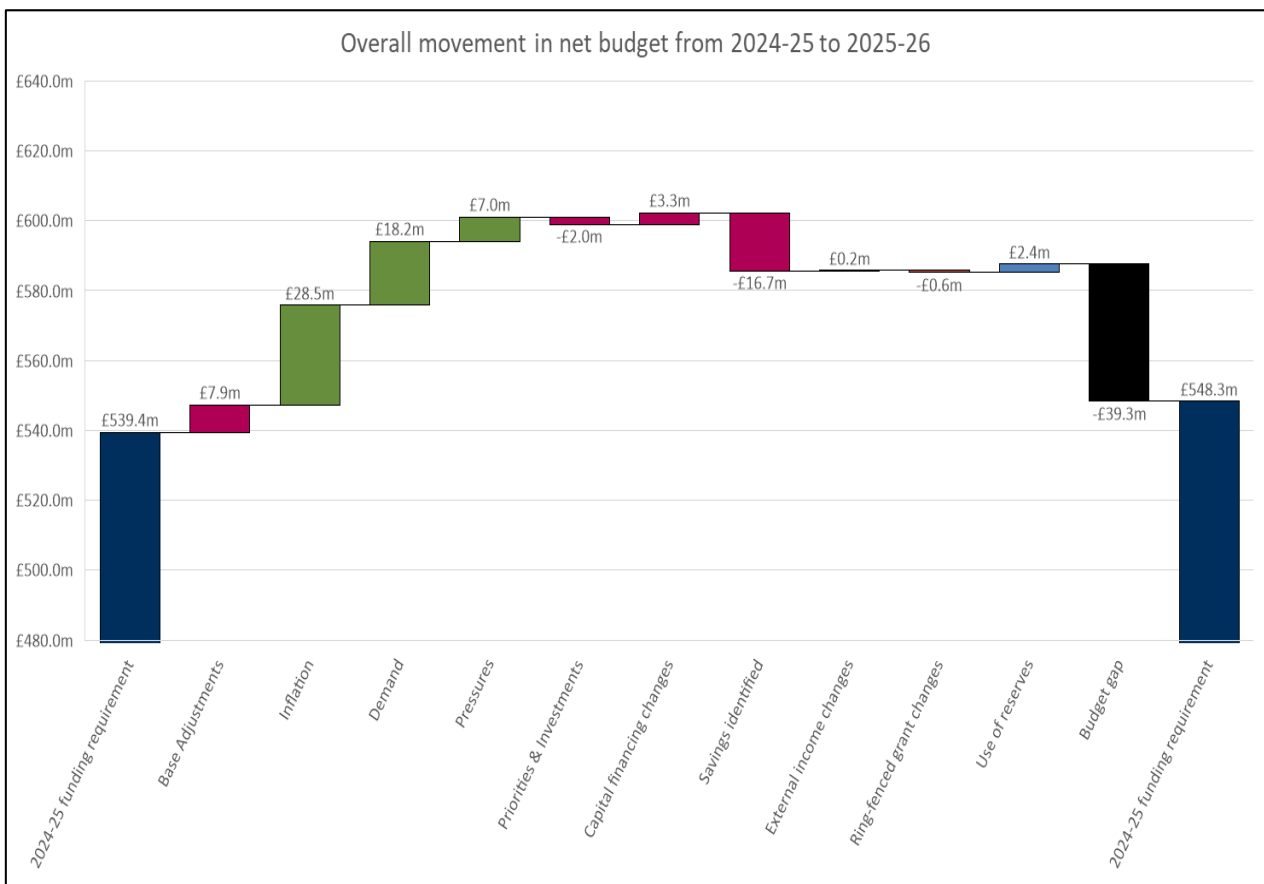


3.5 The following table sets out some further commentary on each of these updates:

Budget gap	Commentary
Inflation estimates update	We make an annual update to all our inflation projections, based on national inflation estimates and local market conditions. Much of our inflation is not tied to the general economic indices, particularly as staff pay (either for our own staff or through contractors) is currently expected to be higher than general inflation. As well as staff pay, we are particularly seeing higher inflation in home to school transport and children's placements, reflecting a restricted supply.
National Living Wage - high point estimate	The current business plan reflects a medium-risk estimate of the increase in the national living wage for 2025-26. Recent experience suggests that the higher point estimate given by the Low Pay Commission is usually closer to the actual decision, and therefore an increased allowance is made here.
Children's placements pressure	This reflects the fact that at the end of 2024-25 expenditure on these placements will exceed the budget allocated to it. We have plans to mitigate and reduce future demand and cost growth, but this underlying pressure needs to be reflected as a new baseline.
Waste diversion pressure	The council continues to see pressures through the closure of a waste treatment plant due to environmental regulations. Until a resolution is found to this we will continue to have to pay for an increased amount of landfill disposal. We are in active discussions with the waste disposal contractor around this issue.
Energy schemes income update	Updates to prices expected from our renewable energy schemes result in lower income than budgeted in the current business plan. This is partly offset through reduced cost of the council's energy prices paid for offices and streetlights.
This Land income	It is prudent at this stage to assume that the income budgeted to be received from the council's wholly owned housing company will not be fully received. The company is revising its business plan and will present this to the council later this autumn. This income was time-limited in any case, and is due to come to an end in the current medium-term plan; this line re-phases that.
Top up general reserve due to 2024-25 overspend	There will be a need to increase the general reserve should the currently projected 2024-25 overspend materialise, as the balance will be below the policy level set by council in 2024 on the basis of the section 151 Officer's financial sustainability report.

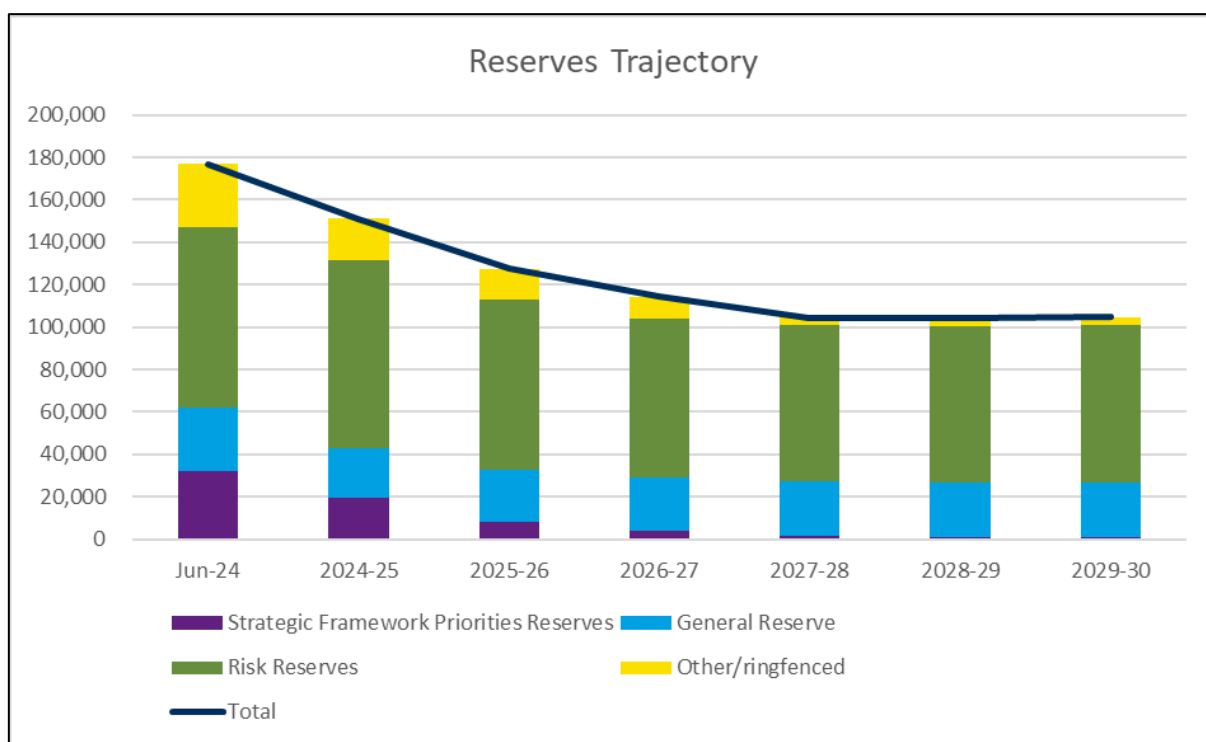
Budget gap	Commentary
Demand estimates update	Projections for all demand-led services have been refreshed – this has resulted in some increased pressures, mainly in children in care placements and home to school transport but has also seen an overall reduction due to the need to re-baseline demand projections for adult social care following a year (in 2024-25) of much lower-than-expected demand.
Funding changes	Increases predominantly from an improved business rates position in 2024-25 that is reflected in the baseline.
Grant funding usage	This line reflects our approach to ensuring that where grant conditions allow, and where priority spending is not identified, that grants we receive are allocated where possible to spend that is already in the budget. This allows us to swap general funding with grant funding and therefore reduce the budget gap. At this stage this is predominantly in Adults, Health and Commissioning, and uses grant funding projections to fund inflation and demand pressures that are already in the Business Plan.

3.6 Factoring in these changes, we see the following movements in the council’s overall budget at this stage, many of which were planned for in the current medium-term financial plan:



3.7 The 2024-29 Business Plan made a number of commitments from reserves over the medium-term, which continue to be reflected in the updated medium-term plan. These are reflected alongside final 2023-24 reserve positions (the Business Plan was based on reserve balances and forecasts part way through the year), to give these projected balances and trajectory:

Fund Description	£000	Balance at q1 2024 £000s	2024-25 closing balance	2025-26 closing balance	2026-27 closing balance	2027-28 closing balance	2028-29 closing balance	2029-30 closing balance
General Reserve		30,314	23,764	24,518	25,250	25,932	25,932	25,932
Strategic Framework Priorities Reserves		31,905	19,387	8,314	3,770	1,487	669	669
Risk Reserves		84,939	88,522	80,325	74,793	73,560	73,956	74,495
Ringfenced Reserves		25,613	17,121	11,818	8,253	1,266	1,106	1,106
Other revenue reserves		4,178	2,469	2,347	2,319	2,291	2,413	2,413
Total revenue reserves		176,949	151,263	127,322	114,385	104,535	104,076	104,615



3.8 The largest component of earmarked reserves held by the council are risk reserves. These are reserves held for specific or general categories of risk that the council is exposed to. More than ever, there is a possibility that material risks may crystallise over the medium-term, making the holding of prudent reserves vital. In particular, the council faces spending pressures outlined above, risks on its income generation plans, large potential contractor and contractual disputes, and damages following legal action. Other than its general and risk reserves, the council expects to spend those smaller reserves earmarked for spending over the medium-term.

4. Proposed Process

4.1 To address the projected budget gaps for the next three years, over the autumn a strategic Business Plan will be developed. The Business Plan will create a clear pathway to

achieving financial balance over the first three-years of the planning period, ensuring each annual budget is responsive to our evidence base (including the Quality of Life Survey results), delivers on the Strategic Framework ambitions, and contributes to realising the vision set out in 'Our Future Council'. It is proposed to develop the Business Plan and Budget via the following milestones:

1. The draft Business Plan and Budget for 2025-26 – 2029-30 will be presented to Strategy, Resources and Performance Committee on 17 December 2024.
2. Policy and Service Committees will receive the draft Business Plan and Budget for scrutiny between 14 January 2025 and 23 January 2025.
3. The final Business Plan and Budget for 2025-26 – 2029-30, alongside feedback from the Policy and Service committees, will be presented to Strategy, Resources and Performance Committee on 28 January 2025 for recommendation to Full Council on 11 February 2025.

5. Engagement and Consultation

- 5.1 The refreshed Engagement and Consultation Strategy, presented in item 10 on the agenda of this committee, sets out how Cambridgeshire County Council is committed to ensuring residents and stakeholders' voices are considered in decision making processes. The Business Plan and Budget process will include initial engagement followed by a period of consultation after the draft Business Plan and Budget is published.
- 5.2 A period of engagement will begin on Monday 4 November 2024 and will continue through to 2 December 2024. Residents and stakeholders will be invited to learn more about the business planning process and share their priority areas for spending and views regarding council tax changes. A copy of the engagement questionnaire is provided in Appendix 1. Results of the engagement exercise will be used to inform the Business Plan and Budget.
- 5.3 Aligned to the process set out in Section 4 above, a period of consultation will begin when the draft Business Plan and Budget 2025-26 – 2029-30 is published on 9 December 2024. Stakeholders and residents will be able to share feedback on the overall Business Plan and Budget as well as specific proposals, the consultation will close on 9 January 2025. Results of the consultation will be presented to Strategy, Resources and Performance Committee on 28 January 2025.

6. Significant Implications

6.1 Finance Implications

Financial implications are set out in section 3 of this report.

6.2 Legal Implications

No significant implications

6.3 Risk Implications

No significant implications

6.4 Equality and Diversity Implications

No significant implications.

7. Source Documents

7.1 None.