Appendix A - Medium Term Financial Strategy 2023 – 2026 (Q2 update)

1. Executive Summary

This report outlines the latest forecast position over the life of the Medium Term Financial Strategy (MTFS) based on a set of financial assumptions which have been updated to provide an accurate reflection of the financial challenge facing the Council. The revised position outlines a forecast **budget gap of £21.7m in 2023/24**, a significant increase on the £9.5m budget gap reported in the Quarter 1 update in July. This increase has been driven by the following developments:

- **Inflation**: has continued to rise, with the rates of CPI incorporated within this report increasing to 13.1% from 8.8% (in quarter 1). Some sources even reporting this could reach rates of 18% by the end of 2022.
- **Pay award**: Employers made an offer in July of a £1,925 increase to all NJC salary SCP's. The Council, like many others built the budget on a 2% pay award assumption. If this offer is agreed, it will create an ongoing £2m budget pressure. (Being mitigated by use of the inflation reserves in 2022/23)
- **Savings update:** Although the savings position in the current year has improved due to the identification off one-off mitigations, future years remains a risk, with officers working hard on long term plans to fully deliver on the savings target.
- **Business Rate Pool:** The Council has been part of the Cambridgeshire Business Rates Pool since 2020/21. This has brought additional Income to all of the Local Authorities included within the pool. However the income expected to be received from 2023/24 onwards is less than originally forecast due to a review of the gain distribution.

The budget position is summarised in table 1, outlining a breakdown of how the gap changes each financial year followed by a summary of the key assumptions. It should be noted that Council identifies ongoing proposals to address the budget gap, the future years will reduce accordingly.

Table 1: Budget Gap	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Funding	181,852	192,906	198,678	204,909
NRE	181,852	214,642	230,590	239,352
Aggregated Budget Gap	**-**	**21,736**	**31,912**	**34,442**
Aggregated Budget Gap breakdown		**2023/24**	**2024/25**	**2025/26**
2023/24		21,736	21,736	21,736
2024/25			10,176	10,176
2025/26				2,530
MTFS Quarter 2 Budget Gap	**-**	**21,736**	**31,912**	**34,442**
MTFS Quarter 1 Budget Gap		***9,520***	***12,876***	***15,122***

Key assumptions

- Pay award 3% pa (2023/24-2025/26) in addition to an ongoing £2m pressure as a result of the 2022/23 pay award
- Inflation in expenditure and Sales Fees and Charges income: 2023/24 – 13.1%, 2024/25 – 5.5%, 2025/26 – 1.4%

- Risk to the delivery of savings plans in 2023/24 - £5.3m
- Demographic and Volumatic service demand – 3% pa
- NNDR – increases based on business growth and inflation as per legislation
- Revenue Support Grant – no increase
- Council Tax – 2.99% pa and 1000 new homes per annum
- New Homes Bonus – reducing
- Business Rate Pool - continuing, but with a reduced dividend
- Adult Social Care Grant – We are expecting grant levels to be confirmed in December following the Fair Cost of Care submissions, but this will result in corresponding expenditure
- No increases on the following
  - Improved better care fund
  - Social care grant
  - Services grant

These are outlined in more detail within the report.

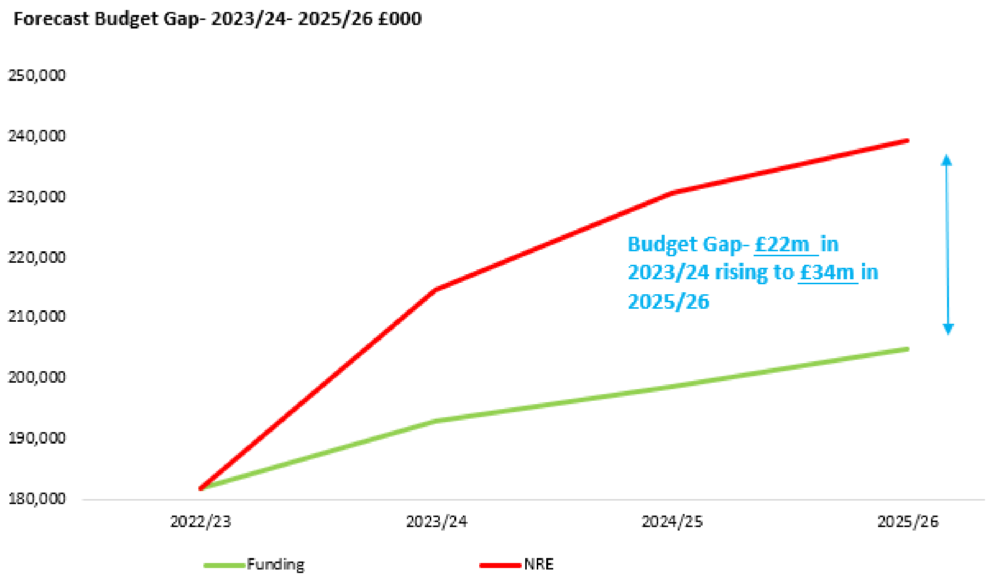
2. The Financial Challenge

The council's financial challenge can be characterised into three core elements, revenue, reserves and capital, with these being summarised in the following sections.

Revenue challenge

The Council's financial challenge has developed over the years due to underfunding, exposure to greater levels of demand and reliance on one off solutions in order to set a balanced budget. The key priority for the Council is to drive forward a balanced and sustainable budget for 2023/24- 2025/26, but this doesn't come without underlying challenges. These are summarised in the following points:

- Core Government **funding remains flat** as per the spending review 2021, with the additional risk of further cuts as indicated within the Chancellors mini budget on 23 September.
- Risk of a shortfall on savings plan delivery in 2023/24- **£5.3m**
- Inflationary pressures - forecast assumes **13%** by the end of 2022, but other sources predict this could reach as high as 18% - this is driving up costs (inflation risk reserve to mitigate immediate exposure)
- **72%** of the Council's budget represents debt and social care costs:
  - Cost of Debt financing equates to **16%** of Net Revenue Expenditure (NRE) with interest rates expecting to rise and the council having some loans maturing and requiring refinancing over the period of the MTFS.
  - Demand led budgets including Adult Social Care and Children's Social Care represent **56%** of NRE.
- Financial Risk as a result of the Adult Social Care Reforms.
- Forecast budget gap of **£22m** in 2023/24 rising to **£34m** by 2025/26. The gap between the Councils funding and expenditure budget is outlined in the following graph:



Capital Challenge

The Council has an ambitious capital programme, but at the same time its balance sheet health is poor with borrowing totalling £446m at 30 September 2022, which also puts a significant pressure on the Councils revenue budget. The Council recognises it needs to invest in the City to encourage economic development and provide vital services such as school places and infrastructure, but these need to be prioritised, within the context of the Councils financial position. The following points summarise the Capital challenge the Council faces:

- For every £10m borrowed to fund Capital expenditure it costs £0.8m per year, in revenue.
- Savings included within the 2022/23 MTFS, were based on no additional borrowing over next 3 years (other than refinancing of maturing loans). It is assumed that capital receipts and external grants will be used to fund the programme

Reserves Challenge

The council has been exposed to greater levels of risk and low financial resilience, resulting from its low reserves balances and limited ability to fund transformational change. It recognises that in order to become financially sustainable in the future investment will be required to support the transformation of services, in particular in the following areas:

- Capacity to deliver
- External Expertise and Advice
- Feasibility
- Maximisation of Technology
- Physical and Economic Development of the City

At the end of 2022/23 revenue reserves balances were £60m (summarised in table 2), but once accounting for commitments, ringfenced/risk reserves and the general fund, only £20.3m of Innovation Delivery Fund is available for investment in programmes to drive the change required to become sustainable.

An inflation reserve totalling £4.7m was established at the end of 2021/22, in recognition of the need to mitigate potential immediate pressures arising from inflation rates and associated economic climate, whilst longer term plans are developed as part of future years MTFS. The Council operates an Energy Recovery Facility (ERF) and receives income as a result of selling the electricity it generates. Due to the current energy market this income is forecast to be £7.2m in excess of budget and his will contribute to the inflation reserve and used to mitigate rising inflationary pressures including energy costs. As it stands the Council has already identified an estimated £6.5m of emerging inflationary pressures and risks as a result of rising fuel and electricity costs, and index linked care contracts costs, leaving a balance of £5.4m to mitigate further arising pressure.

Table 2: Reserves Summary	**Bal at 31.03.22**	**Est Bal at 31.03.23**	**Est Bal at 31.03.24**	**Est Bal at 31.03.25**
	£000	**£000**	**£000**	**£000**
General Fund	7,300	7,300	7,300	7,300
Usable Reserves (Innovation and Departmental)	30,004	22,596	22,115	22,115
Risk and Volatility Reserves*	6,693	7,383	7,383	7,383
Local Tax Income Risk Reserve	12,307	7,636	7,636	7,636
Ring-Fenced Reserves	4,183	3,898	3,387	3,150
TOTAL Earmarked and General Fund Balance	**60,488**	**48,813**	**47,821**	**47,584**

**includes the inflation Risk Reserve*

The Council will ensure the financial decisions taken will strike a balance between investing wisely to maximise return, meeting its strategic priorities and seeking to improve its balance sheet health and resilience by replenishing balances. Guidelines will be outlined within a Reserves Strategy and Policy which has already been drafted and will be considered by the Audit Committee on 17 October to allow formal review and feedback, prior to the final version which is expected to be published as part of the MTFS in December.

3. Future Sustainable Council- Strategic Direction for 2023-26

On 30 September Cabinet approved a proposed direction of travel for the leadership, design and organisation of Peterborough City Council so that it can deliver the administration's long-term vision for the City and the four outcomes as set out in the "Future Sustainable Council Strategy 2022-25" and the Council's response to our City's challenges as outlined in the accompanying "City Priorities as outlined in the following illustration:

The Council was one of the Councils who were offered Exceptional Financial Support (ability to borrow to fund revenue) from the Department of Levelling Up Housing and Communities during 2021/22 due to the significant financial challenge it was facing. Much progress has been made since then, including:

- Ending 2021/22 financial year with a £4.5m underspend which has helped the reserves balances and will enable the Council to invest in transformational change in service delivery and provide greater risk mitigation.
- Appointing a panel of independent experts - the Peterborough City Council Independent Improvement and Assurance Panel (PCCIIAP) – to provide external advice, challenge and expertise to Peterborough City Council in driving forward the development and delivery of our improvement plan and priorities.
- Appointing a new Chief Executive and restructuring the Corporate Leadership Team.
- Setting a balanced budget for 2022/23 albeit with a challenging savings programme.
- Set up our Sustainable Future City Council Strategy and Improvement Plan within the Council to re-examine every aspect of what the council does and how we are organised – and then capitalise on the opportunities presented to us by the City.

The Council focus is now set on developing detailed Service Delivery Plans, backed by outline business cases. These will set out the milestones and desired outcomes the Council is aiming to achieve in order to deliver the four city priorities. At the same time work to deliver a balanced budget and set a MTFS will continue to be progressed and includes identifying opportunities to deliver financial sustainability over the short, medium and longer term.

The funding pressures the Council faces are only part of our problem, as noted in section 2 the Council faces pressures as a result of rising demand, soaring rates of inflation and its overall financial resilience due to lower than average reserves balances. As part of delivering the Future Sustainable Council Strategy, the Council will:

1. As part of the Council's improvement journey it will continue to look for ways to reduce spend and get a better deal from those organisations the Council relies on to provide services and our **supply chain** - pushing too far will have a direct, negative impact on our local suppliers and local employment.
2. Continue to **transform** the way services are delivered, doing things differently in a way that improves outcomes and doing more for less or have somebody else doing it cheaper - this has worked for some of services, but the Council is bringing back in-house service delivery where these have fallen short of our expectations.
3. Our **capital receipts** programme will reduce the risk of future interest rates exposure and increasing our cost of borrowing. While this is vital to achieve financial sustainability, selling assets may diminish our opportunity to benefit from future returns.
4. The Council can continue to **stop** 'non vital' services or **charge** more - this can only be done within the limits of consultation and our statutory obligations to those who need our help & support the most.

This is not only about money, our long-term financial resilience rests on our ability to **manage demand** and help and support people before they reach crisis point while finding ways to improve outcomes and to tackle inequality in our communities by maximising economic growth that benefits everyone.

The starting point is the challenge of finding significant savings to provide long term financial sustainability- This will mean balancing the identification of shorter-term savings which can be delivered in 2023/24, whilst at the same time considering plans for the medium and longer term which will achieve financial sustainability. Recognising these differing timescales, a number of workstreams have been initiated by the Corporate Leadership Team (CLT) to deliver this.

Shorter-term (Survive & Save)

The short-term approach has involved setting cash limit targets across all departments. Over the summer officers have been working on plans to deliver their services within these, with these being reviewed in a series of check and challenge sessions workshops with the Extended CLT throughout September. These sessions resulted in a number of agreed actions which are now being worked on alongside the development of outline business cases.

Other options being considered include:

- Review of outsourcing arrangements with a view to streamlining services:
    - NPS: as reported to Cabinet in July the Council has now given 12 months notice on this arrangement and are working on a project to bring back in house this service.
    - Opportunity Peterborough: is in the process of being brought back in house.
    - Serco: The Council is working with Serco to negotiate the contract and transform services included. One of the immediate changes will be to insource the Procurement team, which will take place as soon as 31 October 2022.
- Review of all current contracts and procurement arrangements including:
    - Procurement Board oversight of all new contracts and contract renewals
    - A Procurement specialist has been recruited to drive forward this programme

- Developing an inflation strategy will be key to mitigating further rising pressures and reducing the predicted £21.7m budget gap.
- Review of the workforce with a view to the deletion of vacant posts following an establishment review.
- Review of all Sales, Fees and Charges, rents and commercial opportunities (expected to be reported to Cabinet in November).
- Review of Investment Strategy.
- Review of Council Tax Premiums, Discounts and Local Council Tax Support Scheme.
- Review of teachers pensions overpayments and Amey Pension Surplus (£6m)

Medium-Term (Strive & Improve)

For the Medium term there have been a number of workshops with the Extended leadership Team, supported the Independent Assurance and Improvement Panel members. These have been set with a focus on identifying key cross cutting transformational opportunities across the Council, which could deliver medium to longer term financial benefits. Again the first stage of these ('ideas on a page') have been developed and are in the process of being reviewed by the CLT before being progressed to the next phase to ensure ideas are inline with the Councils Corporate priorities and resource is prioritised appropriately to deliver.

Longer- term (Thrive & Plan)

These options will require investment and will take longer to embed new practices, and thus see the financial benefits. This will include:

- Focus on Managing Demand, prevention and early intervention
- Embedding Data insight to enable the Council to best support the needs of residents
- Service Delivery Plans, aligned to the 4 city priorities and embedded within a the new Strategy performance framework.
- Workforce Planning

4. National Context & Risks

Since the MTFS Quarter 1 report in July, the political landscape has much changed with the appointment of a new Prime Minister together with an almost entirely new cabinet, resulting in Greg Clark becoming the minister for the Department of Levelling up Housing and communities (DLUHC). This will be the department's 12th minister since 2005, demonstrating the level of instability in leadership and direction - reflected within the continued delay in policies, and multiple funding pots available.

Mini Budget & Growth Plan

On 23 September the Chancellor announced a mini budget and growth plan. In his statement, he outlined he 'wants debt to be falling as a proportion of GDP and for public finances to be sustainable'. But with the announcement focusing on taxation reductions, it is likely this will mean cuts to current spending plans. The headlines of the announcement include:

- National Insurance (Social Care Levy) increase of 1.25% removed from 6 November (it is expected that all government departments including local government will have their funding reduced to remove the additional funding given by the government to cover this expense in 2022/23).
- 40 investment zones which will attract measures such as business rates reliefs, stamp duty reductions, lower national insurance rates for employers etc. The Council is now working on a bid to secure one of these zones to boost growth.
- New legislation to cut planning rules, get rid of EU regulations and environmental assessments in an effort to speed up building.
- IR35 reforms introduced in 2017 and 2021 will be scrapped and a new reform will be produced.
- Energy caps confirmed:
    - £2,500k personal cap confirmed to help with Cost of Living
    - 6-month Emergency price cap package announced for businesses from 1st October 2022, capped at £211 and £75 Megawatt hour for electricity and gas respectively.
- Other Tax reductions including a cut in Income tax by 1% to 19%, scrapping the additional 45% rate of income tax (over £150k) and the scrapping of the planned corporation tax increase.

The Chancellor has confirmed that a Medium-Term Fiscal Plan will be published on 23 November which will set out further details on the government's fiscal rules and outline a full economic forecast, from the Office of Budgetary Responsibility (OBR), also confirming there will be a spending review in Spring 2023.

Notably missing from the announcement was any reference to business rates and whether the multiplier will be capped or frozen. This could be confirmed as late as December, within the Local Government Provisional Settlement, which creates additional difficulties for Local Authorities budget planning.

Adult Social Care & Funding Reforms

For a number of years, the Local Government sector has been anticipating the implementation of major structural changes within the funding system, to reflect changes in relative need, resources and the continuing pressures, such as those most noticeable within Adults and Children's Social Care budgets. These funding reforms (also referred to as Fairer Funding Review) and Business Rates Reforms have been further postponed and will not be implemented until 2024/25, at the earliest. This means Local authorities across the country continue to operate with uncertainty around its future funding levels, at the same time the gap between funding levels and need grows increasingly wider. The recently published 2021 census data demonstrates this with the population in Peterborough having increased by 17.5% since 2011, much higher than the national picture at 6.6%.

The Government recently published 'Build Back Better: Our Plan for Health and Social Care' and 'People at the Heart of Care: Social Care Reform', which outline significant legislative changes to Adult Social Care and are currently planned to come into effect from October 2023.

Whilst the key changes are associated with the introduction of a cap on care costs, changes to financial means testing and the Fair Cost of Care will bring significant new financial implications for the Council. The reforms bring wider changes including Care Quality Care Assurance, carers support, new models for housing and care and a focus on digitalisation and technology.

These changes bring significant challenge and will be extremely challenging to deliver both in terms of complexity and cost. The reforms will likely lead to increased demand for already stretched services, requiring significant increases in operational capacity and further pressure on our budgets.

Overall, an early analysis of the reforms put the additional ongoing cost to the Council to be in the region of £5.6m-£5.8m in 2023/24, rising further in subsequent years (County Councils Network (CNN) and Newton Europe 'Preparing for Reform'). These figures exclude the costs of making the changes needed to implement the reforms.

Whilst the Council is expecting funding to support implementation of the changes, we don't yet have confirmed allocations and the scale of any potential funding gap at this stage. Nationally, it is reported that there is likely to be a gap in the region of £10bn for social care.

The government has also published Child Safeguarding Practice Review Panel Report: National Review into the murders of Arthur Labinjo-Hughes and Star Hobson and an Independent Review of Children's Social Care which will include a number of national recommendations, which will require local authorities and other partners to implement.

All of these reforms and reports will bring significant financial and operational difficulties that Local Authorities nationally will need to work through.

Risks

The Council assesses financial risks as part of its budget setting process and regular Budgetary Control Review. The Council also has a Risk Management Board, led by the Assistant Director, Customer & Digital Services which is set up to challenge and support risk management across the Council and partner organisations. The output from this Board is considered regularly at Audit Committee. Some of the key risks identified will naturally have a knock on impact on the Council's financial position. These include:

- **Rising Inflation** including rising energy costs and the increasing cost of living.
- The impact of the Economy on the **Councils income streams-** Council Tax & NNDR (of which now equates to 82% of the Council's core funding) and Sales, Fees and Charges
- **Ukrainian War** and the wider impact on the economy, supply chains, energy and demand for services.
- **Increased service demand**- which could increase as a result of ASC reforms and the cost of living crisis
- Implementation of recommendations outlined within the **Child Safeguarding Practise Review Panel Report & the Independent Review of Children's Social Care**
- **NHS integration**- Integrates Care System (ICS)- and the risk resulting from health also looking to make savings.
- Brexit
- Climate Change
- **Adult Social Care Reforms** (further information in the previous section)

5. Detailed Assumptions

This section outlines the detailed assumptions incorporated within this MTFS update.

The key financial assumptions over the life of the MTFS have been reviewed and revised where appropriate. Stress testing these is increasingly important in present times given the speed of recent economic changes. As part of this sensitivity analysis nine scenarios have been considered, with the following graph summarising the outcome of these. The range of budget gap in 2023/24 spans from £15.4m and £28.7m, a £13.3m difference. This report is working to the midpoint assumption (represented by the red line below) which identifies **gaps of £21.7m in 2022/23, £31.9m in 2024/25 and £34.4m in 2025/26**:

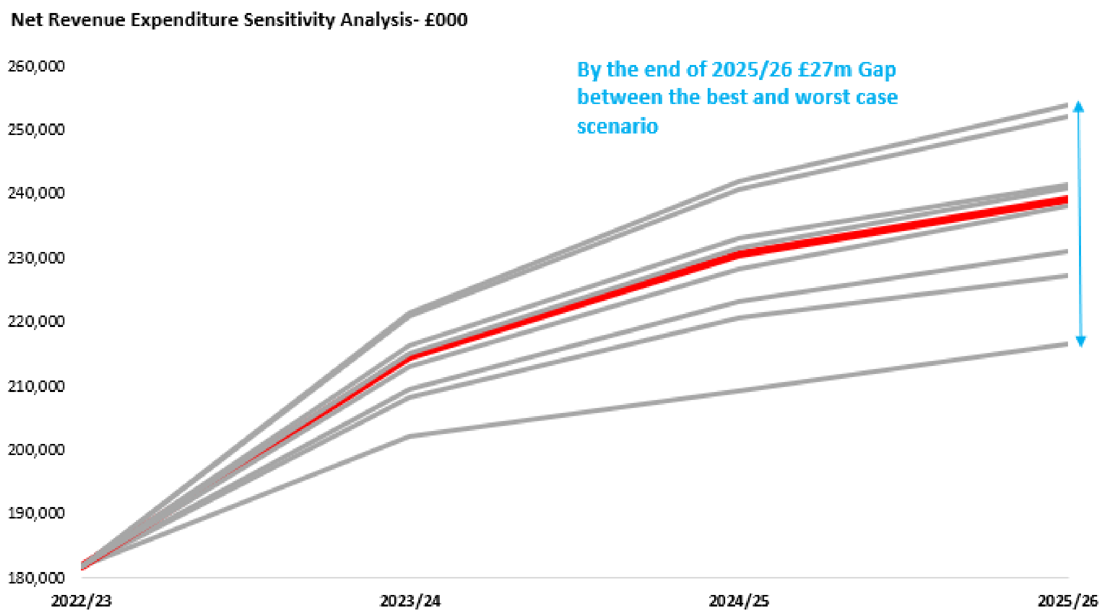


Table 3 summarises the forecast Net Revenue Expenditure budget, the assumptions included:

Table 3: Expenditure assumptions			
	2023/24	**2024/25**	**2025/26**
Pay Award	3%	3%	3%
Inflation- based on CPI forecast for (BoE August monetary report)	13.1%	5.5%	1.4%
Risk of a Shortfall on the Savings delivery	Savings categorised as High Risk for 2023/24		
Sales, Fees and Charges/Income Generation - based on CPI forecast (BoE August monetary report)	13.1%	5.5%	1.4%
Demographic and volumetric service demand	3%	3.%	3%

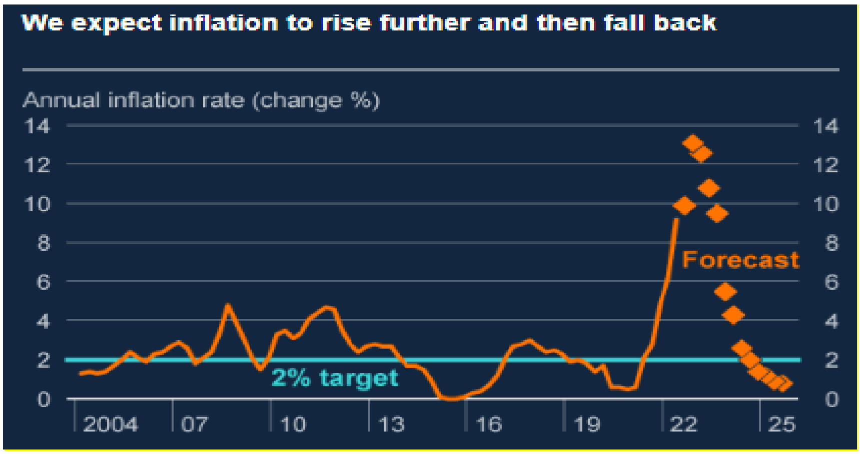
Savings delivery- The 2022/23 budget incorporates £16.7m savings which rises to £17.5m in 2023/24, as a result of an increase in savings targets relating to Culture & Leisure, Serco and City College Peterborough. The following table outlines the latest risk RAG rating, highlighting that £2.0m of savings plans are currently high risk in 2022/23, with £5.3m in 2023/24, this is due to a number of one-off mitigating solutions being identified in the current year and therefore not recurring.

Due to the nature of this risk highlighted in 2023/24 the anticipated shortfall in delivery has been built into the budget gap from 2023/24 onwards. However, the delivery of these savings plans remains a high priority and focus for the Councils Corporate Leadership Team, therefore, this will be reviewed and updated as part of the quarterly MTFS update.

Table 4: Current Savings Programme Risk Rating

Rag	Savings	2022/23 £000	2023/24 £000
Blue	Saving Realised	(4,594)	(3,812)
Green	Saving forecast to be realised as originally planned, or to be realised through alternative actions.	(5,502)	(4,849)
Amber	Medium risk to savings delivery, with mitigating actions being considered/worked on.	(4,533)	(3,458)
Red	High risk to savings delivery with limited scope of mitigation.	(2,045)	(5,339)
	Total Savings	**(16,674)**	**(17,458)**

Inflation - The August 2022 **Bank of England monetary report** has been used to inform the assumptions on our expenditure (including supplies and services, transport, agency third party costs and premises) and Sales Fees and Charges income budgets. The following graph highlighting the forecast levels of CPI, demonstrating how the rates are expected to peak at 13% in December 2022, before falling in future years.



Source BoE : [Bank of England Monetary Policy Report August 2022]

An Inflation Risk Reserve with a balance of £4.7m was also established at the end of 2021/22, to enable the Council to respond to the immediate financial risk resulting from the rapidly rising rates of inflation as the economic landscape. The Council is expecting to utilise a significant proportion of this within 2022/23 due to rising energy costs, meeting the cost of the proposed pay award and rising Adults and Children's social care provider costs.

Demographic and volumetric service demand- Peterborough is a growing city, and although this brings additional income from housing and business growth, it also brings additional demand for our services. The Covid pandemic is now hopefully coming to an end and demand for service provision will stabilise. The much needed stability will provide the perfect opportunity for the Council to robustly challenge its assumptions and develop forecasts which reflect this growth, resulting additional demand and the strategy for that service.

Capital Financing (cost of borrowing) and Capital Programme update - The Capital Strategy sets out the need to reduce external borrowing levels and that all capital expenditure should be funded by grants and capital receipts, or through invest to save schemes where the cost of borrowing will be funded from future income streams.

The Councils treasury advisors, Link Group, have predicted that the Monetary Policy Committee will hike rates aggressively to 3.25% (a 1% increase from the prevailing 2.25%) at the next scheduled meeting on 3rd November, followed by a further increase of 75 basis points in December to 4%. Link Group are also predicting two further 50 basis points increases in February and March 2023, taking the Bank Rate to a peak of 5%.

The Council is currently maintaining an under-borrowed position, with a high level of internal borrowing which should help in the current interest environment. The Councils treasury team will be focussing on optimising cash flow forecasts and given the elevated level of rates right across the curve at present, seek to fund either temporarily from local authorities or with short-dated loans from the PWLB until gilt yields settle down.

With the rise in interest rates and shift up in gilt yields and swap rates, there is potential risk that some LOBO loans could be called by the Lender or write to the authority with the intention to increase the interest rate of the loan at the next call date. The Council currently holds £17.5m of LOBO's and if this were to happen, can either repay the loans at par (i.e. repay principal with no penalty) or accept the new rate, however it is highly unlikely the new rate will be advantageous.

The Councils treasury team will be monitoring the situation closely and are holding ongoing discussions with the Councils treasury advisors as well as modelling options, along with developing a strategy, that despite changes in the wider economic environment, will deliver the general direction of travel as outlined in the Council's Improvement Plan is achieved.

The revised Capital Strategy sets out a strategy much more cognisant of the financial position the Council is in and guides the way for revising the Capital Programme in accordance with the key objectives within the Improvement Plan. The process for approval for capital projects over the MTFS period is a structured approach with projects being developed in line with the Corporate Strategy and Priorities (approved at Cabinet on 30 September). Bids with outline business cases have been assessed by the Capital Board and recommendations made on which projects can be taken forward for full business case preparation. These will be consolidated and a report drafted including indicative financing options, to present to the Capital Board in early October. The Capital Board will then scrutinise the business cases in detail and arrive at a proposal for a balanced capital programme.

A new Asset Management Plan is being prepared for publication in December alongside the MTFS, and in September a report to Cabinet outlined a proposed Asset Disposal Programme for approval.

Pensions Contribution Rates - The latest outcome of the tri-annual valuation, which covers the period 1 April 2020 to March 2023, is included within the baseline budget. The Pension Fund will be revalued during 2022 and the rates for the period 1 April 2023- 31 March 2026 will be set. The current budget assumptions are based on a 17.4% contribution rate and £1.880m annual lump sum contribution. Both of these combined give a primary contribution rate of 17.5%. At present the indications are that these rates will remain unchanged, but this will be confirmed later in 2022 and the MTFS will be updated to reflect any financial impact at this point.

Table 5 table outlines the Council's estimated core funding levels over the life of the MTFS:

Table 5: Funding	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
NNDR	(54,038)	(64,579)	(65,716)	(67,714)
Revenue Support Grant	(10,794)	(10,794)	(10,794)	(10,794)
Council Tax	(91,593)	(95,542)	(100,176)	(104,411)
New Homes Bonus	(2,951)	(1,490)	(1,490)	(1,490)
Business Rates Pool	(2,541)	(2,070)	(2,070)	(2,070)
Improved Better Care Fund	(7,480)	(7,480)	(7,480)	(7,480)
Social Care Grant	(7,753)	(7,753)	(7,753)	(7,753)
Services Grant	(2,896)	(2,896)	(2,896)	(2,896)
Lower Level Services Grant	(302)	(302)	(302)	(302)
Adult Social Care - New Burdens Grant*	(535)	-	-	-
Contribution to/(from Reserves)	(969)			
Core Funding	**(181,852)**	**(192,906)**	**(198,678)**	**(204,909)**

**Adult Social Care funding in future years is to be confirmed in December following Fair Cost of Care Submissions. Analysis indicates the Council could receive c£4.6m in 2023/24, and c£6.6m in 2024/25 onwards*

Overall, it is difficult to foresee how Local Government Funding Reforms (LG Reforms) will change the distribution of funding across local government. There has been no further consultation and it is now highly likely to be postponed until 2024/25 at the earliest. At this stage it assumes that the grant funding remains flat in most cases, in line with confirmed Departmental Expenditure Limits (DEL's) for DLUHC as per the Spending Review 2021 (SR21).

Council Tax

- Assumed annual Council Tax increase of 2.99%.
- **Band D rate will increase from £1,511.65 in 2022/23, to £1,556.85 in 2023/24, £1,603.40 in 2024/25 and finally to £1,651.34 in 2025/26**
- The Council tax base is forecast to increase by 1,000 homes each year, which equates to 780 Band D equivalents. This is based on historical local housing growth.

NNDR (Business Rates)

- The new Rating Valuation (RV) list which will come into effect in 2022/23. This has been based on 2019/20 (pre-pandemic) values, so it is hoped that the changes will be minimal.
- Business Rates Baseline Reset, which re-distributes the baseline set in 2013/14 and therefore reallocated the cumulative growth in rates local authorities have generated.
- Business Rates Reforms, which is a fundamental review of the system and will be a key element of the wider LG Reforms.
- Business Rates Pool: Additional income of £2.1m assumed as a result of the continuation of the Business Rates pool arrangement with the other Cambridgeshire Local Authorities. This is lower than previously expected, this is a result of the dividend distribution methodology being reviewed as part of the 2023/24 pool application.
- Business Growth: This includes specific growth in business rates based on planning and economic development information, including Fletton Quays, Great Haddon (Roxhill) and Flagship park (Fengate).
- The multiplier should be increased by CPI (September), however if frozen or capped there is potential that the government could continue to compensate Local Authorities (section 31 grant).

- Bad debt: A loss on non-collection equivalent to 1.2% of gross rates.
- Appeals: The appeals provision is forecast to equate to roughly 2.6% of the Councils total RV.

Grants

- The following grants are assumed at the 2022/23 levels:
  - Improved Better Care Fund
  - Lower tier services grant
  - Social Care funding
  - Services Grants
- **New Homes Bonus:** The current scheme is being phased out. The last payment was originally expected in 2022/23, but a final scheme is still to be confirmed and the current scheme will be rolled for a further year.