

Proposed updates to the draft budget 2023/24

This appendix summarises proposed changes to the draft budget identified at the time of writing and sets out how these changes will impact the overall financial position of the council.

Provisional local government finance settlement

The provisional local government finance settlement was published on 19 December 2022, with the final settlement expected in late January 2023. Overall, the provisional settlement was better than expected for the sector as a whole, but much of the increase was directed at authorities with social care responsibilities. However, all authorities are guaranteed an increase of 3% in the core spending power (CSP). The table below compares the provisional settlement with previous years and funding included within the draft BSR.

Core Spending Power (CSP) (£m)		2022/23 Final finance settlement	2023/24 MTFS 2022 and Draft BSR	2023/24 Provisional finance settlement	2023/24 % change from 2022/23
Settlement Funding Assessment (SFA)		4.272	4.272	4.591	7.47%
Grants, including new Homes Bonus		4.526	2.905	0.974	-78.48%
Council Tax ¹		9.371	9.839	9.714	3.66%
Funding guarantee		0	0	3.713	
		18.169	17.016	18.992	4.53%

¹ - settlement figures based on government projections

The provisional settlement provides £1.976m more funding than currently assumed in the draft BSR. However, £755k of the grant funding relates to compensation for under-indexing of the business rates multiplier and would therefore roll into business rates calculations, increasing business rates growth amounts. As this is a grant, and therefore receipt is certain, it is proposed to make this available as revenue funding within 2023/24, rather than to take it to reserves as part of business rates growth.

As a result, the additional funding could enable a reduction in the use of reserves to balance the 2023/24 budget from £2.889m to £0.913m, before any further adjustments outlined below.

It should be noted that the settlement is provisional and may be amended. However, changes are usually small.

Council tax

The current forecast for the Council Tax Collection Fund surplus for inclusion in the 2023/24 budget is £139k. The surplus is the result of releasing £121k from the Collection Fund reserve, originally set aside to cover the anticipated deficit from Covid over the three years 2021/22 to 2023/24, and £18k from a slightly higher tax base than originally estimated.

Work has now been completed on determining the tax base for 2023/24, leading to a reduction of £88k in Council Tax funding compared with estimates included in the draft BSR.

Business rates

When calculations are complete, the final BSR will be updated for the expected surplus on the Collection Fund for 2022/23 and estimates for future years.

Additional and amended proposals

Revenue and reserves

A senior management restructure is proposed and reported elsewhere on this committee agenda. As a result, recurring revenue savings of approximately £300k per annum commencing in Q3 2023/24, are expected. It is also likely that redundancy costs of the order of £500k to £800k, depending on the detailed implementation of the restructure, will be payable. In line with accounting requirements, these costs will fall into

the current financial year, and it is proposed that they are funded from GF reserves.

Capital

A capital loan of £5,290,000 to CIP was approved by urgent decision in December 2022 and will be added to the capital plan. It has been provided to enable the purchase of the former Murkett's garage site on Histon Road. The loan will be funded from internal borrowing.

The capital plan currently includes an item, SC822 - Loan to CIP to purchase land off Wort's Causeway for £33,940,000 in 2022/23. Further negotiations have taken place, reducing the required loan by £5,300,000 to £28,640,000, and reprofiling the capital plan item to reflect the agreed drawdown schedule, as follows:

22/23 = £8,390k (25% + SDLT+ fees)

2023/24 = £6,750k (25%)

2025/26 = £13,500k (50%)

Overall impact of the proposed changes

Applying the changes to net revenue expenditure described above reduces the net savings requirement, or the budget gap at 2027/28, by £174k to £10,945k. The use of reserves to support revenue spending in 2023/24 is reduced to £587k.

The following tables set out the change in net savings requirements and the overall impact on reserves. Changes from the reserves table shown in the draft BSR are identified by darker shading.

Savings requirements - £000	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Net savings requirement – new each year (draft BSR 2023/24)	0	4,764	3,606	1,432	1,317	11,119
Changes to net bids and savings						
Savings from the restructure of senior management	(150)	(300)	(300)	(300)	(300)	
Funding changes						
Council tax collection fund surplus	(139)					
Revised estimate of council tax base	88	92	96	99	103	
Change in SFA	(319)	(659)	(445)	(407)	(368)	
Changes in grants	(1,027)	(1,148)	408	399	391	
Adjustment for grant compensating for under-indexing of the business rates multiplier	(755)					
Reduction the use of reserves to support revenue spending on services	2,302					
Total changes to savings requirements	0	(2,015)	(241)	(209)	(174)	
Revised net savings requirement (new each year)	0	2,749	5,380	1,464	1,352	10,945

GF reserve £'000s	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Balance at 1 April (b/fwd)	(25,533)	(22,155)	(19,358)	(19,118)	(19,068)	(19,018)
Contribution (to) / from reserves per BSR 2022/23	256	60	60			
Contribution from reserves to support services	1,122	587				
Carry forwards	2,133					
Closure of the Cambridge Live Development Fund	(213)					
WREN solar project		1,570	130			
Colville III redevelopment – rephasing of revenue budget	120	(120)				
Indicative funding for the Climate Change Fund (CCF)		50	50	50	50	50
Increase to swimming charges from January 2023	(40)					
Senior management restructure - provision for redundancy costs		650				
Balance at 31 March before business rates growth (c/fwd)	(22,155)	(19,358)	(19,118)	(19,068)	(19,018)	(18,968)
Business rates growth – indicative growth element (at risk)	(5,335)	(6,000)	(7,404)	(1,933)	(1,936)	(1,937)
Balance at 31 March including business rates growth	(27,490)	(30,693)	(37,857)	(39,740)	(41,626)	(43,513)