

(CCC) Provisional Local Government Finance Settlement 2023/24

On 19th December 2022 the Secretary of State for Levelling up, Housing and Communities released details of the provisional local government finance settlement for 2023/24.

I would therefore like to request

- The change to your Core Spending Power (CSP) for 2023/4 over 2022/3 as a result of the local government finance settlement.
- The impact of inflation on the council's 2022/3 budget, as measured against the original 2022/3 budget.
- The estimated impact of inflation on the council's budget for 2023/24
- How much you had originally forecast the inflationary increase in costs to be for a) 2022-3 and b) 2023-4 in percentage and actual terms.
- Details of any loans (PWLB or money market) taken out by the council after 30/9/22 and the loan provider, terms and time period for these loans.

Response

Cambridge City Council's Core Spending Power (CSP) has changed as follows from 2022/23 to 2023/24:

Core Spending Power (CSP) - £m 2022/23 Final Settlement 2023/24 Final Settlement Movement %

Settlement Funding Assessment (SFA) 4.272 4.591 7.47%

Grants, including New Homes Bonus (NHB) 4.526 0.974 -78.48%

Council Tax¹ 9.371 9.714 3.66%

Funding Guarantee - 3.713 -

Total 18.169 18.992 4.53%

1 – settlement figures based on government projections

In common with all local authorities this Council has faced significant challenges in managing the impact of inflation. The effect of inflation is apparent in the financial performance of many Council services particularly those which involve significant consumption of energy, either as a direct cost or as a cost passed on within contracts held by the Council. During the year the Council approved the allocation of an additional £1.122M from its General Fund to cover the cost of implementing the national pay award as the actual cost exceeded the amounts provided in the budget which had been approved by members in February 2022.

In the report setting out the 2023-24 budget proposals elected members were informed that, as at 31 December 2022, the Council anticipated delivering a £1.8M underspend against budget for the 2022-23 financial year. It was reported that this underspend was likely to be offset by carry-forwards of around £1M leaving a net underspend of circa £800k. The report explained that this underspend comprised the net of favourable and unfavourable variances. Where variances were unfavourable this was often attributable to the impact of inflation

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Response sent

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especially in relation to utility costs. Aside from the one-off adjustment to pay budgets mentioned above, this Council has not produced a revised or current budget. Whilst members and senior officers are aware of the impact of inflation and can identify numerous examples where forecast spend exceeds the original budget due to inflation, no systematic exercise has been undertaken to quantify the impact of inflation. It should also be noted that Heads of Service and their teams have been encouraged to manage within their original budgets wherever possible including making changes to service delivery models and considering increases to fees and charges where this is deemed necessary and/or appropriate.

We do not hold specific information setting out the impact of pay inflation as this has been consolidated within the overall pay budget which includes increments due to staff eligible for pay progression. The net impact of inflation on the non-pay General Fund budget, as approved in February 2023, is £1.232M. This comprises additional costs and additional income generated from non-statutory fees being increased by the rate of inflation. Additionally, the Council has set aside £0.6M in 2023/24 to provide financial support to services in those instances where the cost of energy and gas exceeds the amount reflected in service budgets.

Medium Term Financial Strategy – October 2021 Medium Term Financial Strategy – October 2022

Pay Inflation 2022/23 2% N/A

Non-Pay Inflation 2022/23 0% N/A

Pay Inflation 2023/24 2% 3%

Non-Pay Inflation 2023/24 2% 9.4%

As noted above the impact of pay inflation is not captured separately from the overall pay budget. The budgeted impact of inflation in 2023/24 is, as per our response to your earlier question, £1.232M with a further £0.6M relating to inflation connected to utility bills. For the purpose of responding to your enquiry, we have calculated that had non-pay inflation of 2% been built into the 2023/24 budgets, as per the expectation set out in our Medium-Term Financial Strategy published in October 2021, this would have increased net budgeted expenditure in 2023/24 by £0.198M.

No loans (PWLB or money market) were taken out by Cambridge City Council after 30/9/22.

Further queries on this matter should be directed to foi@cambridge.gov.uk