

Agenda Item No: 10**REVIEW OF DRAFT REVENUE AND CAPITAL BUSINESS PLANNING PROPOSALS FOR 2018-19 TO 2022-23**

To: Economy and Environment Committee

Meeting Date: 7 December 2017

From: Executive Director, Economy Transport and Environment
Chief Finance Officer

Electoral division(s): All

Forward Plan ref: Not applicable **Key decision:** No

Purpose: This report provides the Committee with an overview of the draft Business Plan revenue and capital proposals for Economy Transport and Environment that are within the remit of the Economy and Environment Committee.

Recommendation:

- a) It is requested that the Committee note the overview and context provided for the 2018/19 to 2022/23 Business Plan revenue proposals for the Service, updated since the last report to the Committee in October.
- b) It is requested that the Committee comment on the draft revenue savings proposals that are within the remit of the Economy and Environment Committee for 2018/19 to 2022/23, and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan.
- c) It is requested that the Committee comments on the changes to the capital programme that are within the remit of the Economy and Environment Committee and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan.
- d) It is requested that the Committee considers the proposed fees and charges for those Economy, Transport and Environment services that are within the remit of the Economy and Environment Committee for 2018/19.

Officer contact:	Member contacts:
Name: Graham Hughes Post: Executive Director - ETE Email: graham.hughes@cambridgeshire.gov.uk Tel: 01223 715660	Name: Cllr Ian Bates Post: Chair of E&E Committee Email: i@cambridgeshire.gov.uk Tel: 01638 508729

1. PURPOSE AND BACKGROUND

- 1.1 The Council's Business Plan sets out how we will spend the resources we have at our disposal to achieve our vision and priorities for Cambridgeshire, and the outcomes we want for people. This paper presents an overview of the proposals being put forward as part of the Council's draft revenue budget, with a focus on those which are relevant to this Committee. The report forms part of the process set out in the Medium Term Financial Strategy whereby the Council updates, alters and refines its revenue and capital proposals in line with new savings targets.
- 1.2 In developing our plan we are responding to a combination of cost increases and reduced Government funding which mean we have to make our resources work harder than ever before. To balance the budget whilst still delivering for communities we need to identify savings or additional income of £37.9m for 2018-19, and totalling £101m across the full five years of the Business Plan.

2. FINANCIAL OVERVIEW UPDATE

- 2.1 In October, Committees received information about emerging draft proposals to respond to this challenge – at that point we had identified 85% of the savings required and the remaining budget gap for 2018/19 was £5,450k. More substantial gaps existed for the later years of the business plan.
- 2.2 Since October, work on the business plan has continued with a focus on;
 - Developing new proposals to feed into the pipeline
 - Further exploring the existing schemes, refining the business cases and seeking to push schemes further wherever possible
 - Identifying mitigation measures for the identified pressures – aiming to minimise their impact on the savings requirement for the organisation
 - Updating funding projections based on the latest available information to provide a current picture of the total resource available to the Council.
- 2.3 We are continuing as an authority to explore every avenue to identify further efficiency or to bring in more funding to the local economy and public sector. In particular;
 - We are driving forward our Fairer Funding Campaign – arguing for Cambridgeshire to receive a higher and fairer allocation of national funding for education, social care and a range of other services
 - We are applying to be a pilot area for the Government's Business Rates Retention Scheme – which would allow us to reinvest the output of local business growth in local public services and infrastructure
 - We are deepening public service reform across our partnership of organisations. We are working closely with the Combined Authority on the Public Service Reform Agenda and strengthening the partnership with Peterborough City Council exploring further arrangements for shared and integrated services. There are already a number of shared roles and

functions across the two Councils and there are likely to be further opportunities for reducing cost and improving outcomes through sharing expertise and services.

- We are driving forward major change initiatives – for example the Adults Positive Challenge Programme which is reviewing every aspect of our adult social care model and supporting us to develop a new approach which will be sustainable in the face of growing demand
- We have established a programme of Outcome Focused Reviews re-examining how we meet our outcomes by looking at what we do, why we do it, and how we do it. This approach offers us the chance to think creatively about our relationship with the people of Cambridgeshire and to consider working in entirely different ways.

2.4 However the number and scale of the pressures on the organisation which are not directly controllable continues to increase. In addition to the ongoing reductions in grant from Government, we continue to see demand for services and in particular the most vulnerable increasing significantly. As a result of this picture, a number of new pressures on the business have been identified and some of the existing pressures in demand-led budgets have worsened since the position reported to Committees in October.

2.5 In Children's Services the key pressure is emerging from numbers of children in care which have been rising nationally over recent years, with a particular spike in the last financial year observed across the majority of local authorities in England. This has also been true in Cambridgeshire creating significant pressure on budgets for care placements. Our rate of children in care is now higher than the average for our statistical neighbours – in effect we have 90 more children in care than we would if the rate were at the average for an authority of our type. The demand for placements far outstrips the current availability of foster carers with our in-house service meaning we are reliant on more costly independent agencies – further exacerbating the financial impact. A transformation proposal is included in the business plan to respond to this – reducing numbers over time and also changing the mix of placements - but will take time to impact and so for 2018/19 we are now projecting the need for an additional investment in the LAC placements budget.

2.6 In Adults Services the context for the demand picture is ever increasing numbers of older people in the County. The population of over 85s has risen nearly 20% since 2011 and is projected to increase even more quickly in the coming period. We have been successful through early help in constraining this demand and reducing the proportion of over 85s in service, but the demographics are significant and the acuity of need is rising amongst those who are in services. As a consequence the whole health and social care system (nationally and locally) is under very significant strain. In particular Cambridgeshire hospitals are receiving admissions for more and more older people which is then translating into more and more pressure on the hospital discharge pathway for social care. Rightly, our focus is on ensuring that we provide care for these people and alleviate the pressure on our hospital partners. We have invested significantly in the discharge pathway and intermediate tier care and have succeeded in significantly reducing the number of delayed transfers of care (DTOCs). However this is having a considerable financial impact – with the much higher number of new and sizeable care packages being agreed for people leaving hospital showing as

an additional pressure on care budgets. The other significant area of pressure in adults relates to learning disability where we continue to see greater complexity of needs and people living into later life and so requiring care for longer. As we move into the winter period these are emerging and potentially growing areas of pressure with the potential to widen the savings challenge presented below.

- 2.7 The table below provides a summary of the various material (£100k or greater) changes since October in the overall business planning position for 2018/19. It reflects both the positive impact of the new proposals and transformation agenda and the growing pressures we face as a sector. As shown the level of unidentified savings has reduced by £2,808k overall but still remains at £2,738k. Work to identify and work up further ideas to fill the gap is ongoing and the pressures emerging are still under review as we monitor the trends and develop mitigating strategies. In January we will provide Committees with updated information so that they can make final recommendations to Full Council about the level of pressure, mitigations and savings.

Description	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000
Remaining Unidentified Savings at October Committees	-5,450	-19,074	-17,652	-3,080	-5,660
Supported Housing Commissioning Review	1,000	-	-	-	-
Continuation of Client Financial Re-assessment programme	412	-	-	-	-
Increasing savings/income from property and facilities	100	-	-	-	-
Efficiencies in procurement spend under £100k – new frameworks	100	-	-	-	-
Delivering greater impact for troubled families income generation	150	-	-	-150	-
Identification of later years saving targets within P&C	-	3,000	4,250	-	-
Identification of later years saving targets within Corporate services	-	3,550	1,800	-	-
Extension of Adults fair cost of care review to years 2 and 3	-	500	500	-	-
Updated assumptions around Funding levels	-	-	-	3,000	-
Projected increase in Commercial investment returns	-	1,500	-	-	-
Total of New Business Planning Savings/ Income Schemes since October	1,762	8,950	6,525	2,850	0
Reduction in achievable saving on Charging Policy following Adults Committee Decision	-275	-	-	-	-
De-capitalisation of rolling laptop refresh programme from 2019-20	-	-1,100	-	-	-
Review of expected pressures due to Waste management contract	-	-500	-	-	-
Emerging P&C pressures* (this figure is subject to increase – see paragraphs 2.5 & 2.6 above)	-1,500	-	-	-	-

Reversal of avoided borrowing costs related to the role of Accountable Body (holding lower capital balances on behalf of other bodies)	-1,200	-	-	-	-
Total of New and Increased Pressures*	-2,975	-1,600	0	0	0
Change in assumption of ASC precept after 2019-20	-	-	-5,671	-5,939	-6,043
Review of expected Better Care Fund levels and phasing.	-	2,300	-2,300	-	-
Dedicated schools grant contribution towards central services extended to 2018-19	3,112	-3,079	-	-	-
Update of debt charges associated with the ongoing capital programme	668	147	429	-454	-479
Total of Other Changes to Business Plan Assumptions / Finance Adjustments	3,780	-632	-7,542	-6,393	-6,522
Technical finance adjustments	145	-132	547	197	550
Revised Gap at December Committees	-2,738	-12,488	-18,122	-6,426	-11,362

**Work to model the level of pressure in Looked After Children, Learning Disability, Older People and Mental Health care budgets is ongoing and will be discussed with Service Committees before final recommendation to General Purposes Committee in January*

- 2.8 The following table shows the total level of savings necessary for each of the next five years, the amount of savings attributed from identified savings and the residual gap for which saving or income has still to be found:

	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Total £'000
Total Saving Requirement	38,646	25,056	20,103	7,701	11,621	91,506
Identified Savings	-25,301	-9,556	-1,439	-1,074	-246	-37,616
Identified additional Income Generation	-10,607	-3,012	-542	-201	-13	-14,375
Residual Savings to be identified	-2,738	-12,488	-18,122	-6,426	-11,362	-51,135

3 ASSUMPTIONS AND RISKS

- 3.1 In the business planning tables the level of savings required is based on a 2% increase in Council Tax in 2018-19 and 2019-20, through levying the Adults Social Care precept in the years for which Government has made this flexibility available, and a 0% general Council Tax increase. For each 1% more or less that Council Tax is changed, the level of savings required will change by approximately +/-£2.5m.
- 3.2 There is currently a limit on the increase of Council Tax to 1.99%, above which approval must be sought from residents through a positive vote in a local referendum. The estimated cost of a referendum in May 2018 would be

£742k with further costs incurred if the public reject the proposal as new bills would need to be issued

3.3 There are also a number of risks which are not included in the numbers above, or accompanying tables. These will be incorporated (as required) as the Business Plan is developed and the figures can be confirmed:

- Movement in current year pressures – Work is ongoing to manage our in-year pressures downwards however any change to the out-turn position of the Council will impact the savings requirement in 2018-19. This is particularly relevant to demand led budgets.
- Due to the level of reduction in Government grants in later years the Council did not take the multi-year settlement offered as part of the 2015 Spending Review. As such there is some uncertainty around the accuracy of our funding assumptions which will become clearer after the Local Government Finance settlement due in mid-December.
- The Council has applied to be a pilot area for the Government's Business Rates Retention Scheme – if we are selected as a pilot areas this could potentially alter the level of income available to the County Council. The impact is expected to be financially positive in the pilot period, but it is important to note that if the pilot schemes lead to a permanent arrangement then this would be expected to be fiscally neutral in the long run
- We are aware that some other local authorities are increasing their expectation around any national pay uplifts from April – should this be required it would create an additional pressure which is not currently accounted for

4. OVERVIEW OF ECONOMY TRANSPORT AND ENVIRONMENT'S DRAFT REVENUE PROGRAMME

4.1 This section provides an overview of the savings and income proposals within the remit of the Committee. No new revenue proposals have been added to the draft plan since the proposals were presented in October. The proposals can be found at Appendix 1. The business cases for these proposals have been reviewed and amended and can be found at Appendix 2. For reference the October Committee papers are available [here](#).

4.2 The Committee is asked to comment on these proposals, and endorse them to General Purposes Committee for consideration as part of the Council's development of the Business Plan for the next five years. Although now well developed, the proposals are still draft at this stage and it is only at Full Council in February 2018 that proposals are finalised and become the Council's Business Plan.

5. TRANSFORMATION FUND INVESTMENTS

- 5.1 A transformation programme of this scale requires additional investment and so services have identified where transformation funding is needed to support delivery. General Purposes Committee (GPC) has responsibility for oversight and management of the Transformation Fund and so are asked to approve the necessary investments associated with the proposals. The November meeting of GPC received a paper summarising the proposed investments and the table below shows the draft investments which are linked to savings within the remit of this Committee.

Business Plan Proposals	Savings / Income 2018/19 (£000s)	Savings / Income over 5 years of business plan (£000s)	Transformation Fund Investments (£000s)
Library Service Transformation (B/R.6.208)	-230	-1150	97 Investment in dedicated time-limited business development capacity – focussed on generating new income streams and maximising the impact of our libraries. Investment to also include budget for marketing, minor building works, and investments in new technology solutions
Total	-230	-1150	97

6. OVERVIEW OF ECONOMY TRANSPORT AND ENVIRONMENT'S DRAFT CAPITAL PROGRAMME

- 6.1 The capital programme is shown in full in Appendix 3 as part of the finance tables. Since the Capital Programme was presented in September there has been the following addition to the scheme:

6.2 Milton Road Library

£481k of Capital Funding required for the fit out of Milton Road Library, which is being redeveloped to provide a mixed use scheme including new fit for purpose library with community space, a garden area plus seven residential flats.

7. ECONOMY TRANSPORT AND ENVIRONMENT FEES AND CHARGES

- 7.1 Economy Transport and Environment fees and charges are contained within two schedules which are updated throughout the year: a schedule of discretionary charges and a schedule of statutory charges. These schedules can be found in appendices 4 and 5. Discretionary charges are reviewed on an annual basis taking account of the Council's standard inflation rate of 2.2%

and changes in the market for the discretionary service. There are a small number of charges which do not have updated figures for 2018/19 because of how those charges are constructed; these will be reviewed between December 2017 and March 2018. All statutory charges are currently set at their legal maximum.

8. NEXT STEPS

- 8.1 Following December service committees, GPC will review the overall programme in December, before recommending the programme in January as part of the overarching Business Plan for Full Council to consider in February.

December	General Purposes Committee will consider the whole draft Business Plan for the first time Local Government Financial Settlement Published
January	General Purposes Committee will review the whole draft Business Plan – included final information about pressures, savings and other impacts as well as the outcome of the public consultation – before making a recommendation to Full Council
February	Full Council will consider the draft Business Plan

9. ALIGNMENT WITH CORPORATE PRIORITIES

9.1 Developing the local economy for the benefit of all

Many of the services delivered by ETE are used by our residents on a daily basis and are vital in maintaining and developing the local economy. Well maintained roads and local public transport services where commercial companies can't provide buses are but two of the key elements of the work of ETE. If these current or transformed versions of these services are not available there will be a significant impact on our communities.

9.2 Helping people live healthy and independent lives

See wording under 9.1 above.

9.3 Supporting and protecting vulnerable people

See wording under 9.1 above.

10. SIGNIFICANT IMPLICATIONS

- 10.1 The following bullet points set out details of significant implications identified by officers:
- Resource Implications – All implications are detailed in the Business Cases at Appendix 2

- Procurement/Contractual/ Council Contract Procedure Rules – All implications are detailed in the Business Cases Appendix 2
- Statutory, Legal and Risk – All implications are detailed in the Business Cases at Appendix 2
- Equality and Diversity – All implications are detailed in the Business Cases at Appendix 2
- Engagement and Communications - All implications are detailed in the Business Cases at Appendix 2
- Localism and Local Member Involvement – Members have been involved in the business planning process and attended a joint Committee members workshop in September
- Public Health – All implications are detailed in the Business Cases at Appendix 2. Public Health colleagues are involved in discussions regarding the implications

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Sarah Heywood
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Paul White
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Fiona McMillan
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Tamar Oviatt-Ham
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Eleanor Bell
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Tamar Oviatt-Ham
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Tess Campbell

Source Documents	Location
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Strategic Framework	https://cmis.cambridgeshire.gov.uk/cc_live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/182/Committee/2/Default.aspx
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