

**COMMERCIAL AND INVESTMENT COMMITTEE REVIEW OF DRAFT REVENUE
AND CAPITAL BUSINESS PLANNING PROPOSALS FOR 2018-19 TO 2022-23**

To: **Commercial and Investment Committee**

Meeting Date: **15th December 2017**

From: **Chris Malyon, 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 services that are within the remit of the Commercial and Investment 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 Commercial and Investment 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 Commercial and Investment Committee and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan.**

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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 (business cases in development)	-	3,000	4,250	-	-
Identification of later years saving targets within Corporate services (business cases in development)		3,550	1,800		
Review of Adults fair cost of care pressures in years 2 and 3 to reflect latest estimate in light of recent funding to respond to living wage	-	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 COMMERCIAL AND INVESTMENT COMMITTEE DRAFT REVENUE PROGRAMME

- 4.1 This section provides an overview of the savings and income proposals within the remit of the Committee which have been added to the draft plan since the proposals were presented in October or where the business case has altered materially.
- 4.2 All of the proposals within the remit of the Committee, including those which are unaltered since October, are described in the business planning tables and business cases which form the appendices to this paper. The October papers are available to view here.
<https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/556/Committee/31/Default.aspx>. Since October the

business cases for each proposal have been refined, providing further detail on the delivery approach, impacts, risks and modelling – however in some cases the workstreams are still in progress and so the business cases will continue to be updated in the coming months. In addition to the business cases attached as appendices there is further detailed work being overseen by members of the C&I Committee – in particular:

- The Commercial Investments Proposal is overseen by a dedicated member working group and supported by the Commercial Acquisitions Strategy which provides further detail of approach, governance and work plan
- The proposals in relation to Property Services and the County Farms Estate are both part of the member-led Outcomes Focussed Review Programme and so the detailed recommendations will be reported to the Committee separately as those reviews progress

4.3 The Committee is asked to comment on these revised 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.

4.4 Commercial Investments (-4700k Gross (-3000k net) in 2018/19 and -£1500k in 2019/20)

Since the October Committee work has progressed with this proposal with the Commercial and Investment working group currently working to finalise the Commercial Investment Strategy. The strategy provides the framework and a set of processes within which commercial acquisition decisions can be made. At this stage it has been agreed that we would invest using external investment vehicle(s) in primarily commercial properties, although provision has been made to allow for non-property investments if the opportunity arises. A procurement process is being planned to identify appropriate fund managers and this will be expedited. The fund manager(s) will be provided with a clear investment mandate allowing the Authority to specify the required criteria for each investment (including type of property / industry and yield). Whilst using fund managers will incur some cost, it is felt that at this stage we currently do not have the required expertise to proceed without this support. Therefore the £3000k projected income is net of any borrowing and external fees, thus we will be looking to generate a gross income of c£4700k during 18/19. It should be noted that we will continue to follow the existing processes for 'ad-hoc' commercial investments which will also contribute to the income target. The Committee is also asked to note that a figure of a further £1500k benefit has been included in the business plan for 2019/20 – based on the assumption that we continue to grow and expand the portfolio beyond year 1.

4.5 F/R.7.109 Commercial Income - Maximising Return on the County Farms Estate - (-500 K 2018/19)

The County Council has the largest county farms estate in the UK. The 2016 Strategic Review by Savills identified 'significant potential to review and increase the benefits already delivered'; it is therefore important that we are

assured that this high value asset is achieving maximum value for the Council and that no opportunities to do this are missed. The approach for this proposal has changed somewhat since October and will now follow the Outcome Focused Review (OFR) process. The OFR programme is a mechanism for the Council to conduct an in depth analysis of our activity, functions and processes for delivery through the lens of our Strategic Outcomes; this approach enables us to step away from considering our activities as discrete pieces of work and understand how collectively the work we do with the resources we have - or the potential work we could do in the future - contributes to the delivery of the outcomes we believe are important for people in Cambridgeshire. A range of options are being developed to drive the anticipated financial benefit - including additional rental income diversification of use and review of delivery model. The County Farms OFR started in October 2017, the options will be presented to the Commercial and Investment Committee in early 2018.

4.6 C/R.6.111 Review of spend below £100,000 (-100k in 2018/19)

A new proposal has been added since October Committee to review spend below £100k in specific areas, with a view to ensuring the best possible contract and commercial terms are in place. This will include whether frameworks, bulk purchasing with other LGSS partners or smarter invoicing should be considered. Purchasing below this level is currently done on a self-service basis allowing officers across CCC the flexibility to procure themselves. To reduce risk the Procurement Service provide standard documentation and guidance to assist officers and apply the Contract Procedure Rules that officers must follow such as advertising and competition and population of the Contract Register. This self-service arrangement does however leave a volume of relatively low value transactions that are not subject to the same level of scrutiny as higher value spend. Recent analysis across these spending categories has highlighted some opportunities for these contracts to be more cost effectively managed or joined up across service areas to drive out efficiency. The Procurement Service are providing dedicated capacity to review these areas and deliver the identified savings target.

4.7 F/R.6.109 Outcome Focussed Review of Property and Asset Services (-200k in 2018/19)

As part of the programme of outcome focussed reviews we are analysing our Property and Asset Services. The review is looking at opportunities to commercialise assets to create sustainable revenue streams, at where existing or new assets could be used to provide care solutions and create capacity in stretched markets and also at the assets we'll need in the future to support our staff teams to deliver in and for communities. In addition to this long term strategic re-shaping of the asset programme a range of shorter term opportunities exist to deliver benefits in 2018/19, including opportunities for income generation, maximising the efficiency of operating the property portfolio, improving the business processes required to deliver the property and assets activities and considering opportunities to share functions with partner organisations.

£100k of the £200k net benefit for 2018/19 has already been identified and will be delivered via additional income from car parking facilities on the Shire Hall

site, and high level analysis has indicated the remaining £100k is achievable via the shorter term opportunities detailed above, for example a 2% reduction in the overall running cost of the existing asset portfolio would yield £91k in savings. The benefits of the wider outcome-focussed review should then create a long term

4.8 F/R.7.111 External Funding -200k in 2018/19

Given the reduction of funding available from central government, CCC are researching new ways to save money, drive better returns and increase income. This project invests into the future of residents by generating income to deliver CCC services or to fund services through other mechanisms and offset costs. A range of approaches are recommended;

- **Advertising** - The council currently has a number of assets that it uses for advertising including the roundabouts on the council's highway network and bus shelters at park and ride sites and on the busway. This project brings in resource to expand the portfolio of assets used for advertising and to help retender and renegotiate current advertising arrangements
- **Sponsorship**
The council has a number of assets, services and events that could be sponsored by organisations or individuals. This project brings in resource which will make contact and build relationships with local businesses to see how the private sector can provide greater support, including financial support to the benefit of Cambridgeshire
- **Donations / Bequeathals**
A system will be established to enable Cambridgeshire residents to donate money towards council services that they are passionate about supporting. There are currently donation boxes in libraries but this will enable residents to support a wider range of services and the option to donate online.
- **Cambridgeshire Lottery** - To help address the budgetary pressures facing the council and to enable the local voluntary and community sector to 'self-help' by gaining access to funding, this project proposes the setup of a local lottery in Cambridgeshire. Lotteries, which are regulated by the Gambling Act 2005, have long been a way of smaller organisations raising income. There are different types of lotteries available, however, in this proposal we are only discussing Society Lotteries. A Local Authority Lottery will help to support the local VCS to raise funds by encouraging all local charities that meet the criteria to sign up, but also towards a "Central Fund" which CCC can use to offset existing grants for good causes that meet our strategic vision, therefore creating a saving. All monies raised by the lottery go to good causes – the council in effect takes no funding, rather it defers its existing committed funding, thereby releasing general funds back to CCC.

4.9 Fees and charges - Removed from Business Plan

An £80k target for additional income through fees and charges has been removed from the business plan. This is due to a risk of double counting as there are other lines in the business plan which relate to additional income through fees and charges. These other business cases include: Increase on

street parking fees (B/R.7.118); Library Service Transformation (B/R.6.208); and Highways Development Management - increase income forecast (B/R.7.120). For the last couple of years processes have been in place to enable services to make in-year changes to their charges. This has been positive development in allowing services to be more responsive to changes in the market and changes in legislation, however, this makes it more challenging to anticipate significant step-changes in income as part of the business planning process. A full review of fees and charges will take place early in 2018 in line with the Council's Fees and Charges Policy. Following this, Services will be expected to monitor their income and to propose changes to charging levels to maximise income.

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)	Transformation Fund Investments
C/R.7.101 External Funding	-200	40k Funding for advertising and sponsorship coordination capacity to develop Council-wide structures and processes – it is planned that role will be self-sustaining in future years
Total	-200	40

6. OVERVIEW OF COMMERCIAL AND INVESTMENT COMMITTEE'S DRAFT CAPITAL PROGRAMME

- 6.1 The capital programme is shown in full in the appendices as part of the finance tables. Commercial and Investment Committee received an updated paper in November regarding the capital schemes within their remit and there have been no significant changes to the programme since. The November paper is available here
https://cmis.cambridgeshire.gov.uk/ccs_live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/557/Committee/31/Default.aspx
- 6.2 It is anticipated that the commercial investment strategy (referred to in section 4.4) will be backed by the capital receipts received from disposals of land to the Cambridgeshire Housing Investment Company.

7. NEXT STEPS

- 7.1 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 for recommendation to Full Council
February	Full Council will consider the draft Business Plan

8. ALIGNMENT WITH CORPORATE PRIORITIES

8.1 Developing the local economy for the benefit of all

By maximising income through commercial activities, the council will form close relationships with local businesses which sustain local jobs in and around Cambridgeshire.

8.2 Helping people live healthy and independent lives

There are no significant implications for this priority

8.3 Supporting and protecting vulnerable people

There are no direct implications for vulnerable people, however the strategy to secure additional income mitigates the need for service reductions – which could otherwise have an impact on vulnerable groups.

9. SIGNIFICANT IMPLICATIONS

9.1 Resource Implications

The proposals set out the response to the financial context described and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget is described in the financial tables of the business plan, attached as an appendix. The proposals seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

9.2 Statutory, Legal and Risk Implications

The implications will be set out fully in the business cases associated with each of the proposals - fuller business cases are attached as an **appendix**. The legal and risk implications of developing a commercial acquisitions strategy are set out within the Strategy which was considered by the Committee at its July meeting 2017

9.3 Equality and Diversity Implications

No significant implications

9.4 Engagement and Communications Implications

No significant implications

9.5 Localism and Local Member Involvement

No significant implications

9.6 Public Health Implications

No significant implications

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Chris Malyon & Tom Kelly
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes – Quentin Baker at SMT and on Acquisitions Strategy
Are there any Equality and Diversity implications?	Covered in individual business cases attached as appendices
Have any engagement and communication implications been cleared by Communications?	Covered in individual business cases attached as appendices
Are there any Localism and Local Member involvement issues?	Covered in individual business cases attached as appendices
Have any Public Health implications been cleared by Public Health	n/a

Source Documents	Location
Strategic Framework	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/182/Committee/2/Default.aspx
October Business Planning Revenue Paper	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/556/Committee/31/Default.aspx
November Business Planning Capital Programme Papers	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/557/Committee/31/Default.aspx