Agenda Item No. 7

BUSINESS PLAN 2020-2021 TO 2024-25

To:	**General Purposes Committee**
Meeting Date:	**28th January 2020**
From:	**Chief Executive and Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**To provide General Purposes Committee (GPC) with an overview of the key issues contained within the Business Plan prior to formal recommendation by GPC for Council decision in February. The accompanying draft Business Plan will be circulated separately to this paper.**
Recommendation:	**It is recommended that the Committee:**

1. **Considers the Business Plan, including supporting budget, business cases, consultation responses and other material, in light of all the planning activities undertaken to date.**

2. **Reviews the options set out in section 4 of this paper to establish a balanced budget position.**

3. **Reviews the following recommendations to Council:**

   a. **That approval is given to the Service/Directorate budget allocations as set out in each Service/Directorate table in section 3 of the Business Plan.**

   b. **That consideration is given to a total county budget requirement and precept level**

   c. **That consideration is given to a Council Tax for each Band of property, based on the number of "Band D" equivalent properties notified to the County Council by the District Councils as set out in section 2, Table 6.4 of the Business Plan.**

   d. **That approval is given to the Capital Strategy as set out in section 6 of the Business Plan including:**

      - **Commitments from schemes already approved;**

- **Expenditure on new schemes in 2020-21 shown in summary in section 2, Table 6.7 of the Business Plan.**

e. **That approval is given to the Treasury Management Strategy as set out in Section 7 of the Business Plan, including:**

   i. **The Council's policy on the making of the Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008.**

   ii. **The Affordable Borrowing Limit for 2020- 21 (as required by the Local Government Act 2003).**

   iii. **The Investment Strategy for 2020-21 as required by the Ministry of Housing, Communities and Local Government (MHCLG) revised Guidance on Local Government Investments issued in 2018, and the Prudential Indicators as set out in Appendix 3 of Section 7 of the Business Plan.**

4. **Endorse the priorities and opportunities as set out in the Strategic Framework including the addition of the new priority – "Net Zero carbon emissions for Cambridgeshire by 2050".**

5. **Authorise the Chief Finance Officer, in consultation with the Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations to the County Council, so as to take into account any changes deemed appropriate, including updated information on District Council Tax Base and Collection Funds, Business Rates forecasts and Collection Funds and any grant changes.**

	Officer contact:		***Member contacts:***
Name:	Chris Malyon	Names:	Councillors Count & Hickford
Post:	Chief Finance Officer	Post:	Chair/Vice-Chair
Email:	Chris.Malyon@cambridgeshire.gov.uk	Email:	Steve.Count@cambridgeshire.gov.uk / Roger.Hickford@cambridgeshire.gov.uk
Tel:	01223 728595/699241	Tel:	01223 706398

1. BACKGROUND AND CONTEXT FOR BUSINESS PLANNING

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 to achieve.

1.2 It is a statutory requirement under the Local Government Finance Act 1992 for the Council to approve a balanced budget "before 1 March in the financial year preceding that for which it is set". In doing so, the Council undertakes financial planning covering a five year timescale in order to align spending plans with the projected resources available and ensure that we recognise and provide for growth in demand for services. The budgets set out in this report are robust for 2020-21 given the information the Council has available at this point. The figures for 2021-22 and the three years after this are based on prudent assumptions and modelling but will naturally become less accurate for projections looking further forward.

1.3 For 2020-21, Cambridgeshire will receive £608m of funding, excluding grants retained by its schools. The key sources of funding are local taxation (council tax and business rates), central Government grants and fees and charges income.

1.4 Council tax falls in to two elements. These are the core council tax that is used to support the delivery of all Council services, and the Adult Social Care precept which can only be used to support the delivery of social care services to adults. The assumptions that are currently upon which the Medium Term Financial Strategy (MTFS) financial forecasts are predicated are zero % general council tax increase and 2% adult social care precept increase for each year of the Business Plan.

1.5 Total expenditure for 2020-21 will be £612m. The costs of running the Council have risen by £36m (6.3%) as compared to 2019-20. This is primarily due to inflationary and demand pressures across service areas generally but especially in respect of Adult and Children's Social Care provision.

1.6 In light of the increasing costs and reducing funding, significant savings are required across the planning period. As shown in the table below, the savings/income target for 2020-21 is £21.0m with over £68m required over the next five years.

	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Total £'000
Total Saving Requirement	**21,024**	**13,138**	**10,531**	**12,244**	**11,417**	**68,354**

1.7 The above savings requirements are predicated on the following assumptions for raising Core Council tax and the Adult Social Care Precept. Further detail regarding the Council's options to increase Council tax is included in section 4.4.

Current MTFS assumption	% increase in Council tax	Value to Council	Band D increase
Core Council tax	0%	£0.0m	£0.00
Adult Social Care Precept	2%	£5.9m	£26.19

1.8 The Council declared a Climate Emergency in July 2019 and committed itself to actions to address it in collaboration with our public and private sector partners. Appendix 1 provides detail of how the 2020/21 budget addresses the Climate Emergency commitment and of the further work ongoing to improve the environmental sustainability of the Council's budget in future years.

2. STRATEGIC FRAMEWORK AND APPROACH

2.1 Given the financial context, and in the current changing environment, it is important that we have a clear strategic approach which will enable us to respond and evolve as challenges become more complex. This is articulated in the Strategic Framework which forms section 1 of the Business Plan.

2.2 The basis of the Framework is our overarching goal of "*Making Cambridgeshire a great place to call home"* and reflects the continuation of the Council's move to a new way of delivering this vision – with a focus on transformation to deliver the following priority outcomes:

- A good quality of life for everyone
- Thriving places for people to live
- The best start for Cambridgeshire's children
- Net zero carbon emissions for Cambridgeshire by 2050

2.3 Delivering these outcomes is at the heart of all strategic planning and service design and drives the Business Plan as well as the Transformation Programme, Service Plans and Strategies.

2.4 The Strategic Framework also articulates the key themes and principles which have underpinned our approach to business planning and transformation:

- Embedding a **demand management** approach across the business
- Developing a range of **forward looking data and insight** to guide our choices
- Developing a **place based model of practice** across all services
- Developing a workforce that **works in the ways** and places that matter to citizens
- Developing **strength and depth** in our commercial activity
- Cultivating policy and practice so that **citizens are always involved** in the design and development of our services
- Taking a **system wide** and **long term** view in everything we do

3. UPDATES TO POSITION FROM DECEMBER COMMITTEE

3.1 At its December meeting, General Purposes Committee received information about the draft business planning proposals. These have been developed in liaison with members throughout the year using the strategic approach outlined above. They were scrutinised by Service Committees in October and December before being recommended to GPC to form part of the Business Plan. All of the proposals that have been approved are reflected in the Business Plan tables and supporting business cases. By December we had identified £17.3m of savings and additional income generation opportunities for 2020-21.

3.2 However, as we have moved through this business planning process a range of new pressures and other financial impacts not directly within our control have emerged. These have increased the scale of the financial challenge we are working to address and therefore the size of the required savings across all of the years of the Business Plan. Additionally, there are a number of emerging risks with potential impacts on the Council's business plan which are as yet unclear. The key areas of current financial pressure and future risk are set out in the paragraphs below.

3.3 As at 31st March 2019 there was a total Dedicated Schools Grant (DSG) overspend across Special Educational Needs (SEND) services of £8.7m which, combined with underspends on other DSG budgets, led to a deficit of £7.2m carried forward into 2019/20. Given the continuing increase in numbers of pupils with Education Heath and Care Plans (EHCPs), current estimates forecast in-year pressures of approximately £9m. The DSG is a ring-fenced grant and, as such, overspends do not currently affect the Council's bottom line but are carried forward as a deficit balance into the next financial year. Alongside the pressures on the DSG, the continuing increase in EHCPs directly impacts on statutory services delivered by the Council, such as Home to School Transport – Special, Statutory Assessments, and Educational Psychologists. As numbers and complexity of need continues to increase there is a risk these associated budgets will see further increases in pressures. Officers have recently met with the Department for Education (DfE) and have been invited to meet the Schools Minister at the end of January to discuss the position in Cambridgeshire.

3.4 The Local NHS is facing significant financial challenges and as of April 2019 was carrying an operating deficit of £189m. The Clinical Commissioning Group (CCG) is seeking to reduce funding for joint working arrangements including the Learning Disability Partnership (LDP), Better Care Fund and intermediate care provision in order to reduce its operating deficit. Any reduction in NHS funding is likely to lead to an increased financial burden on the Council. The Council is planning to undertake a detailed case review of partner contributions to the LDP pooled budget in order to establish whether the current funding arrangements provide value for money for the Local Authority. The sustainability of the CCG's financial position will be a key factor impacting the outcome of any future negotiations concerning joint funding commitments.

3.5 The Council has seen significant increases in the unit costs of the most expensive types of Adult Social Care since the 2019-2024 business plan was set. This has resulted in the inclusion of a £4.9m pressure in the business plan for 2020-21 as the trend of increasing unit costs is expected to continue. Residential placements are on average £50 per week more than 12 months ago (8%), and nursing placements are typically around £100 per week more expensive (15%). Continued price increases on these scales would clearly place an unsustainable burden on social care budgets over the medium term. The Council will continue to work closely with service providers to facilitate proactive care and support planning in order to reduce the numbers of high cost placements which are seeing the largest cost increases.

3.6 In addition to the above, over 2019/20 the Council has seen rising costs of providing care for older people that has exceeded original demand projections. Both rising numbers and unit cost of residential and nursing care are causing pressures, similar to those reported by Councils nationally as well as in the NHS, despite the success in mitigating substantial demand through preventative and strengths-based work that can be evidenced. Demand and cost models for 2020-25 have already been refreshed earlier in the year, but they will be revisited over the coming months in light of recent adverse movements in the Adults forecast outturn position for 2019/20.

3.7 Delays to national reforms of the social care system are also prolonging uncertainty for local authorities. The Government has stated that it aims to seek cross-party consensus regarding proposals for long term reform of social care but the timescales are as yet unclear. Additionally, the Government provided an assurance in the December Queen's Speech that no-one needing care will have to sell their home to pay for their care. Any future changes to legislation governing client contributions to the cost of care packages could have major financial implications for Local Authorities.

3.8 In light of the current pressures and future risks faced by the Council around delivery of Adult Social Care Services as set out in sections 3.5 – 3.7, Adults Committee approved a change to the Council's client contributions policy on 16th January, aligning Cambridgeshire's charging policy more closely with those of neighboring Authorities. The timing and amount of additional income anticipated as a result of the policy change is contingent on the outcome of the financial assessment process.

3.9 General Purposes Committee received a report in November regarding the next stages and direction of travel for the future operating model for LGSS. The Committee acknowledged that Chartered Institute of Public Finance and Accountancy (CIPFA) analysis showed that the current cost distribution model between LGSS partner authorities favoured Cambridgeshire and that the intended transition towards a more equitable funding arrangement would likely see costs increase significantly for Cambridgeshire. A revised operating model is currently under development, building on the analysis undertaken by CIPFA. However, due to the detailed evaluation of service resourcing and associated costs that is needed, the budget required to deliver back office services from 2020-21 will not be fully clear when the business plan is reviewed by Council in February. Pressure funding has been included in the Business Plan to provide for the potential increase in costs however the Committee should note that this is currently subject to a significant level of uncertainty – a position that is exacerbated by the establishment of a children's trust and the local government reorganisation of Northamptonshire.

3.10 During the last 18 months, the Council has invested significant amounts in the acquisition of commercial property. This, combined with investment in the

Council's wholly owned housing investment company, construction of energy capital schemes, investment in CCLA and return on shareholder dividends means that around 4.1% of the Council's net service expenditure will be funded by commercial income in 2020-21. In order to manage the level of risk that the Council is exposed to in this area, the Commercial Team is looking to review the current investment strategy in order to:
- reduce borrowing risk
- create a sinking fund for maintenance of the portfolio
- continue to diversify the portfolio
- reflect on the governance structures in place
- ensure it remains fit for purpose in line with any revisions to statutory and technical guidance

A more detailed paper will be presented to Commercial and Investment (C&I) Committee in due course.

3.11 The planned reforms to the national formulae for allocating Local Authority core funding and business rates have been delayed by government and will now expected to be implemented from 2021-22 instead of 2020-21 as part of the Comprehensive Spending Review that will take place this year. The Council continues to face considerable uncertainty around the levels of resources available to deliver services over the medium term. In the first Queen's Speech of the new parliament, the Government announced a proposal to create a funding model for Mayoral Combined Authorities (MCAs). The inclusion of MCAs in the mainstream Local Government funding system could impact the balance of local and nationally allocated funding and potentially the funding sources available to Local Authorities. The Government also announced its intention to fundamentally reform the business rates system to create a fairer taxation model for businesses. The basis on which business rates are levied and the frequency of revaluations are likely to be subject to review. The impact of these upcoming reforms to Local Authority funding are as yet unclear. The business plan currently assumes a neutral position with income streams remaining largely consistent for the duration of the MTFS period.

3.12 Since the December Committee the Provisional Local Government Financial Settlement has been published. The key headlines for the Council are set out below:

- The core Council Tax referendum principle will be 1.99% in 2020-21. This means Council Tax can increase by up to 1.99% without a referendum, in addition to the Adult Social Care precept. The Business Plan currently assumes that core Council Tax will not be increased in 2020-21. The Council therefore has the option to raise an additional £5.846m income by increasing Council Tax.

- Continued flexibility to levy the adult social care precept of 2% in 2020-21. It has not been confirmed whether the precept will continue to be made available to Local Authorities in future years. The Council has assumed that the precept will be levied at 2% for the duration of the MTFS.

- The New Homes Bonus grant, currently worth £3m to the County Council, will continue for another year but will be phased out by 2023-24 through annual reductions. The Government intends to move towards "a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need".

- Confirmation of the Council's £8.4m allocation of the £1bn pot of additional funding for social care announced in the 2019 spending review. The Social Care Support Grant and Winter Pressures Grant totaling £6.3m for Cambridgeshire will also continue and will be de-ringfenced for 2020-21 onwards.

- Core Spending Power (which includes local authorities' ability to generate income locally through raising Council tax and ASC precept to the maximum levels permitted by referendum limits) will increase by 6.3% in 2020-21, the highest increase in over a decade and the first real-terms increase since 2010.

- Confirmation that Cambridgeshire's application for a business rate pooling arrangement for 2020-21 has been successful. The pooling arrangement reduces the levies paid by district authorities on business rates income by combining the funding baselines of the participating authorities. Since upper tier authorities usually receive business rates topups, the net levy paid by the pool as a whole is reduced and the benefit is shared between the participating authorities. The arrangement will provide a one-off financial benefit to the Council in 2020-21 however the value of this benefit will not be confirmed until final business rates collection figures are known, however current estimates suggest this could be in the region of £1.5m.

- A UK-wide Roads Fund of £500m was proposed, to be repeated in each year until 2023-24. The allocations to individual authorities will be announced later in the New Year and may not be available until after the Council's budget is set in February. Cambridgeshire benefitted from a £6.7m additional allocation of Highways Maintenance Funding in 2018-19 from a total funding pot of £420m for Local Authorities in England only.

3.13 In light of the latest information on budget pressures and the outcome of the funding settlement we are now therefore projecting a remaining budget gap for 2020-21 of £4.0m and substantial gaps in the next four years after that – this position is shown in the table below.

	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Total £'000
Total Saving Requirement	**21,024**	**13,138**	**10,531**	**12,244**	**11,417**	**68,354**
Identified Savings	-11,532	-3,454	-1,222	-31	169*	**-16,070**
Identified additional Income Generation	-5,463	-4,848	-1,478	-1,303	-897	**-13,989**
Residual Savings to be identified	**4,029**	**4,836**	**7,831**	**10,910**	**10,689**	**38,295**

*Positive figures represent a reversal of savings/investments from previous years.

3.14 This financial position is predicated on an assumption previously agreed within the Medium Term Financial Strategy that the Council will set the Adult Social Care Precept at 2% and not increase general council tax.

3.15 The table below provides a summary of the various material changes since December in the overall business planning position for 2020-21.

Business Planning Reference	Title	2020-21 impact (£'000)	Notes
A/R.4.009	Impact of National Living Wage (NLW) on contracts	626	Impact of announced increase in the National Living Wage on adult social care contract prices. The increase in the living wage in April is above expectations set earlier in business planning.
A/R.4.010	Increase in Older People's placement costs	520	There have been continuing increases in the weekly costs of care for Older People, reflecting supply of residential and nursing placements. The Council has already recognised additional social care grant income announced.
F/R.4.017	Babbage House dilapidations costs	190	Latest estimate following survey and additional clarity on timing of Babbage House closure as part of Cambs 2020.
N/A - Financing	Increase in financing costs	334	Interest costs have been lower than expected (reflecting securing PWLB borrowing at historically low rates) but in turn this reduces the interest sum to be capitalised.
N/A - Funding	Local taxation forecasts	-659	Business rates and Council tax collection fund surpluses and tax base increases, following latest information from district councils.
N/A - Funding	Increase in Government grants	-985	Announced in the Provisional Local Government Finance Settlement, relating to indexation/multiplier on business rates related grant.

4. OPTIONS TO CLOSE THE REMAINING BUDGET DEFICIT

4.1 Officers will continue to seek to identify and deliver transformation and efficiency improvements over the lifetime of the Business Plan. All anticipated benefits arising from current transformation projects have been included within the Business Plan. Even with these there is still a budget deficit that must be balanced as part of the budget setting process. The Council has a statutory responsibility to set a balanced budget for the forthcoming financial year and to be cognisant of the medium term implications that those decisions will have on the on-going sustainability of the organisation.

4.2 Given the aforementioned budget gap the Council will need to agree an approach that manages this budget deficit. The options available to the Council are as follows:

- Increase the rate at which base Council Tax is set
- Use of the flexibility available around Minimum Revenue Provision (MRP)
- Reduce service levels

4.3 The benefits and dis-benefits of each option are described in the following paragraphs to enable the Committee to consider the best course of action.

4.4 Increase the base rate of general Council Tax (each 1% would bring in £2.943m)

Currently the Medium Term Financial Strategy (MTFS) includes an assumption that general Council Tax will remain unchanged (zero increase) across the five years of the business plan. The Council Tax Limitation Regulations for 20/21 have confirmed that Councils will have the freedom to raise Council Tax by up to 1.99% without triggering a local referendum.

If the Council chooses to amend the assumptions in the MTFS and raise the core Council Tax each percentage point increase generates additional revenue of £2.943m from year 1. Clearly for the County Council's longer term financial position this is the most advantageous approach as it generates ongoing revenue on a sustainable basis. It is also important to note the cumulative effect of raising the level of council tax; with a higher base rate, the value of each % of increase agreed in future years is also increased. Maximising tax revenue also places the Council in a better position with regard to challenging central government in respect of adopting a fairer funding distribution methodology as part of the forthcoming Comprehensive Spending Review.

Clearly, however, the dis-benefit of this option is the increased burden on Cambridgeshire households through higher tax bills. To inform the Committee's decision, the tables below show the impact of Council Tax increase on the Council's budget deficits across the planning period and the average cost per household for taxpayers

Impact on Households

Percentage increase in Council Tax	Annual Impact on a Band D Household
1%	£13.14
1.99%	£26.10

Note - a 2% increase (£26.19 for a Band D Household) is included in current Business Plan assumptions as a result of increasing the Adult Social Care precept.

Impact on Council Budget Position

The table below shows the forecast gaps in each of the next five years and how potential changes in the ongoing assumption of base Council Tax increases would affect this (0% is current position):

	Remaining Level of Unidentified Savings				
	2020-21	2021-22	2022-23	2023-24	2024-25
0% rise	4,029	4,836	7,831	10,910	10,689
1% rise	1,085	4,639	7,718	10,794	10,571
2% rise	-1,818	4,444	7,604	10,679	10,455

Note - Negative figures represent a budget surplus that could be invested in additional services, or the avoidance of undesirable savings in the current year or future years of the business plan.

It should be noted that the Business Plan currently assumes that an Adults Social Care precept of 2% will be available in each of the five years to 2024-25 and that the Council will choose to apply the precept each year.

4.5 Use of ongoing MRP benefit to balance budget deficit (up to £2m funding recurring until 2024/25 then diminishing annually)

We have some flexibility in the way we can plan to use the funding freed up through the policy agreed around Minimum Revenue Provision (MRP). The MRP strategy previously agreed maintains a commitment to invest the MRP funding into the Council's Transformation Fund – recognising that this fund is essential to delivering the sustainable change we need. Clearly any use of this funding to address the permanent budget gap diminishes the pot available for transformation. More fundamentally the concern with using MRP in this way is that (like general reserves) it is not a sustainable source of base funding as the annual benefit arising from the aforementioned MRP policy change is diminishing annually.

4.6 Reduced service levels

The Business Plan and the level of services that are supported by the resource allocation have been discussed in detail by each service committee. However the Council can decide to reduce the operating cost base by reducing service levels. As the Committee will be aware any service reductions are likely to have a significant impact on the users of that service. Having operated within a financially challenging environment for a number of years most service efficiencies have already been implemented and therefore further changes will impact on the quality or quantum of those services.

5. CAPITAL STRATEGY

5.1 Including current commitments, the Council will be spending £653.0m on capital investment in the county over the period of the Business Plan. This is in addition to previous expenditure of £786.2m on some of these schemes, creating a total Capital Programme value of £1.4 billion. For 2020-21, the Council's proposed expenditure on its capital programme is £158.8m. This is financed by a combination of the following funding streams:

- Central Government and external grants (£52.2m);
- Section 106 and external contributions (£13.5m);
- Prudential borrowing (£91.2m); and
- Capital receipts (£1.8m).

5.2 Alongside updates to previously agreed schemes, additional investment proposals this year include several new school schemes (£11.1m), the Data Centre Relocation (£5.4m), a new IT Strategy (£3.3m), the Cambs 2020 Spokes Asset Review (£6.0m) and equity purchase of Light Blue Fibre and LGSS Law (£40k and £475k respectively). The 2020-21 Capital Programme includes the following Invest to Save / Invest to Earn schemes:

Total Capital Investment (£m)	Scheme	Total Revenue Surplus (£m)
1.0	Energy Efficiency Fund	0.6
206.4	Commercial Investments	225.8
	Smart Energy Grid Demonstrator scheme at the St Ives Park and Ride	2.0
Total Capital Investment (£m)	Scheme	Total Revenue Surplus (£m)
	Babraham Smart Energy Grid	10.6
	Trumpington Smart Energy Grid	7.0
	Stanground Closed Landfill Energy Project	8.9
	Woodston Closed Landfill Energy Project	8.8
	North Angle Solar Farm, Soham	40.1
193.1	Housing schemes	105.9
3.0	County Farms investment (Viability)	7.4
18.3	Shire Hall Relocation	45.2*
475.8	**TOTAL**	**462.3**

*Figure taken from original business case, saving is not currently included in the business plan and is subject to change as the proposal is finalised.

The net return accounts for the cost of financing the capital expenditure and the ongoing revenue costs associated with the investment, therefore a zero net return indicates that the project has broken even.

5.3 LGSS Law Ltd is a company partly owned by the Council for the purposes of providing legal services on a shared basis, in collaboration with the two other shareholders: Central Bedfordshire Council and Northamptonshire County Council. The company is distinct from the other corporate services arrangements labelled as 'LGSS' as it is an entity in its own right, rather than reporting to a local government joint committee, and therefore maintains a separate bank account, employs staff and is responsible for its financial affairs (filing accounts at Companies House).

The directors and shareholder representatives of LGSS Law Ltd have recently reviewed the company's financial performance, which is significantly improved in 2019/20 compared to earlier years, where retained losses have been accrued. Now that there are strong foundations for the company, and further to advice from the company's external auditors, the time is right for the three shareholder Councils to inject additional share capital (equity). This addresses the current adverse ratio of debt to equity (thin capitalisation), which is of concern to the auditors. The current equity of the company is only £150, which is clearly no longer appropriate for a company of this size. It is planned that each shareholder will inject equity capital of £475k into LGSS Law, which is shown in the capital programme for 2020-21 as part of this budget, although the option to advance this amount before 31 March (as accelerated spend) is also being considered. In turn, the injection of the equity will enable the company to pay Cambridgeshire County Council (CCC) amounts for support services received (such as IT support and accommodation) which are currently overdue, and thereby reach a more proportionate distribution of financing between the shareholders.

5.4 The debt charges budget is now forecast to spend £29.3m in 2020-21, increasing to £36.2m by 2024-25. This remains within the advisory debt charges limit that was set by Council early in the 2015-16 business planning process. The revenue impact of the Commercial Investment schemes is included within the Commercial and Investment table, so this is not shown within these figures.

6. TREASURY MANAGEMENT STRATEGY

6.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) revised the Prudential Code and Treasury Management Code in 2017. Also, the Ministry of Housing, Communities and Local Government (MHCLG) revised its statutory guidance in 2018 on:

- Local Government Investments; and
- Minimum Revenue Provision

Both the Treasury Management Strategy (for financial investments) and the Capital Strategy (for non-financial investments) have been updated in line with these requirements.

6.2 The Council is required to approve and monitor a series of Prudential Indicators for 2020-21 to 2024-25. These include indicators showing the cost of servicing debt as a percentage of revenue expenditure and the Council's underlying borrowing requirement. Fixed and variable interest rate exposure and the maturity profile of debt are also reported.

6.3 Throughout 2020-21 the Council intends to maintain an under borrowing position, which means borrowing will be reduced as a result of utilising internal cash balance which will ultimately keep the cost of borrowing down. As a result cash balances will be generally lower and the level of loan debt reduced. Furthermore, the loan debt is projected to increase year on year as a direct result of capital investment.

6.4 Given that projections over the next three years show an increasing Capital Financing Requirement (CFR) and Bank Rate is forecast to remain low, the Council plans to predominately use a mix of its own cash balances and short/medium term borrowing to finance further capital expenditure before long term borrowing is considered. This strategy maximises short term net interest savings but against this background and the risks within economic forecasts, caution will be adopted with treasury operations. Due to the increase in Public Works Loans Board (PWLB) rates in October 2019, the Council will consider other lending avenues for if those options present better value for money.

6.5 In March 2019 the Council applied for and in November 2019 subsequently secured approval for £60m worth of discounted Local Infrastructure Rate funding via the PWLB to support clean energy work in Cambridgeshire.

6.6 The Council will continue to prioritise the security and liquidity of capital and achieve an investment return that is commensurate with these priorities. A prudent investment strategy is followed, and external advice provides a guide on the creditworthiness of institutions. The majority of the Council's investments are in liquid instruments and shorter-term deposits with Money Market Funds and high credit quality banks. The Council has invested in two of Churches, Charities and Local Authorities (CCLA) funds with a 3-5 year duration outlook - The Local Authority Property Fund and Diversified Income Fund. The Council is currently considering adding an additional investment into the Local Authority Property Fund in 2020.

7. IMPACT OF PROPOSALS

7.1 The Equality Duty set out in S149 of the Equality Act requires the Council to consciously think about the following three aims as an integral part of developing policy, making decisions, and providing services:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it
- Foster good relations between people who share a protected characteristic and people who do not share it

7.2 The Council takes very seriously the need to be aware of the impact that our policies, decisions, and services have on communities across Cambridgeshire, and the importance of using this information to inform the preparation of the Business Plan. Where relevant, for each of the detailed proposals, services have undertaken a Community Impact Assessment (CIA).

7.3 CIAs have been prepared as part of the business cases associated with each proposal which are published within section 4 of the Business Plan. These impact assessments state that in many instances the way we deliver services for communities will change and that service users will experience a transition from one service model to another – however we are clear that in all instances the local authority will still be fulfilling all its statutory requirements and will be meeting the needs of residents and service users.

8. BUDGET CONSULTATION

8.1 The Council carries out a consultation process to inform the business planning process. This year a representative household survey and an open web survey on the draft business plan proposals and options for council tax were carried out. The Survey asked residents to consider draft proposals within the plan and indicate their level of support or objection.

8.2 An independent, professional research company (MEL Ltd) was commissioned to carry out the representative household survey aspect of the project. MEL organised the household survey to ensure that a randomised, representative household survey (as has been done in previous years) of approximately 1,100 residents was carried out so the results will be statistically significant at a County level. The representative survey was stratified to include a proportional sample of age, home district and gender.

8.3 The headline results on Council Tax from the MEL survey are as follows:

- 32% of residents did not support any increase in Council Tax
- 30% supported only raising the Adult Social Care precept of 2%
- 24% supported raising both the Adult Social Care precept and the general increase in Council Tax – a total of 4%
- 9% supported only having an increase in Council Tax of 2% and not raising the Adult Social Care precept
- 4% supported an increase in Council Tax of more than 4%

The full headline results are available in section 5 of the Business Plan.

8.4 46 people responded to the public online survey. This survey is not representative of the county's population. The headline results on Council Tax from the public survey are as follows:

- 7% of respondents did not support any increase in Council Tax
- 7% supported only raising the Adult Social Care precept of 2%
- 59% supported raising both the Adult Social Care precept and the general increase in Council Tax – a total of 4%
- 2% supported only having an increase in Council Tax of 2% and not raising the Adult Social Care precept
- 16% supported an increase in Council Tax of more than 4%

The full headline results are available in section 5 of the Business Plan.

9. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

9.1 The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget, and precept, the Chief Finance Officer must report to it on the following matters:

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

9.2 This statement will be considered in full within the Business Plan papers by Council in February. However, to assist the Committee in being able to recommend a budget to Council an overview of the current position is set out below.

9.3 This report sets out several options for GPC to recommend a balanced budget to Council for the 2020-21 financial year. The estimates that support this budget have used all the data and supporting information that the Council has at its disposal at this point in time. In spite of the challenges facing the Council the proposals are robust and set out how the increasing pressures and costs will be offset by a programme of work to increase efficiency, generate additional income and manage demand for our services. This programme is supported by business cases, delivery plans and, where required, by additional transformation investment.

9.4 The continued economic and population growth we are fostering, coupled with the increases in taxation rates available to the Council, will create an expansion of the base revenue funding available to the Council. However whilst the economic growth seen by the county is positive, it does bring with it additional demand for services which are not fully funded by increases in the council tax base. In 2020/21 Local Authorities will see the largest increases in Government funding for social care in a decade. Despite this, we anticipate that financial pressures within Adults and Older Peoples Services will exceed the additional grant funding allocated. The Council has made significant representations to Government in order to ensure that councils like Cambridgeshire are appropriately resourced. We continue to await the outcome of the Fair Funding Review and reforms to the Business Rates Retention System and as such our medium term funding projections are subject to considerable uncertainty. We have therefore made prudent estimates of available funding in future years including plans to maximise locally generated income and efficiency savings where possible to reduce reliance on Government funding.

9.5 Delivering a balanced outturn for 2020-21 is not without its challenges. As the budget has become leaner over several challenging budgets cycles, dealing with pressures and exceptions often arising from non-predictable factors beyond the Council's control becomes increasingly difficult. We have seen within the current year that both demand levels and unit costs across service user groups have continued to increase, often at rates higher than previously modelled. We continue to work closely with local communities to support increased resilience and independence and with our service providers to help address the challenges of an increasingly stretched social care market. The analysis in the Medium Term Financial Strategy also highlights the challenging wider financial context including the economic uncertainty surrounding Brexit and funding allocations to Local Government beyond the next one year spending review period.

9.6 The General Reserve is specifically held to mitigate against any in-year pressures beyond those that have been built into the Business Plan. Seven years ago the Council agreed a policy that the General Reserve should be held at no less than 3% of gross non-school spending to cover any such incidents. This currently equates to a figure of £17.3m. When the Council agreed to increase the General Reserve to 3% of gross non-school expenditure it did so in the context of a risk assessment that reviewed key areas of spend and the likelihood of significant budget variations in those areas. The risks associated with delivery have not diminished and therefore it is the Chief Finance Officer's opinion that the level of the General Reserve should remain at 3%. As a consequence, any known draw on this Reserve that takes it below this threshold should be balanced with a contribution from within the base budget for the following financial year.

9.7 We are currently projecting to end 2019-20 with an ongoing overspend position of £1.0m which has had to be accounted for within the 2020-21 savings requirement. In this context, although we have developed an impressive portfolio of savings, efficiencies, and income proposals and have financing options at our disposal which will enable a balanced budget to be set in 2020-21, we should not underestimate the risks in delivering a balanced outturn for the year.

9.8 Proposals developed for the later years of the business planning period represent the continuation of this programme of transformation and are considered deliverable based on the information available. However, as we might expect, the level of detail in some of the proposals for 2021-22 onwards is not as full as it is for the coming financial year. It should also be noted that there are remaining levels of unidentified savings in the later years of the plan which will need to be addressed through the development of further proposals.

10. NEXT STEPS

10.1 The meeting of General Purposes Committee on 28th January is the last opportunity for the Committee to publically scrutinise the business plan before Full Council debates the plan for approval on 11th February 2020.

10.2 Any amendments to the plan recommended by General Purposes Committee today will be incorporated before submission to Full Council and the Committee are asked to authorise the Chief Finance Officer, in consultation with the Leader of the Council, to make any technical revisions to the Business Plan which might be necessary.

11. ALIGNMENT WITH CORPORATE PRIORITIES

11.1 The Business Plan's purpose is to consider and deliver the Authority's vision and priorities as set out in the strategic framework which forms section 1 of the Business Plan.

11.2 **A good quality of life for everyone**
The impact of the proposals on our ability to support and protect vulnerable people is provided for each key proposal within the business cases and Community Impact Assessments.

11.3 **Thriving places for people to live**
There are no significant implication for this priority

11.4 **The best start for Cambridgeshire's children**
The impact of the proposals on our ability to ensure that the children of Cambridgeshire have the best start in life are detailed in the business cases presented to the Children & Young People Committee.

12. SIGNIFICANT IMPLICATIONS

12.1 **Resource Implications**
This report and the Full Business Plan outlines the overall resource position for the Council over the business planning cycle 2020-25. In particular the financial tables show the budget allocation, savings plans and proposals and The Medium Term Financial Strategy provides an overview of the Council's approach in the wider economic context.

12.2 **Procurement/Contractual/Council Contract Procedure Rules Implications**
The implications for procurement and contracting are described in the individual business cases which form section 4 of the Business Plan.

12.3 **Statutory, Legal and Risk implications**
The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget. Business planning proposals will inevitably carry statutory, risk and legal implications. These are addressed alongside each proposal where appropriate, and also in more detail at service committee meetings. More generally, it is recognised that the Council requires significant transformation of its services, in collaboration with partners, in order to meet the challenges ahead. There is significant risk if that transformation is not achieved.

Effective risk management is a fundamental requirement for the treasury management function, and this theme runs clearly throughout the Treasury Management in Public Services: Code of Practice and Cross-Sectorial Guidance Notes. The Council's Treasury Management Policy, Treasury Management Practices (TMPs) and Schedules, and Treasury Management Strategy for 2020-21 outline the ways in which treasury management risk will be determined, managed and controlled.

The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance

12.4 **Equality and Diversity Implications**
The Community Impact Assessments which form part of the business cases describe the impact of each proposal, in particular any disproportionate impact on vulnerable, minority and protected groups.

12.5 **Engagement and Communications Implications**
Our Business Planning proposals are informed by the CCC public consultation on the Business Plan which has included a wide range of partners throughout the process as set out in the report. The Consultation process forms section 5 of the Business Plan.

Community Impact Assessments (CIAs) for the savings proposals form part of the business cases which are in section 4 of the Business Plan. Where appropriate these have been developed based on consultation with service users and stakeholders.

12.6 **Localism and Local Member Involvement**
As the proposals developed we have had detailed conversations with Members about the impact of the proposals on their localities. We are working with Members on materials which will help them have conversations with Parish Councils, local residents, the voluntary sector and other groups about where they can make an impact and support us to mitigate the impact of budget reductions.

12.7 **Public Health Implications**
All implication are identified within the Business Cases and CIA's in section 4 of the Business Plan.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Gus De Silva
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes – Fiona McMillan
Are there any Equality and Diversity implications?	Covered in individual business cases (Business Plan section 4)
Have any engagement and communication implications been cleared by Communications?	Yes Christine Birchall
Are there any Localism and Local Member involvement issues?	Covered in individual business cases (Business Plan section 4)
Have any Public Health implications been cleared by Public Health	Yes Liz Robin

Source Documents	Location
Papers presented to all Committees in December 2019 regarding the business plan for 2020/21 – 2024/25 December Briefing to Members regarding the Provisional Local Government Finance Settlement	https://cmis.cambridgeshire.gov.uk/ccc_live/Committees.aspx If required please request from Finance@cambridgeshire.gov.uk

Business Plan Contents: