Agenda Item No: 9

Business Planning Proposals for 2023-28: opening update and overview

To:	Highways and Transport
Meeting Date:	4 October 2022
From:	Steve Cox, Executive Director for Place & Sustainability
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable

Outcome:

This report outlines the process of setting a business plan and financial strategy for 2023-2028 which will culminate at the February Full Council. Through this report, Members will gain awareness of:

- the current business and budgetary planning position and estimates for 2023-2028
- the principal risks, contingencies and implications facing the Committee and the Council's resources
- the process and next steps for the Council in agreeing a business plan and budget for future years

Recommendation:

It is recommended that the Committee:

a. Notes the overview and context provided for the 2023 – 2028 business plan
b. Notes the initial estimates made for demand, inflationary and other pressures
c. Notes overview and estimates made for the updated capital programme

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1. Overview

1.1 The Council's Business Plan sets out how we will spend our resources to achieve our vision and priorities for Cambridgeshire, and the key outcomes we want for the county and its people. The business plan contains a five-year financial plan including estimates of investments, pressures, and savings over the whole period. The business plan now under development is for 2023-28. It is a statutory requirement for local authorities to set a balanced budget ahead of each new financial year.

1.2 On 8 February 2022, Full Council agreed the Business Plan for 2022-2027. This included a balanced revenue budget for the 2022/23 financial year with the use of some one-off funding but contained significant revenue budget gaps for subsequent years as a result of expenditure exceeding funding estimates. These budget gaps were, in £000:

Opening Budget Gaps

2022-23	2023-24	2024-25	2025-26	2026-27
balanced	17,396	22,737	16,782	18,337

1.3 Since the 2022-27 business plan was produced, the financial outlook has worsened. In particular, the international economic position has changed significantly, and there is increased uncertainty around national government policy. The budget gap for 2023/24 is now estimated as £28.5m, and a cumulative budget gap over the five-year draft business plan of £108m.

Revised Budget Gaps

2023-24	2024-25	2025-26	2026-27	2027-28
28,623	26,367	16,813	17,383	18,762

1.4 This is a very large increase in the gap projection. Central government has so far given no indication of further funding to Councils to meet pressures, and therefore we are planning on the basis of needing to close this budget gap almost entirely through decisions within the Council's control.

1.5 Further information on financial pressures facing the Council are set out below. The Council has a legal requirement to set a balanced budget for 2023/24, and therefore difficult decisions will need to be made in order to close the budget gap. The council may have to take steps to reduce the growing demand from the public for our services and may have to make dis-investments or reductions in lower priority services.

1.6 Inflation is expected to impact our budget over at least the next year in an unprecedented way. Typically, inflation represents a modest part of our overall budget growth, and estimates do not significantly change year-on-year. However, increases over the past year caused by the release of bottlenecks in demand following COVID-19 and then the outbreak of war in Ukraine has seen inflation rise to levels last seen in the 1980s. This impacts on the Council in the same way as it does on people's own household budgets. This could mean the Council will need to consider how we can cut back in some areas in order to make ends meet. The Council has finite funding, and most of our income, including taxation, is fixed at levels set by the government. We also cannot borrow or use cash reserves to fund an ongoing budget gap.

1.7 Inflation impacts on the Council's budgets in several ways. Inflation increases the amount we pay on a day-to-day basis for goods and services that we buy from external suppliers. So, rising national inflation indices (such as RPI) directly impact on us. Inflation can also impact us in more acute ways. Several of our large contracts (such as for waste disposal) have inflationary uplifts included into contracts pegged to national indices – as this is on a very large contract the difference between a 2% rise and an 8% rise can be very significant. We also purchase a large amount of electricity, around two thirds of our electricity bill goes to power streetlights. We also need power for the buildings the Council uses to serve the public like libraries, registration offices, highway depots and offices – and keeping these buildings open and warm may be even more important for individuals and communities during the colder months. In September 2022 the government announced some relief from energy price increases for public sector organisations. We are considering the detail of this announcement and its impact, if any, on the price projections we have for this business planning round. If the relief is only for six months, then it will not necessarily provide any reduction in prices faced over the medium-term.

1.8 The Council has a large capital programme, and rising costs of materials increases the overall cost of works and so requires us to borrow more. Finally, rising inflation is often linked with increased staff costs. Staffing is one of our highest costs and the need to pay staff a fair wage to ensure they can meet inflationary impacts they are facing in their own lives is important. This allows us to recruit and retain essential employees but is a direct cost to the Council.

1.9 We are also having to consider uncertain demand for our services following the pandemic. Traditional patterns of accessing social care services have changed, and the Council has a role to play in the wider health and social care system in ensuring people are discharged from hospital into appropriate care. Government reforms around social care have the potential to cost local government billions of pounds extra per year, but government funding is yet to be identified. We are also engaging with government to agree a Safety Valve deal to address our high needs school funding deficit. This is likely to displace costs previously funded by education grants and require transformational investment from the Council.

1.10 This means the Council has a much more challenging budgetary outlook than it did when setting its current business plan some months ago, with the increased costs of inflation on its own doubling our budget gap. Added to this are some unavoidable service pressures and government reforms, which result in the now much larger budget gap of over £28m next year. It is not sustainable to use reserves to close this budget gap as that can only ever be a short-term solution. Council reserves are there to help us to manage risk and provide some buffer if there are large, unexpected pressures. Difficult choices are in prospect as we consider the environmental, social, and financial concerns of the Council, and deliver a strategy that achieves a balanced budget.

1.11 The focus on delivering specific and wide-ranging savings to address our medium-term budget gap was mostly paused during the pandemic, and the focus was taken away from more traditional savings and efficiencies. Given the size of the budget gap next year, traditional savings and efficiencies will need to form a bigger part of our budgeting. Alongside this, we will continue working on cross-cutting changes to the way we work and how we support people who use our services to deliver sustainable change, reduce demand for our services, and reduce the inflationary impact on our services.

1.12 Ideally the Council wants to continue to focus on a range of more fundamental changes to the way we work, but we can only consider investment into these areas when the savings requirement is met. Once this happens these areas could include:

- Economic recovery – Economic recovery is at the heart of improving outcomes for people and managing demand for Council services. Although the economic position has changed significantly and uncertainty around inflation levels continue for the Council and the people of Cambridgeshire, overall Cambridgeshire is well placed to support growth and economic resilience, albeit the potentially severe financial consequences for some sectors and individuals. There are impacts on employment and household income levels for many across Cambridgeshire. The stress and anxiety caused by worrying about not having enough money to buy basic necessities or afford basic utilities, which has significantly increased due to the current inflation levels, is an important factor that affects demand for many of our services.

- Prevention and Early Intervention – To support people to remain as healthy and as independent as possible as well as reduce the health inequalities that have been exposed and exacerbated by the pandemic – we need to work with people and communities to help them help themselves or the person they care for or their community. This means improved access to advice and information about local support, asset building in communities and access to assistive technology. We will continue to build on how we support the networks and groups that developed during the pandemic to continue to be sustainable going forward, and where public services are needed, ensuring support is made available early so that people's needs are less likely to escalate.

- Decentralisation – To manage demand and enable people to remain living in their own homes in their local communities, and delay the need for more specialist services, we will continue to deepen our relationships with the voluntary and community sector, District, Parish and Town Councils, The Combined Authority & Greater Cambridge Partnership, and other public sector partners to continue to build place-based support services wrapped around our vulnerable people and communities; to reduce or delay the need for more specialist expensive services and build resilient and sustainable communities where people feel proud to live.

- Environment - Putting climate change and biodiversity at the heart of the council's work will require economic transformation. Failure to understand the risks of these two crises will impact economically on the lives of our communities and beyond. As a council, we aim to deliver 2030 net zero target for Cambridgeshire County Council as an organisation and develop clear actions for delivery of our Climate Change and Environment Strategy to achieve Net Zero by 2045 for the area, enabling service and investment decisions to be made in this context. Particularly through the generation of clean energy we can deliver a financial benefit to the Council but also save money through investment into greater energy and resource efficiency.

- Social Value - With a strong focus on outcomes and impact for our communities, we will be working with our public, private, voluntary and community partners to achieve our joint ambitions. We will seek to invest using social value criteria to drive improved outcomes, including health, the living wage and employment. We will look to contribute to keeping spend local through our procurement, spending and organisational activities.

1.13 We will try to mitigate the impact of the measures we will need to take to balance the budget by ensuring that any investments we do make are targeted to make the most difference. To do this, we have adopted a triple bottom line scoring system for investment proposals, that reflect the environmental and social impact of decisions as well as the financial requirement. The most efficient investments at delivering environmental or social return will be prioritised.

1.14 For several years the Council has been setting budgets in an increasingly uncertain context. This business planning round continues with that uncertainty, and the estimates made in these papers reflect our best estimates of costs, savings, and income at this point in time. The Council's reserves policy provides for some mitigation of risk should the context change when budgets are set. We proactively monitor all budgets across the Council to ensure any flexibility to meet unexpected pressures is made clear.

1.15 In 2021/22 the Council participated in a peer challenge run by the Local Government Association. We have made progress on implementing all recommendations from that review. This includes taking a more strategic approach to business planning for Cambridgeshire and putting in place funding to ensure business change capacity. We are also working towards setting a more medium-term financial plan, subject to the uncertain economic and policy context that the Council is working in. The lack of a detailed multi-year local government finance settlement makes it difficult to predict the resources available to us.

1.16 All service committees will consider their relevant revenue business planning proposals and by December committee they will be asked to endorse proposals to January Strategy and Resources Committee as part of the consideration for the overall Business Plan. These proposals are currently being developed and will each have a robust implementation plan, which allows as much mitigation as possible against the impact of current financial challenges. Where proposals reflect joint initiatives between different directorate areas these will go before the relevant Committees to ensure appropriate oversight from all perspectives. Until we have a route to a balanced budget, discretionary investments will be prioritised but not added to the business plan until it is clear what is affordable.

1.17 At this stage, the naming and organisation of services in the accompanying finance tables reflect the organisational structure pre-September 2022. The final versions of finance tables considered by committee will be based on the revised corporate structure.

2. Building the revenue budget

2.1 As we have a five-year business plan, the first four years of the new business plan already have a budget allocation. We revise the estimates for demand, inflation, and other pressures first to confirm the budget needed to deliver the same level of service and add in any new pressures or investment proposals. These budget changes are presented first to service committees and, overall, there is a gap between our budget requirement and the funding available.

2.2 We then work to close the budget gap through savings and efficiency initiatives, identification of additional income and revision of pressure estimates, presenting these further changes to committees later in the year. Ultimately, a balanced budget needs to be set by 1 March.

2.3 Delivering a balanced budget in the current economic context will not be easy, and it is a challenge facing the whole of local government. The Council will need to draw on a range of approaches in order to arrive at a balanced budget, produce an overall sustainable financial strategy and meet the Joint Administration's policy objectives. This will include looking at opportunities for dis-investment from non-statutory services that are not delivering our objectives, as well as strengthening services that result in maintaining people's independence such that they do not need to rely on our services.

2.4 As the economic picture develops, and as the policies of the new national government become clearer, we will update the key budget estimates to ensure they are as accurate as we can make them. We intend to set a budget with a reasonable balance of risk, and therefore should not be assuming the worst-case scenario will happen. The Council retains reserves to mitigate against unforeseen risk.

2.5 The changes so far to the budget gap estimation have been:

	2023-24	2024-25	2025-26	2026-27	2027-28
Opening budget gap	**17,396**	**22,737**	**16,782**	**18,337**	**18,596**
Key estimates updates					
Expenditure inflation estimates update	17,348	3,868	308	182	873
Income inflation estimates update	-1,939	-752	-900	-979	-923
2022/23 Staff Award Pay Inflation	3,500	0	0	0	0
Demand estimates update	-2,632	-1,273	-413	-119	759
Pressures					
Waterbeach Waste Treatment Facilities	0	580	0	0	0
IT & Digital Services - revenue investment to replace capital	965	939	1,071	0	0
Offsetting capitalisation of current revenue spend	-965	-215	0	0	0
Harmonisation of terms & conditions for insourced children's homes staff	311	0	0	0	0
Savings					
Energy schemes	-1,857	-44	-28	-29	-31
Council-wide mileage budget reduction	-500	0	0	0	0
Corporate vacancy factor	-400	0	0	0	0
Adults employment support contract retender	-40	0	0	0	0
Adults retender of block domiciliary care	-525	0	0	0	0
Public Health contract and related savings	-62	0	0	0	0
Funding changes					
Un-ringfenced home to school transport grant increase	-275	0	0	0	0
Business rates pool income	-700	700	0	0	0
Better Care Fund contributions increase	-872	0	0	0	0
Miscellaneous changes	-130	-173	-7	-9	-512
Revised budget gap	**28,623**	**26,367**	**16,813**	**17,383**	**18,762**

2.6 More detail about the proposals that make up this table relevant to this committee are set out in section 4 below.

This budget gap contains our best estimates of likely inflation, demand and other costs that we will face in 2023-28. Our estimate of the potential range of budget gaps over the five-year medium-term ranges from over £140m down to £70m, due to the huge range of uncertainty in most aspects of our work. We believe the current budget gap projected for 2023/24 is at the upper end of the potential range, and through the rest of the medium-term our estimates are broadly in the mid-range of potential outcomes.

3. Capital Programme

3.1 The Capital Programme

3.1.1 To assist in delivering its Business Plan, the Council needs to provide, maintain, and update long term assets (often referred to as 'fixed assets'), which are defined as those that have an economic life of more than one year. Expenditure on these long-term assets is categorised as capital expenditure and is detailed within the Capital Programme for the Council.

3.1.2 Each year the Council adopts a ten-year rolling capital programme as part of the Business Plan. The very nature of capital planning necessitates alteration and refinement to proposals and funding during the planning period; therefore, whilst the early years of the Business Plan provide robust, detailed estimates of schemes, the later years only provide indicative forecasts of the likely infrastructure needs and revenue streams for the Council. For each new business planning round, new schemes are developed by Services and all existing schemes are reviewed and updated as necessary before being presented to Capital Programme Board and subsequently Service Committees for further review and development.

3.1.3 Strategy and Resources will review the final overall programme in January, in particular regarding the overall levels of borrowing and financing costs, before recommending the programme as part of the overarching Business Plan for Full Council to consider in February.

3.1.4 There has been a sharp inflationary rise on construction goods due to international economic conditions and wider supply chain issues, as well as the energy crisis. Where the impact of this is known or can be estimated, it has been included, but further rises are anticipated.

3.2 Revenue Impact of the Capital Programme

3.2.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to any cost of borrowing through interest payments and repayment of principal and the ongoing revenue costs or benefits of the scheme. Conversely, not undertaking schemes can also have an impact via needing to provide alternative solutions, such as Home to School Transport (e.g., transporting children to schools with capacity rather than investing in capacity in oversubscribed areas).

3.2.2 The Council is required by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities 2021 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to achieve this, Strategy &Resources recommends an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan. In order to afford a degree of flexibility from year to year, changes to the phasing of the limit is allowed within any three-year block (the current block starts in 2021-22), so long as the aggregate limit remains unchanged. Strategy & Resources are due to set limits for the 2032-24 Business Plan as part of the Capital Strategy review in December.

3.3 Summary of the Draft Capital Programme

3.3.1 The revised draft Capital Programme is as follows:

Service Block	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
People Services	68,510	164,521	96,620	107,875	52,335	18,096
Place and Sustainability	414,459	60,413	31,208	22,283	18,946	18,969
Corporate Services	167,648	5,391	3,252	1,260	800	800
Total	**650,617**	**230,325**	**131,080**	**131,418**	**72,081**	**37,865**

3.3.2 This is anticipated to be funded by the following resources:

Funding Source	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
Grants	177,504	48,150	43,356	33,189	29,729	26,651
Contributions	93,951	66,635	37,675	20,431	35,951	38,844
Capital Receipts	15,130	24,990	19,842	12,000	2,000	6,000
Borrowing	248,537	91,866	30,535	65,798	32,280	3,216
Borrowing (Repayable)*	115,495	-1,316	-328	-	-27,879	-36,846
Total	**650,617**	**230,325**	**131,080**	**131,418**	**72,081**	**37,865**

* Repayable borrowing nets off to zero over the life of each scheme and is used to bridge timing gaps between delivery of a scheme and receiving other funding to pay for it.

All funding sources above are off-set by an amount included in the capital variation budget, which anticipates a degree of slippage across all programmes and then applies that slippage to individual funding sources.

3.3.3 The level of prudential borrowing currently projected for this business plan is an increase of approximately £34.7m, which will impact on the level of debt charges incurred. The debt charges budget is also currently undergoing thorough review of interest rates, internal cash balances, Minimum Revenue Provision charges and estimates of capitalisation of interest – the results of this will be fed into the next round of committee papers.

4. Overview of Highways and Transport Draft Revenue Programme

4.1 This section provides an overview of new pressures and risks and the savings and income proposals within the remit of the Committee.

4.2 Pressures and Risks:

- Materials supply and costs are an increasingly significant pressure on the delivery of highway services. Bitumen and steel supply are uncertain due to the Ukraine war and the impact this is having on global supply chains. This is driving up prices. Some electronics are also in short supply with implications for signals and street lighting, this is causing an escalation of costs. The highways industry is seeing higher than average inflation, particularly relating to bitumen products which make up around 70% of spending.

- The consequence of escalating costs and constrained supply is that highway delivery programmes will be reduced to match available budget allocations.

- DfT (Department for Transport) Capital allocations (made through the CPCA - Cambridgeshire and Peterborough Combined Authority) have been held with no increase for inflation, which results in a year-on-year reduction in funding. It is anticipated that this could worsen in coming years putting additional pressure on the revenue budgets for maintenance.

- It is currently estimated that there will be a 100% increase in energy costs form October 2022. This projection is based on the information currently available and given the volatility of the market there is increasing uncertainty as to how forecast inflation will settle over future years. There are also potential risks to energy supply which could result in energy shortages that may require the authority to actively manage energy use across the streetlighting infrastructure.

- Service capacity to deliver highway services: As has been discussed previously at Committee, there are significant pressures on the staffing resources across all services within Highways and Transport. The review of the highway maintenance structure, the development of an Apprenticeship programme and on-going recruitment will help address these issues in the longer term.

- Changed behaviours, working practices and modal shift is impacting on the generation of income through parking services. This has recovered to some extent since the significant impact of COVID-19 and periods of national ‘lockdown’, but this has not recovered to pre-pandemic levels.

4.3 Savings and Income proposals:

The following proposals are early ideas, under development, and not yet included in the business plan tables:

<u>Streetlighting: Dimming (revenue investment, revenue savings)</u>

With energy prices due to increase by 100% in October 2022 the Council's energy spend for street lighting will reach an annual cost of £3.3m. Therefore, any interventions reducing energy consumption by a significant percentage will have a considerable impact on future budget demands and will insulate the council from further price increases.
The primary focus of the following proposals is to reduce ongoing costs for the authority by reducing energy consumption. However, additional benefits will be delivered including a significant reduction in carbon in line with the percentage cost saving, improved lighting quality and reduced maintenance costs long term. The options being considered are:

1. LED replacement programme
2. Further Dimming
3. Part Night Lighting
4. LED replacement with interim further Dimming

Three options are proposed for consideration with a fourth hybrid option offering the greatest benefit by combining LED and Dimming to deliver greater savings at the same cost as LED alone.

1. LED Replacement programme

The current lighting assets consume considerably more energy than modern LED lanterns. A four-year programme of replacements would be implemented to replace these with energy efficient LED’s. This would reduce energy consumption from its current level of circa 750k KWH down to circa 204k KWH per month, representing a saving of 73% of energy and carbon against current levels. For reference, the current energy spend is in the region of £3.3m per annum, the anticipated energy saving would be c £2.4M.

This option requires a significant investment of c £13.28M spread over four years and offers a payback on the investment in under seven years. Any further increases in energy prices would reduce the payback period.

2. Dimming

Currently the council have implemented an optimal level of dimming to meet lighting standards whilst minimising energy use. The current street lighting dimming regime involves streetlighting being dimmed in residential/public areas between the hours of 22:00 and 06:00. There is the potential to implement a further dimming programme of certain assets to derive a small additional energy saving. This regime would reduce lighting levels to 60% output from 8pm to midnight, then to 40% until 6am. This proposal would not apply to traffic routes or Cambridge city centre. Certain assets can be remotely controlled using CMS (Central Management System) offering an immediate benefit with minimal implementation cost. A further implementation phase would be required to implement dimming on the remaining assets requiring in person visits to retrieve, reprogramme and return lanterns with the new dimming regime. This programme could be implemented over a two-year period with an estimated investment requirement of c £867k and an annual saving of c £235k upon completion.

3. **Part night lighting**

This would involve completely turning off certain assets for a period of the night which would result in chosen assets being unlit for the period of 1am to 5am. In principle this would be applied to the same set of assets as the enhanced dimming regime, however an estimated 25% of these assets would not be appropriate for part night lighting due to their location on junctions, around conflict areas, public services such as hospitals, or areas where CCTV is present. This approach would require significant consultation with stakeholders before finalising a list of assets for implementation. A similar approach to that of dimming would be taken with CMS assets changed prior to a programme of in person visits over a two-year period with a potential saving of £580k.

4. **LED replacement with interim dimming**

This hybrid approach would implement a dimming regime to assets on the CMS system to derive an immediate saving, with the four-year LED programme to be implemented to generate significant long-term savings in line with the proposed LED replacement programme. The implementation of interim dimming would generate an additional temporary saving of c£370k spread over the four-year rollout programme with negligible additional cost over that of the LED programme.

Reduction in Energy Spend

Option	Annual Energy Spend	Reduction in Annual energy spend post completion	% Reduction
LED Replacement programme	£3.3m	£2.4m	73%
Dimming	£3.3m	£235k	7%
Part night lighting	£3.3m	£580k	17%
LED replacement with interim dimming	£3.3m	£2.4m (+ one-off saving £370k during replacement programme)	73%

Highway Materials Recycling (capital investment, revenue and capital savings)
With the current pressures being seen on the supply market for highway materials, the advantages of creating a circular economy for highway materials in Cambridgeshire to deliver materials recovery and recycling capacity is increasingly attractive. This would not only help protect the authority from escalating material price and market pressures but would also provide a significant step forward in delivering a decarbonised, Net Zero Highways service.

This proposal involves a two-phase approach to the development and implementation of recovery and recycling processes for highway materials within Cambridgeshire and would see the recovery of approximately 16,000 tonnes of material per annum, with a carbon saving of c200t. It would avoid the disposal of over 300t of gully waste and potentially create between three to six new jobs. This option is being developed further with the support of Milestone but would sit outside the term maintenance contract to provide the necessary long-term control for the authority. The proposal uses well proven technology and processes and would lead the service to developing a 'recycled first' approach to material use in all our schemes. Once developed it will also be possible to explore the opportunities to process resources on behalf of other operators and generate income for the authority whilst enabling others to reduce their carbon footprint.

Phase 1 will deliver capacity to accommodate 30% of the potential materials recovery through the development of a facility within the current footprint of the March Highways Depot. It is anticipated that an initial investment of c£500k would deliver on-site processes that could see a reduced material cost of £250k per annum, with materials being recovered within year 2023/24.

Phase 2 of this programme would see the service increasing to 100% capacity. This would require additional land to accommodate a recycling and recovery facility that can accommodate a larger facility to handle an increased volume and range of materials.

This would see a new site in the northwest of the county, (or an expansion of the facility in March) and will require an initial capital investment of c£2M. This figure is highly dependent upon any land acquisition costs. It is anticipated that at full capacity the recycling facilities will deliver savings of c£750,000 per year from 25/26, if set up is delivered in 24/25. We would look to recycle all road materials, gully arisings, grass cuttings, and concrete.

We will need Environment Agency Approvals and ensure we are protecting the environment at the facility, so officers are working with planning colleagues to ensure relevant protections and compliances could be put in place.

The development of this capacity within the county will deliver sustained financial, carbon and environmental savings for the County Council.

<u>Realigning planned maintenance investment for 2023-2024 to help manage inflation pressures</u>
As outlined above, the highways industry is seeing increasing levels on inflation pressures across the material supply chain. This will impact on the capacity to deliver works as the cost of individual maintenance schemes increases. The Highway Service is working with partners and suppliers to establish the level of inflation across the range of materials and operations, and this will inform the development of the 23/24 delivery programmes. The current estimate is that inflation within highways is running at c 13%.

4.4 Development of further proposals

All services within Highways and Transport are continuing the process of challenging ways of working and services being delivered to identify future opportunities to achieve savings, secure funding, generate income and improve efficiencies, as well as identify future pressures. Further proposals will be developed and presented to the December Committee.

5. Overview of Highways and Transport Draft Capital Programme

5.1 The revised draft Capital Programme for Place and Sustainability is as follows:

Capital Expenditure	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
Place and Sustainability	60,413	31,208	22,283	18,946	18,969	23,279

5.2 This is anticipated to be funded by the following resources:

Funding Source	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
Grants	22,245	22,508	17,585	17,585	17,585	-
Contributions	15,918	3,227	1,005	1,005	1,005	4,260
Borrowing	22,250	5,473	3,693	356	379	19,019
Total	**60,413**	**31,208**	**22,283**	**18,946**	**18,969**	**23,279**

5.3 The full list of Place and Sustainability capital schemes is shown in the draft capital programme in Appendix 1c. Table 4 lists the schemes with a description and with funding shown against years. Table 5 shows the breakdown of the total funding of the schemes, for example whether schemes are funded by grants, developer contributions or prudential borrowing.

5.4 Papers on the individual schemes have been, or will be, considered separately by the relevant Service Committee where appropriate.

5.5 **New Schemes and Changes to Existing Capital Schemes**

5.5.1 Both new schemes and changes to existing schemes, such as rephasing, re-costing, and revised funding are highlighted below.

5.5.2 **Operating the Network Schemes**

This area is funded by Local Transport Plan grant funding from the Department for Transport (DfT). The assumption is made that funding that now goes via the Combined Authority will now be passported across to Cambridgeshire. We are unlikely to know the level of this grant until February 2022, an assumption has been made that it will be the same as 2022/23.

5.5.3 **Pothole Funding**

An assumption has been made that this grant will made again in 2023-24 and the estimate currently assumed maintains the support to ensure the budget for pothole repairs and funding of the Footpaths and Pavements schemes is at the same level as the 2022/23 budget. This is based on a statement issued by the DfT that this finding is likely to continue to 2024/25 although the actual level of the grant will not be known until February 2022.

5.5.4 **St Ives Local Improvements**

Scheme fully funded by the Combined Authority which commenced in 2022/23 to help with congestion on the network of roads in St Ives. Total budget allocated to this scheme £2.3m.

6. Next steps

6.1 The high-level timeline for business planning is shown in the table below.

October / November	Service Committees provided with an update of the current position
November / December	Draft business cases go to committees for consideration. Draft Strategic Framework and MTFS to Strategy and Resources Committee.
January	Strategy and Resources Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

7. Alignment with corporate priorities

Report authors should evaluate the proposal(s) in light of their alignment with the following five Corporate Priorities Strategic Framework 2022-2023.

The purpose of the Business Plan is to consider and deliver the Council's vision and priorities and section 1 of this paper sets out how we aim to provide good public services and achieve better outcomes for communities. As the proposals are developed, they will consider the corporate priorities:

- Environment and Sustainability
- Health and Care
- Children and Young People
- Transport

8. Significant Implications

8.1 Resource Implications

The proposals set out the response to the financial context described in section 4 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 will be described in the financial tables of the business plan. The proposals will seek to ensure that the most effective use is made of available resources ensuring the delivery of the best affordable services, given the pressures on funding.

8.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for the proposals set out in this report. Details for specific proposals will be set out in the business cases. All required procurement activity will be fully compliant with the Council's Contract Procedure Rules.

8.3 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. Cambridgeshire County Council will continue to meet the range of statutory duties for supporting our citizens.

8.4 Equality and Diversity Implications

Each of the proposals being developed will include a summary of key points from the Equality Impact Assessments carried out. These summaries will describe how each proposal will not discriminate against vulnerable, minority and protected groups. They will highlight any positive impacts and mitigations for any negative impacts.

8.5 Engagement and Communications Implications

Our Business Planning proposals are informed by the CCC public consultation and will be discussed with a wide range of partners throughout the process. The feedback from consultation will continue to inform the refinement of proposals. Where this leads to significant amendments to the recommendations a report would be provided to Strategy and Resources Committee.

8.6 Localism and Local Member Involvement

As the proposals develop, we will have 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.

8.7 Public Health Implications

It will be important to secure a better understanding of the impact of COVID-19 upon Public Health outcomes along with other service areas. There is emerging evidence of increases on obesity and smoking along with other key Public Health areas. Over the longer term this will increase demand for preventative and treatment services.

8.8 Environment and Climate Change Implications on Priority Areas

The climate and environment implications will vary depending on the detail of each of the proposals. The implications will be completed accordingly within each business case for the December committees.

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 Head of Procurement? Yes
Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or 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: Jules Ient

Have any engagement and communication implications been cleared by Communications?
Yes
Name of Officer: Sarah Silk

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes
Name of Officer: Julia Turner

Have any Public Health implications been cleared by Public Health?
Yes
Name of Officer: Iain Green

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?
Yes
Name of Officer: Emily Bolton

9. Source documents guidance

Appendix 1a	Introduction to the finance tables
Appendix 1b	Place and Economy* Revenue Table 3
Appendix 1c	Place and Economy* Capital Tables 4 and 5

*See section 1.17