

# GENERAL PURPOSES COMMITTEE



**Tuesday, 26 November 2019**

**Democratic and Members' Services**

Fiona McMillan  
Monitoring Officer

**10:00**

Shire Hall  
Castle Hill  
Cambridge  
CB3 0AP

**Kreis Viersen Room  
Shire Hall, Castle Hill, Cambridge, CB3 0AP**

## **AGENDA**

**Open to Public and Press**

### **CONSTITUTIONAL MATTERS**

1. **Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at*  
<http://tinyurl.com/ccc-conduct-code>
2. **Minutes - 22nd October 2019 and Action Log** **5 - 36**
3. **Petitions and Public Questions**

### **OTHER DECISION**

4. **Finance Monitoring Report - September 2019** **37 - 46**

### **KEY DECISIONS**

5.	<b>Integrated Finance Monitoring Report for the period ending 30th September 2019</b>	<b>47 - 70</b>
	<b>OTHER DECISIONS</b>	
6.	<b>Corporate Directorates' Risk Register</b>	<b>71 - 88</b>
7.	<b>Transformation Fund Monitoring Report Quarter 2 2019-20</b>	<b>89 - 94</b>
8.	<b>Treasury Management Report - Quarter Two Update 2019-20</b>	<b>95 - 108</b>
9.	<b>General Purposes Committee Agenda Plan, Training Plan and Appointments to Outside Bodies and Internal Advisory Groups and Panels</b>	<b>109 - 112</b>
10.	<b>Draft 2020-21 Capital Programme and Capital Prioritisation</b>	<b>113 - 124</b>

**Appendices A and C of this report are confidential. If members wish to discuss these appendices, it will be necessary to exclude the press and public as detailed in item 12 below.**

11.	<b>LGSS Operating Model</b>	<b>125 - 130</b>
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**Appendices 1 and 2 of this report are confidential. If members wish to discuss these appendices, it will be necessary to exclude the press and public as detailed in item 12 below.**

12.	<b>Exclusion of Press and Public</b>	
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*To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 3, 4 & 5 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed - information relating to the financial or business affairs of any particular person (including the authority holding that information), information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority, and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings*

13.	<b>Learning Disability Partnership - Baseline 2020-21 (Pooled Budget Review)</b>	
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- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- Information relating to any consultations or negotiations, or contemplated consultations or negotiations in connection with any labour relations matters arising between the Authority or a Minister...
- Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings;

The General Purposes Committee comprises the following members:

Councillor Steve Count (Chairman) Councillor Roger Hickford (Vice-Chairman)

Councillor Anna Bailey Councillor Ian Bates Councillor Simon Bywater Councillor Steve Criswell Councillor Lorna Dupre Councillor Peter Hudson Councillor David Jenkins Councillor Sebastian Kindersley Councillor Elisa Meschini Councillor Tom Sanderson Councillor Josh Schumann Councillor Mathew Shuter and Councillor Joan Whitehead

*For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact*

Clerk Name: Michelle Rowe

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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution:

<https://tinyurl.com/CommitteeProcedure>

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**GENERAL PURPOSES COMMITTEE: MINUTES**

**Date:** Tuesday, 22nd October 2019

**Time:** 10.03a.m. – 12.50p.m.

**Present:** Councillors Bailey, Bates, Count (Chairman), Criswell, Dupre, Harrison (substituting for Councillor Kindersley), Hay (substituting for Councillor Schumann), Hickford, Hoy (substituting for Councillor Bywater), Hudson, Jenkins, Meschini, Schumann, Shuter and Whitehead

**190. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies were received from Councillors Bywater, Kindersley and Schumann.

No declarations of interest were made.

**191. MINUTES – 26TH SEPTEMBER 2019 AND ACTION LOG**

The minutes of the meeting held on 26th September 2019 were agreed as a correct record and signed by the Chairman. The action log was noted.

**192. PETITIONS**

No petitions were received.

**193. FINANCE MONITORING REPORT – AUGUST 2019**

The Committee was presented with the August 2019 Finance Monitoring Report for Corporate Services and LGSS Cambridge Office, which was showing a forecast underspend of £809k. It was noted that the main change related to debt charges where a number of favourable changes had resulted in a significant underspend.

It was resolved unanimously to review, note and comment upon the report.

**194. INTEGRATED FINANCE MONITORING REPORT FOR THE PERIOD ENDING 31ST AUGUST 2019**

The Head of Finance in moving the recommendations contained within his report removed recommendation c) and replaced it with a new recommendation c) as set out below:

- c) Approve capital expenditure of £5.449M (to be funded by prudential borrowing) for Cambs 2020 Spokes disposals/acquisitions and adaptations, and earmark £513K within reserves for Cambs 2020 one-off reorganisation allowances and moving costs, as considered and recommended from the report to the Commercial & Investment Committee;

It was noted that a forecast year-end pressure of £0.82m was being predicted. Members were informed that a new pressure for winter maintenance had been identified. They also noted that Shareholder Company Dividends was forecast to overachieve by £250k.

One Member expressed disappointment that there was no business case associated with the new recommendation c). He was of the view that this request should be considered alongside the Alconbury Weald and Data Science projects in order to avoid double counting. The Chairman reminded the Committee that Commercial and Investment Committee had considered a report and was recommending approval.

Another Member highlighted that funding allocated to Place and Economy for highway maintenance and bus subsidy was again being used to fund the rest of the Council. She acknowledged that this was not uncommon for local authorities given their financial situation but it was important the public understood the nature of local government finances. The Head of Finance confirmed that there had not been a reduction in highway maintenance or bus subsidy. He explained that the favourable forecasts related to waste recovering, income from parking charges and Highway Development Control.

The same Member highlighted the fact that income from parking services would not be used to pay for these services in her Division. She stated that the public were not getting a better public service even though they were paying more for parking. The Chairman of Highways and Infrastructure Committee reported that the management of potholes was more efficient than it had been two years ago with currently no backlog. The financial surpluses were due to savings in waste and a new highways contract. He reminded the Committee that it was a small budget which was unlikely to make a significant difference to the Council's finances. The Chairman of Economy and Environment Committee added there had also been no reduction in bus subsidies.

It was resolved to:

- a) Note the transfer in budget responsibility and reporting for commercial scheme debt charges from Debt Charges within Corporate Services (CS) Financing to Commercial and Investment (C&I), as set out in section 5.2;
- b) Note the reduction in prudential borrowing of -£5,198k in relation to the multi-agency One Public Estate Highways Depot Project, as set out in section 6.7;
- c) Approve capital expenditure of £5.449M (to be funded by prudential borrowing) for Cambs 2020 Spokes disposals/acquisitions and adaptations, and earmark £513K within reserves for Cambs 2020 one-off reorganisation allowances and moving costs, as considered and recommended from the report to the Commercial & Investment Committee;
- d) Approve additional prudential borrowing of £920,000 in 2020/21 for the Cromwell Community College scheme, as set out in section 6.8.

## **195. MEDIUM TERM FINANCIAL STRATEGY**

The Committee considered the Council's draft Medium Term Financial Strategy (MTFS) for the next five years. The strategy was updated annually at the commencement of the business planning process but refined during the process as the financial climate and the Council's approach to its finances gained greater clarity. The final strategy would be adopted at the Council meeting in February. It was noted that the draft strategy had been prepared before the mini spending review announcement so these changes were not reflected in the report. However, it was expected that they would reduce significantly the Council's deficit. The Chief Finance Officer (CFO) reminded the Committee that a full spending review had been expected but it had now been deferred for another twelve months.

The Chairman highlighted a change to the preparation of the strategy which involved maintaining the confidentiality for commercial reasons of capital projects which had not yet been developed fully.

One Member queried why the relationship between climate change and the budget did not feature in the strategy as a guiding principle. The Chairman reminded the Committee that Council had only approved a motion recently, after the publication of the GPC agenda, to link climate change and the budget. He informed Members that Council would be considering a report on the draft Climate Change and Environmental Strategy at its meeting in December with the final strategy for approval in March.

The same Member commented that the original motion on climate change had been approved in May. She therefore queried why there was no detail in the strategy. The CFO reported that whilst he understood the importance of the Council's position on climate change, the MTFS was a financial strategy and not a corporate one. He confirmed that the wording could be changed to help shape the financial environment but it was not an end in itself. One Member reported that the all Councils had received further detail from Government regarding the Environment Bill confirming that any new burdens would be cost neutral.

Another Member highlighted the challenge of embedding the climate change emergency in the Council's thinking. The Chairman reminded the Committee that his group had pushed forward a motion on climate change and the Plastics Strategy. The Council was recognised as a leader in this area and had won an energy efficiency award. He was of the view that the Council's track record on climate change was at the forefront of local authorities.

One Member queried the statement regarding no increases in general council tax from 2020-21 until 2024-25 on page 49 of the draft strategy. He asked whether the document could recognise the impact of increasing council tax. The Chairman reminded the Committee that the impact of a 1% increase was set out in the draft strategy. He explained that the new freedoms from Government had only recently been agreed and they would be considered by full Council as part of the five year business plan.

Attention was drawn to page 73 of the draft strategy detailing the fact that Cambridgeshire's Settlement Funding Assessment award per head of population was the seventh lowest of all shire county councils, at only £98.09 compared to the average of £127.35. One Member drew attention to the funding the Council should be receiving based on its population growth. She reminded the Committee that the Council was lobbying hard for fairer funding and urged everyone to support the campaign. She suggested it should be highlighted strongly in the strategy. The Chairman added that the Council had a shortfall of £25m compared to an average County Council with Shire Counties being the lowest funded of all local authorities.

Another Member whilst acknowledging the action taken by the Council over the years queried how effective it had actually been. The Chairman reported that the Council had secured £61.4m additional funding as a result of lobbying by the Council and the County Councils' Network. He added that it was unlikely a review would have been secured for next year without this lobbying.

The Chairman reported that he had a number of minor edits to the draft strategy. He asked the Committee to submit any amendments to the CFO. One Member reported that the reference to pooling more than five developer contributions on page 67 of the draft strategy was now out of date.

It was resolved unanimously to consider the Draft Medium Term Financial Strategy for 2020-25.

#### **196. SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING PROPOSALS FOR 2020-21 TO 2024-25**

The Committee received a report detailing an overview of the draft Business Plan Revenue Proposals for services that were within its remit. Attention was drawn to Section 5 which set out a project to be delivered in collaboration with Cambridgeshire Billing Authorities to invest in counter fraud and compliance activity to increase Council tax income.

One Member whilst supporting the project queried how it would be financed. The Head of Finance explained that it was the responsibility of the billing authorities to maximise Council tax collection but the County Council was the biggest beneficiary. The Council would therefore need to negotiate a sharing arrangement to incentivise using gain. The CFO added that if the Council achieved agreement it would resource on the basis of a proportionate benefit of 80%. The Chairman queried what would happen once the collection rates had increased as the District Councils were not the recipients of the major gain. The CFO acknowledged that the ongoing cost would fall on the Districts. He raised the need to find a way of funding the Council's contribution once the project had ended.

The Head of Finance highlighted the success of a similar project in Essex. Another Member explained that this project would only work for a number of years and would then need to be done again. However, in the meantime all authorities would learn from its success. One Member reported that she had seen similar business cases before and queried what was actually new. The

CFO explained that a previous project had been focused on East Cambridgeshire and Fenland rather than the whole county.

Attention was drawn to the reference to demand management in the report. One Member highlighted the need to also make reference to the work of Children and Young People's Committee. She explained that the problem was more significant in children and adults so the reference should be more specific. The Chairman reported that this was a broad reference across all Council services.

The Chairman raised the importance of scrutinising inflation and demography at the same level as savings. He stressed the need for this information to be shared with Chairs of Policy and Service Committees next year and taken to committee if necessary. **Action Required.**

It was resolved unanimously to:

- a) note the overview and context provided for the 2020-21 to 2024-25 Business Plan revenue proposals for the Service; and
- b) comment on the draft revenue proposals that were within the remit of the General Purposes Committee for 2020-21 to 2024-25.

## **197. CAPITAL STRATEGY**

The Committee considered the Council's Capital Strategy detailing all aspects of the Council's capital expenditure programme: planning; prioritisation; management; and funding. Members were reminded that the strategy was revised each year and approved by full Council in February. The report set out the Council's level of indebtedness. The Council's investments were split between non-treasury which related to commercial investments and treasury as set out in the Treasury Management Strategy. Attention was drawn to the graph on page 124 detailing the proportion of net budget (excluding schools) that was forecast to be spent on debt charges, and the estimated increase in borrowing levels over the period of the 2019-20 plan.

One Member queried what would happen if capital proposals that were able to reliably demonstrate revenue income/savings at least equal to the debt charges did not meet their target. The CFO acknowledged that the Council had not had to deal with an issue of that nature. He explained that if an investment failed it would become necessary funding.

The same Member queried whether the issue of debt charges rising steeply against the percentage of income was concerning. The CFO explained that the report highlighted the fact that more of the Council's operational revenue capacity was being used to finance debt. He added that this situation was more common for authorities with significant growth. It was therefore important that the Committee was mindful of this situation. In response to a further query, it was noted that the figures for this year would be part of the same trend.

The Chairman raised the need to differentiate between necessary and good borrowing. He explained that of the 8% figure 6% was necessary and the rest improved the performance of the Council. However, he acknowledged that there was a worrying trend and requested more detail be circulated to the Committee particularly in relation to the proportion of the total budget that was either Good or Necessary borrowing, and a narrative regarding the Medium Term Financial Strategy (MTFS) built in positive financial implications associated with good borrowing and any risks associated with returns failing from that proportion of the borrowing. **Action Required.**

It was resolved unanimously to review and comment on:

- a) The revised Capital Strategy
- b) That the advisory limit on the level of debt charges (and therefore prudential borrowing) should be kept at existing levels.
- c) That borrowing related to Invest to Save/Earn schemes should continue to be excluded from the advisory debt charges limit.

#### **198. SERVICE COMMITTEE REVIEW OF THE DRAFT 2020-21 CAPITAL STRATEGY PROGRAMME**

The Committee received a report providing an overview of the draft Business Plan Capital Programme for Corporate and LGSS Managed Services.

It was resolved unanimously to:

- a) note the overview and context provided for the 2020-21 Capital Programme for Corporate and LGSS Managed Services; and
- b) comment on the draft proposals for Corporate and LGSS Managed Services' 2020-21 Capital Programme and endorse their development.

#### **199. CAMBRIDGE UNIVERSITY SCIENCE AND POLICY EXCHANGE: GREENHOUSE GAS EMISSIONS BASELINE AND FORECAST TO 2050 FOR THE CAMBRIDGESHIRE AND PETERBOROUGH AREA**

The Committee was presented with Cambridge University's Science and Policy Exchange (CUSPE) research report identifying the current carbon footprint for the geography of Cambridgeshire and Peterborough and opportunities to deliver Government's net zero carbon emissions ambitions by 2050. It was noted that the aim of the research was to inform the development of the Climate Change and Environment Strategy and Action Plan (CCES). The report covered six different sectors with a model developed for each for the Council to use and update should assumptions need to be revised.

The Committee received a presentation attached at **Appendix A**. The Chairman reported that many Members had attended a very good longer presentation. On behalf of the Committee, he thanked the CUSPE Team and the Mobilising Local Energy Investment Team for their hard work which would

form the back bone of the Council's Environment Strategy. He also thanked Councillor Ian Manning, the Council's Evidence-Informed Policy Member Champion, for supporting the partnership with the University of Cambridge. The following issues were raised by individual members in response to the presentation:

### **Peatland**

- queried how the impact of peatland on emissions could be ameliorated particularly as it would not be possible to restore all peatland to its natural state. It was noted that the only way to prevent these emissions was to re-wet peatland. There were small examples of where this had occurred such as the Great Fen Project, which had provided some learning. Unfortunately, there was no easy answer to this issue.
- noted that the report acknowledged possible technological advances to address the problem of peatland emissions. The Chairman highlighted the possibility of farming sphagnum moss in peatland areas. He acknowledged the work in progress and looked forward to possible alternatives to address this issue. He reminded the Committee of the skills available in the science industry based in Cambridge.
- highlighted the problems associated with abstracting water in the Fens. There was a need to work with the innovation companies based in Cambridgeshire to look at ways of capturing water.

### **Transport**

- highlighted the need to take difficult decisions in relation to transport. The transport sector accounted for 39% of total emissions in Cambridgeshire and Peterborough in 2016 which was a rise of 10% in eleven years. It was noted that there had been a modest trend towards electrified vehicles but it would need policy levers to increase take up. The decarbonisation of all the transport fleet would not be sufficient. Measures would need to be taken in relation to car use supported by active modes and public transport. It was noted that proposals being considered for the Greater Cambridge Partnership (GCP) area would help move towards providing a more coherent package but difficult decisions would still need to be taken. International estimates indicated that vehicle traffic would increase, which would have a negative effect on congestion. Local authorities would therefore need to work with the public to take difficult decisions.
- noted that transport emissions had stayed relatively constant for Cambridgeshire and Peterborough. It was acknowledged that transport was a difficult area but some places were performing better than others such as Norway and Amsterdam. The Committee would be considering another CUSPE report in the future on Transport Solutions with a seminar planned for November; a report would also be presented to the GCP. It was noted that decarbonisation of the grid could be done without involving the public but addressing transport emissions involved people's feelings and emotions.

## **Agriculture**

- expressed concern regarding simplistic ideas particularly in relation to cows. It was noted that CO<sub>2</sub> emissions applied to all ruminants but cows produced the highest amount. However, it was important to note that 95% of emissions from ruminants were from mammals cultivated by humans; 94% of mammals comprised humans and livestock. The Committee was informed that reducing meat and dairy, and increasing wildlife was a positive approach. Another Member suggested that simplistic ideas relating to transport, energy and food were important to enable people to take action.
- stressed the importance of being ambitious. However, it was acknowledged that some actions might end up competing with land use. Members were informed that the energy food nexus was a pressing issue for the land use of the entire world and a proper analysis was needed of the full impact. It was noted that the efficiency of land use was higher from crops such as soya beans than livestock. It was suggested that moving to a more plant based diet would free up more land. There was also the issue of growth competing with land use, which might require the need for denser housing. One Member asked whether the Climate Change and Environment Strategy Working Group or CUSPE should be asked to investigate further. The Chairman acknowledged the usefulness of engaging the Working Group.
- queried whether population growth assumptions had been included when setting reduction levels for emissions for agriculture. It was noted that data from Cambridgeshire Insight had been used for the last five years and then trends had been mapped until 2050.

## **Net Zero: Closing the Gap**

- queried how the Council could work with District Councils in relation to its Environment Strategy. The Project Director, Mobilising Local Energy Investment reported that the Council would need to understand what this would mean.
- queried whether the 2050 ambitious scenario target was realistic. One Member explained that she was concerned about public buy in if an unrealistic target was imposed. It was noted that a 2030 net zero target was possible for organisations. However, there would need to be changes in policy nationally for the 2050 ambitious scenario target to be achieved. It was noted that it would be difficult to deliver decarbonisation in a non-city environment.
- acknowledged that the next stage of the challenge was to work with the public to change people's way of life by encouraging and providing them with ways of being more environmentally friendly.

Councillor Manning reported that another set of policy challenges for CUSPE to research were being identified for the next round in February.

The Chairman raised the importance of working with the Council's partners such as the District Councils, Combined Authority and GCP. He suggested that a copy of the CUSPE report should be sent electronically to all Members, Chief Executives and Leaders of District Councils, the Combined Authority and utility providers with a letter offering to engage at every opportunity.

**Action Required.**

He highlighted the need to encourage the National Grid to move towards zero carbonisation at speed so that the electrification of cars and other public transport had an impact. He drew attention to Council solar projects at Soham and St Ives. He acknowledged the need to target first decisions which were both politically and financially acceptable before moving on to other areas.

It was resolved unanimously to accept the CUSPE research report and its use as part of the evidence base to inform the development of the Council's Climate Change and Environment Strategy and Action Plan (CCES).

## **200. TRANSFORMATION FUND**

### **(a) Transformation Fund Bid to Finance the Commercial Team**

The Committee considered a Transformation Fund bid to finance the work of the Commercial Team until March 2021. It was noted that the bid had been considered by the Commercial and Investment Committee on 18th October 2019 receiving unanimous support. Attention was drawn to the background and the need to develop a commercial resource. It was now necessary to establish a dedicated commercial team to optimise commercial skills with a view to appointing a permanent, self-funding team by April 2021.

Members were supportive of the proposal as it would make the Council more successful. However, one Member reminded the Committee that revenue gains could only be used once. The Chairman reported that the amount of revenue gains exceeded the cost of the team.

It was resolved unanimously to:

approve the Transformation Bid proposal of £390,000 to fund the Commercial Team up to March 2021 as set out in Appendix A to the report.

### **(b) Home to School and Adults Social Care Transport**

The Committee considered a report outlining transformation investment to identify and deliver savings in home to school and social care transport. An investment of up to £410k from the Transformation Fund was requested to be drawn down in tranches. This funding would provide specialist capacity to support the work to review transport policy, processes and procedures across services and to develop and embed an Independent Travel Training Programme for children and young people with Special Educational Needs and Disability (SEND).

One Member expressed strong support for this bid as it would help both people and the Council's budget. She reminded the Committee of the successful Total Transport Project. The project had tried unsuccessfully to combine taking adults to day centres and SEND children to school; she queried whether this issue could be considered again as it could result in efficiencies. The Chairwoman of Adults Committee acknowledged that it was worth revisiting but highlighted the fact it could be hugely resource intensive. She reminded the Committee of the considerable amount of work which had been done to help people with learning disabilities to be more independent. She stressed that this was the right thing to do regardless of financial savings.

One Member queried Peterborough City Council's contribution to the project. It was noted that the City Council had received a similar business case as part of its financial improvement programme.

Another Member queried the view of the Children and Young People Committee. It was noted that the Committee would consider the report in December. In the meantime, the direction of travel had been considered by the Chairman and Vice-Chairwoman. The same Member queried why the usual process of consulting the relevant committee first had not been followed in this case. Members of Children and Young People Committee commented that this issue had been discussed at meetings of the Committee with Members giving their support in principle.

One Member reported that he had been contacted by local residents whose children had SEND on the autism spectrum. It was important to bear in mind that these families needed plenty of time to prepare their child/young person for changes to their travel arrangements and for any changes to be introduced. It was acknowledged that training needed to go at the pace required by the individual child/young person.

It was queried how the figure of £410k had been identified. The Chairman asked for the table at 5.1 to be revised to improve clarity and then circulated to the Committee. **Action Required.**

The Chairman reminded the Committee that the Council was an outcome focused organisation. He therefore suggested that the report should have been presented in a different way with a focus on improving outcomes for children. He highlighted the need to identify individual personal profiles to target resource, this would then enable taxi contracts to be awarded appropriately. It was therefore important to phase this work a year in advance.

It was resolved unanimously to:

- a) release Transformation funds to provide additional resources to identify the areas where savings could be made across Cambridgeshire;
- b) release funds in support of Independent Travel Training for Cambridgeshire ; and

- c) delegate authority to the Chief Finance Officer to draw down the £410k investment in tranches, in consultation with the Chairman of General Purposes Committee and the Chairman of Children and Young People Committee.

#### **c) Transformation Fund Monitoring Report Quarter 1 2019-20**

The Committee considered a report detailing progress in the delivery of the projects for which transformation funding had been approved at the end of the first quarter of the 2019/20 financial year. Members noted the outcomes for current projects and a table showing the trend in RAG rating over the previous four quarters. Attention was drawn to an update on the Housing Related Support Investment project in particular why the funding had not been drawn down.

Members were aware that the Housing Related Support Investment project savings were in the Business Plan, they therefore queried how long the work would take. It was agreed that a timetable should be shared with the Committee. **Action Required.**

The Chairwoman of Adults Committee drew attention to the Adults Positive Challenge Programme particularly the carers' work stream, she reported that the Council was reaping the benefits of employing external consultants. She highlighted the difference in the level of support to carers who had previously been supported by a central contract and a one off direct payment. She explained that it was not always about money.

It was resolved unanimously to note and comment on the report and the impact of transformation fund investment across the Council.

#### **201. PERFORMANCE REPORT – QUARTER 1 2019-20**

The Committee was provided with a report detailing performance monitoring information. Members were reminded that this was the first report in the new template style agreed by the Committee in July. The Chairman highlighted the need for consistency in relation to the RAG rating for current performance better than target. It was noted that it would be blue in future.

The Chairman raised the need for this report to be scheduled higher up the agenda. **Action Required.** He also drew attention to Indicator 40: Classified road condition – narrowing the gap between Fenland and other areas of the County. He queried how this would be achieved if all that was available was one-off funding from Government. **Action Required.**

In relation to Freedom of Information and Subject Access Requests, one Member queried the length of time required to legally keep records. **Action Required.** The Chairman commented that performance in this area was contrary to what was expected and requested more information. **Action Required.**

One Member highlighted the need to keep track of Transformation Fund expenditure. The Chairman explained that it was recorded as part of the reserves table in the Integrated Finance Report.

The Chairman drew attention to Indicator 14: Proportion of service users (18-64) with a primary support reason of learning disability support in paid employment. He could not understand in an area of high employment why the Council compared unfavourably with its statistical neighbours and the England average. The Chairwoman of Adults Committee explained that it was an issue of recording, as the figures were only recorded if they were reviewed in year. Unfortunately, there was a delay in the review process. The Chairman stressed the need for action in this area.

In considering the indicator relating to congestion on key routes, the Chairman asked for a list of key routes and how they were identified to be circulated to the Committee. **Action Required.**

It was resolved unanimously to note and comment on performance information and take remedial action as necessary.

## **202. REPATRIATION OF SERVICES FROM LGSS TO CAMBRIDGESHIRE COUNTY COUNCIL**

The Committee was asked to agree the repatriation of the Professional Finance Services and Democratic and Members' Services from LGSS to the Council. The CFO explained that the overarching strategic review of LGSS was in hand. This was an interim measure to reflect changes already made by Northamptonshire County Council.

The CFO confirmed that the repatriation would be cost neutral and the delivery of savings in these areas would be reviewed. He reminded the Committee that the ambitious savings target for LGSS had been removed from the current year budget baseline in May as it was not going to be achieved. It was noted that LGSS operated on a cash limit methodology rather than business cases. Members were also informed that the management structure was reducing as a number of staff had left and not been replaced.

It was resolved unanimously to:

- (a) note the contents of the report and;
- (b) agree that the two service areas are repatriated to the County Council with immediate effect.

**203. GENERAL PURPOSES COMMITTEE AGENDA PLAN, TRAINING PLAN AND APPOINTMENT TO OUTSIDE BODIES, AND INTERNAL ADVISORY GROUPS AND PANELS**

The Committee considered changes to its agenda plan as follows:

**November**

- remove Social Impact Bond, Life Changes Fund
- remove Draft Climate Change and Environment Strategy (to be considered by Council)
- note that Learning Disability Partnership – Baseline 2020/21 (Pooled Budget) was a confidential item

**December**

- add Transformation Fund Bid – Demand Management in SEND.

It was resolved unanimously to review the agenda plan.

Chairman



## GENERAL PURPOSES COMMITTEE

### Minutes-Action Log

#### Introduction:

This log captures the actions arising from the General Purposes Committee on 22nd October 2019 and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 18th November 2019.

### Minutes of 22nd October 2019

Item No.	Item	Action to be taken by	Action	Comments	Completed
196.	<b>Service Committee Review of Draft Revenue Business Planning Proposals for 2020-21 to 2024-25</b>	C Malyon T Kelly	The Chairman raised the importance of scrutinising inflation and demography at the same level as savings. He stressed the need for this information to be shared with Chairs of Policy and Service Committees next year and taken to committee if necessary.	Demography and inflation amounts are presented within the business planning tables considered by Committees, alongside supporting narrative.  Next year, the more detailed supplementary information and workings will be provided to Committee Chairs.	Completed

197.	<b>Capital Strategy</b>	C Malyon T Kelly	The need to circulate more detail on the Council's indebtedness to the Committee particularly in relation to the proportion of the total budget that was either Good or Necessary borrowing, and a narrative regarding the MTFS built in positive financial implications associated with good borrowing and any risks associated with returns failing from that proportion of the borrowing.	<p>This will be reflected in the next iteration of the capital strategy at the January meeting of the General Purposes Committee.</p> <p>The debt charges as a proportion of budget relating to both total borrowing and necessary borrowing only (not including invest to save schemes) is shown as part of section 4 of the item on the future capital programme at this meeting</p>	Completed
199.	<b>Cambridge University Science and Policy Exchange: Greenhouse Gas Emissions Baseline and Forecast to 2050 for the Cambridgeshire and Peterborough area</b>	S French	A copy of the CUSPE report to be sent electronically to all Members, Chief Executives and Leaders of District Councils, the Combined Authority and utility providers with a letter offering to engage at every opportunity.	Letter drafted by Transformation Team for Sheryl French to review and send to Councillor Count for approval. The letter will accompany the CUSPE report.	Ongoing

<b>200 (b)</b>	<b>Home to School and Adults Social Care Transport</b>	J Turner	It was queried how the figure of £410k had been identified. The Chairman asked for the table at 5.1 to be revised to improve clarity and circulated to the Committee.	The invest to save figure was determined through early investigative work with transport consultants and a specialist in independent travel training. It was suggested a figure of up to £150k would provide a full review of home to school transport. In addition, engagement with an independent travel trainer indicated an annual fee of £58,000 with additional costs per student, should a buddying service be applied to the travel training approach. The travel training figure therefore factors in costs for a budding service over 2 years for 50 students. However, neither of these figures are finite. Should the authority require specialist expertise to realise savings, in the form of a review and in support of embedding independent travel, procurement or tendering will be carried out to ensure value for money.	Completed
<b>200 (c)</b>	<b>Transformation Fund Monitoring Report Quarter 1 2019-20</b>	J Turner	Members were aware that the Housing Related Support Investment savings were in the Business Plan, they therefore queried how long the work would take. It was agreed that a timetable should be shared with the Committee.	Based on discussions last week, it is possible that there will be changes to the timetable for achieving some of the savings in order to align with the consultancy work. However, this would still mean that all savings would be implemented by the end of the financial year 2021/22.	Ongoing
<b>201</b>	<b>Performance Report - Quarter 1 2019-20</b>	M Rowe	This report to be scheduled higher up the agenda in future.	Democratic Services Manager will action for each agenda with the Performance Report.	Completed

		A Mailer	Indicator 40: Classified road condition – narrowing the gap between Fenland and other areas of the County – how will be achieved if all that is available is one-off funding from Government.	This indicator will not be achieved solely through one-off funding allocations from Government. However the full capital funding allocation contributes to narrowing the gap and this annual funding is supplemented by additional funding in year from successful bids, for example the Challenge Fund. In reality the funding received from Government is not sufficient to narrow the gap, even when supplemented by additional one-off funding allocations. Available funding is used as far as possible to maintain the classified road condition in a steady state.	Completed
		A Mailer	In relation to FOI and Subject Access Requests, one Member queried the length of time required to legally keep records. The Chairman commented that performance in this area was contrary to what was expected and requested more information.	<p>Data and information used to answer Subject Access requests is kept for standard retention periods which are set by national legislation, the retention periods vary for different services. CCC have to give access to personal data/information under the General Data Protection Regulations.</p> <p>Subject Access requests have increased since the introduction of the General Data Protection Regulations which came into force in May 2018. So far this year we have seen a 39% increase in Subject Access Requests. For 2018/2019, at the end of October we had received 87 requests, however in 2019/20 we have so far received 121 requests. Each of these requests can take several hours/days to complete given the volume of data/information which is being requested. Recruitment is underway in the Information Governance team for additional resource (who answer these requests) to ensure that the targets are met in future months.</p>	Completed

		A Mailer	In considering the indicator relating to congestion on key routes, the Chairman asked for a list of key routes and how they were identified to be circulated to the Committee	The exact selection process for choosing the routes predates officers currently in place. A description of the indicator, which details the criteria set out by Central Government for route selection has been circulated to the Committee. It is therefore assumed that this criteria set out is the basis for the routes currently identified.	Completed
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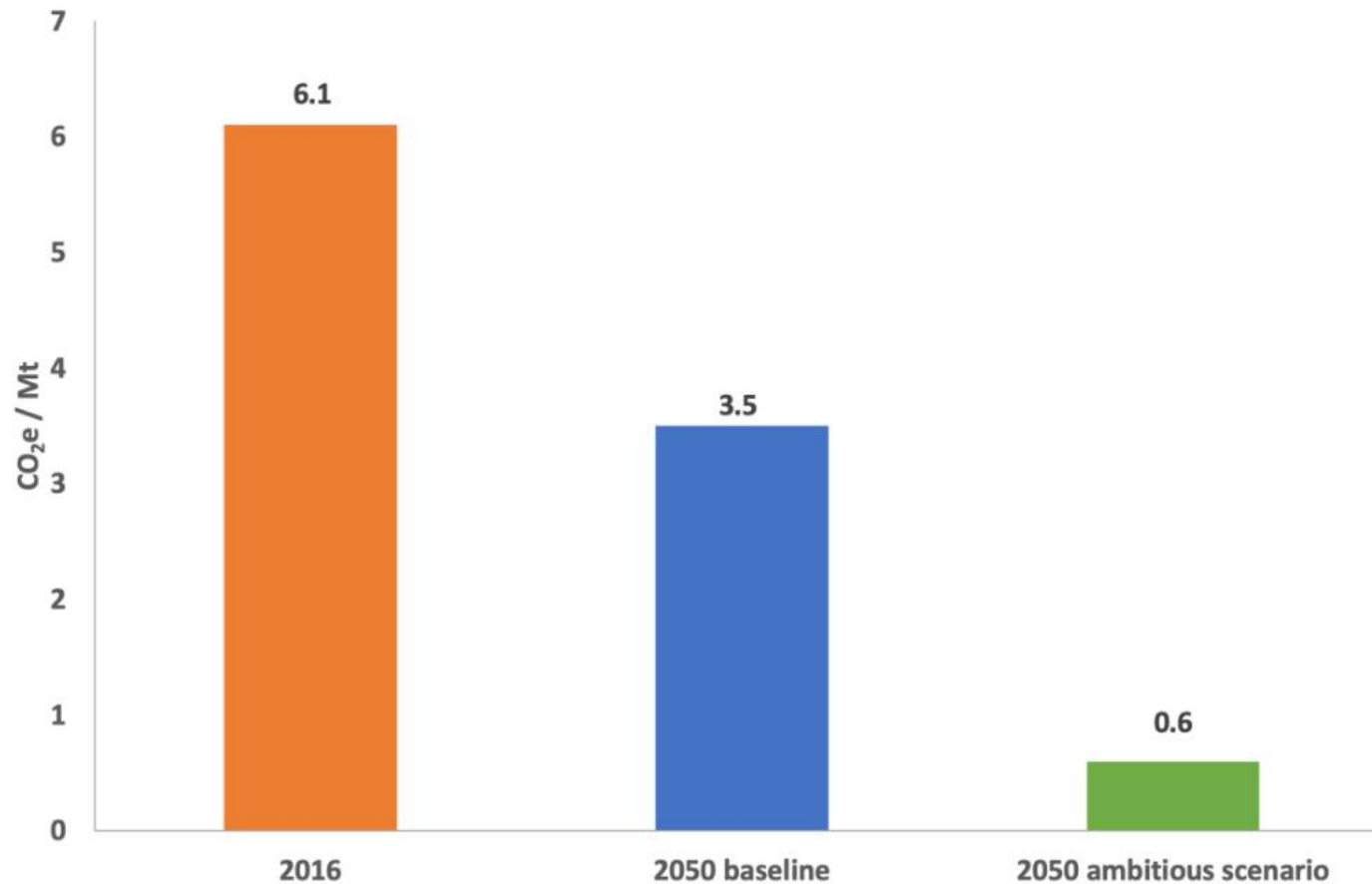


# Net Zero Cambridgeshire

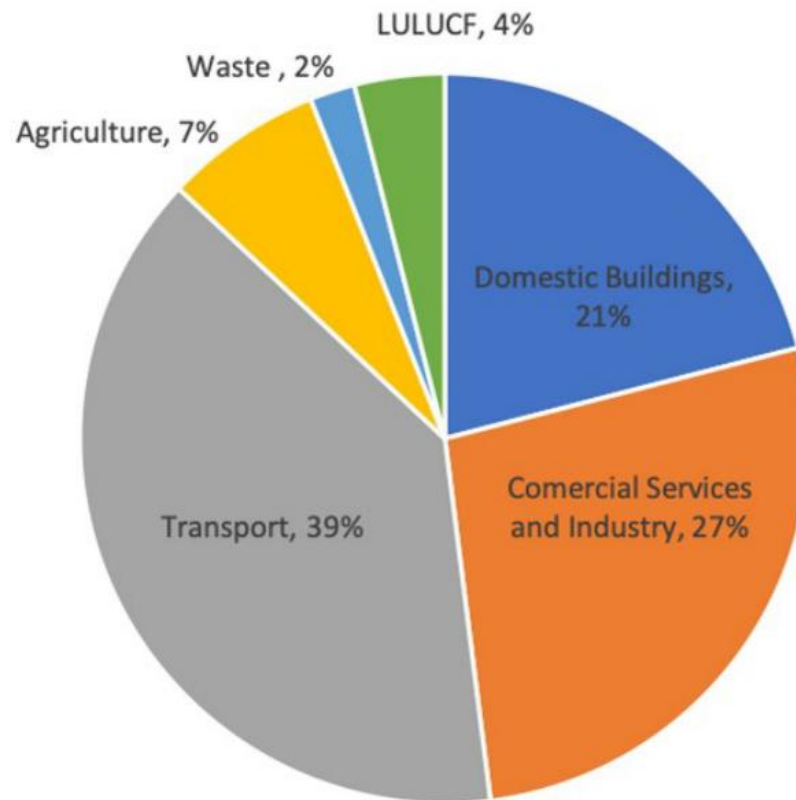
*What actions must Cambridgeshire County Council & Peterborough City Council take to reach net zero carbon emissions by 2050?*

James Weber, Kieran Gilmore, Peter Budden, Sarah Nelson,  
Yuchen Hu, Meena Matharu & Matteo Craglia

# Introduction - Scenarios



# Introduction - Current Emissions

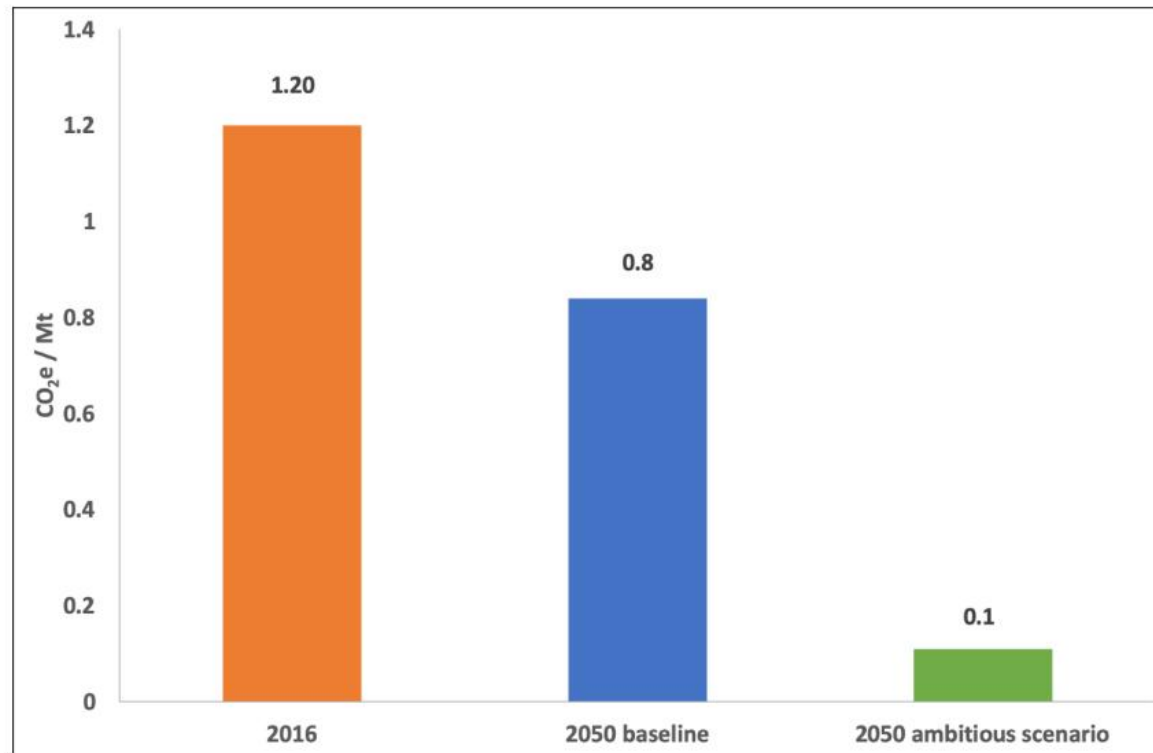


# Domestic Buildings

## Ambitious forecast – 91% reduction

- Household efficiency improvements
- Low carbon heat – heat pumps, community heating

**Model available for council use.**

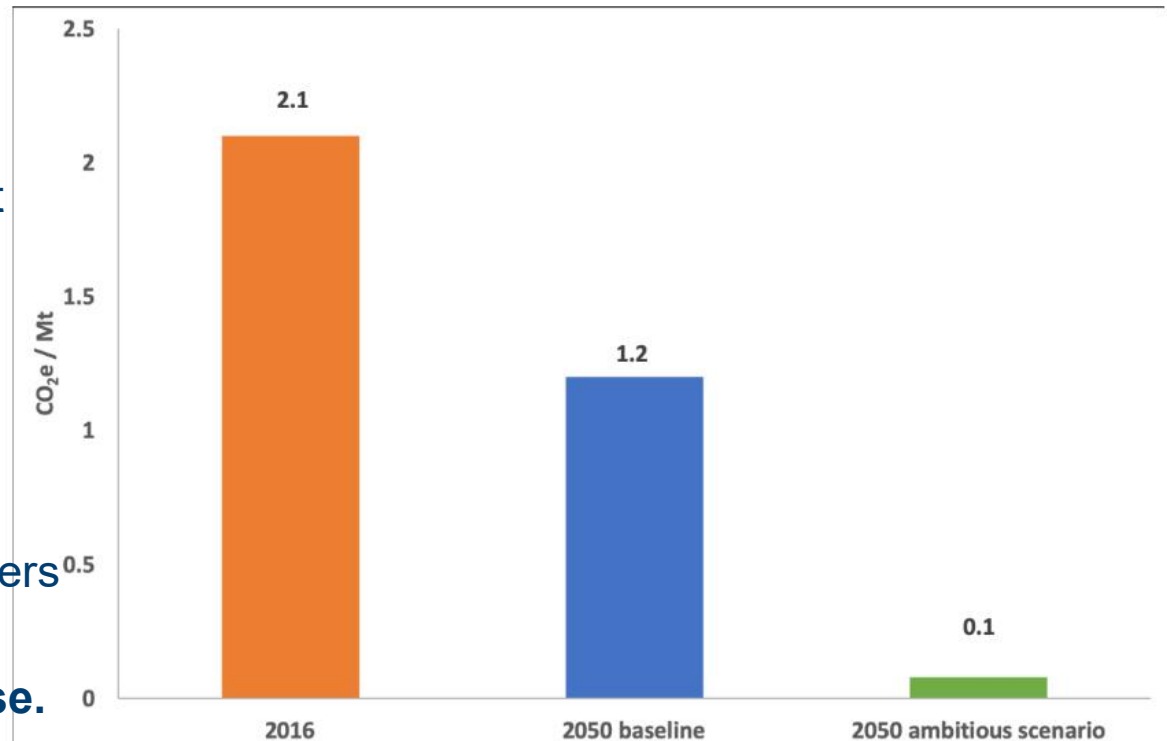


# Transport

## Ambitious forecast – 95 % reduction

- Electrification of all transport fleet.
- 10% modal shift to public transport.
- Rollout of 3500 public chargers

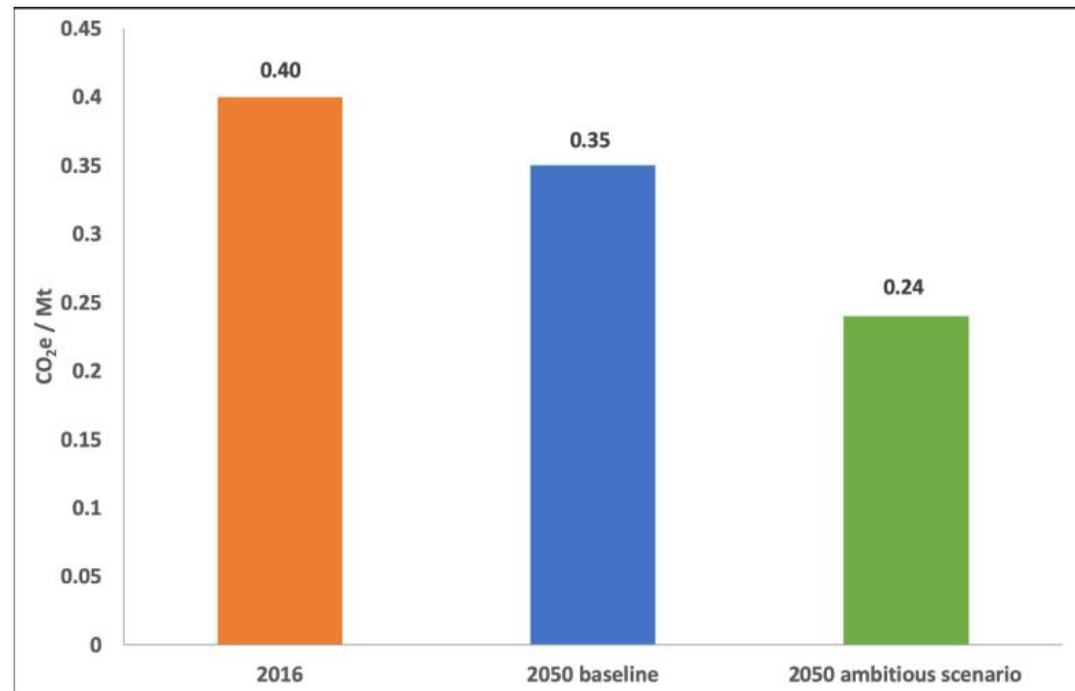
Model available for council use.



# Agriculture

## Ambitious scenario – 40 % decrease

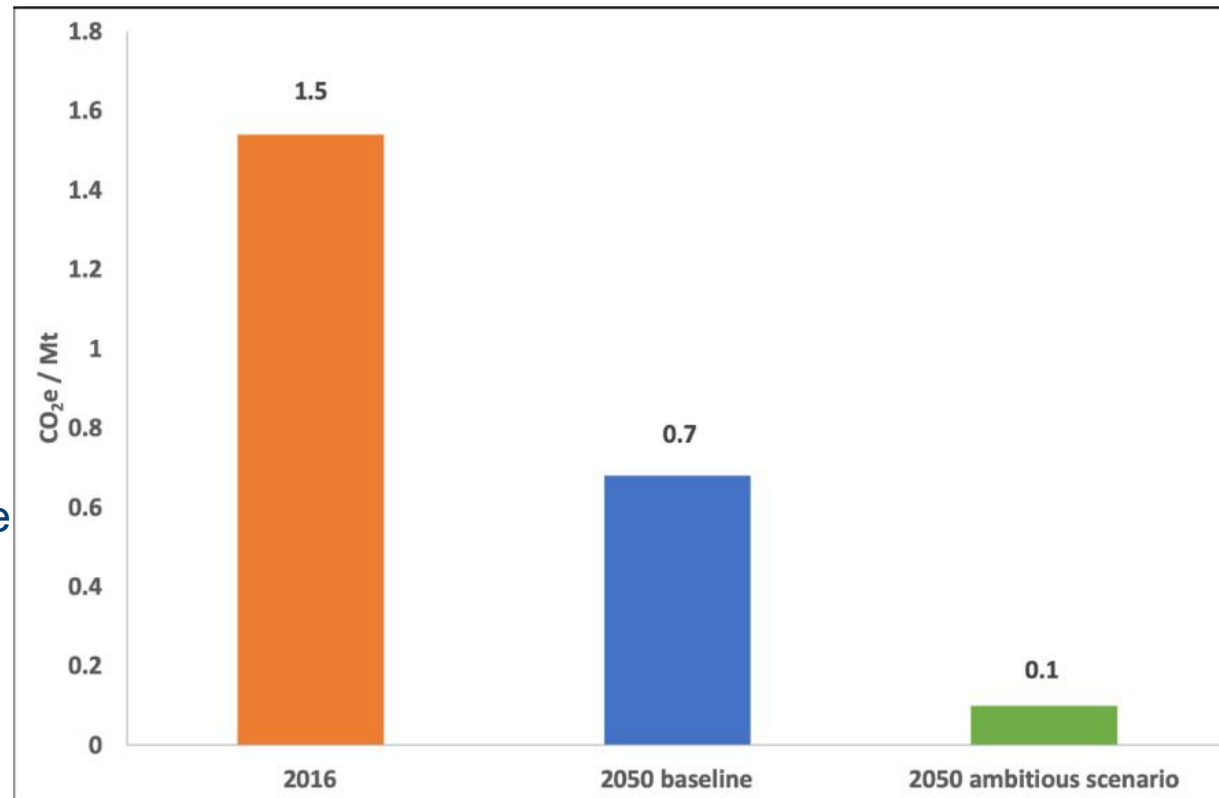
- Reduction of red meat and dairy by 20%
- Livestock feed additives
- Improved fertiliser efficiency



# Commercial Services & Industry

## Ambitious scenario – 93 % decrease

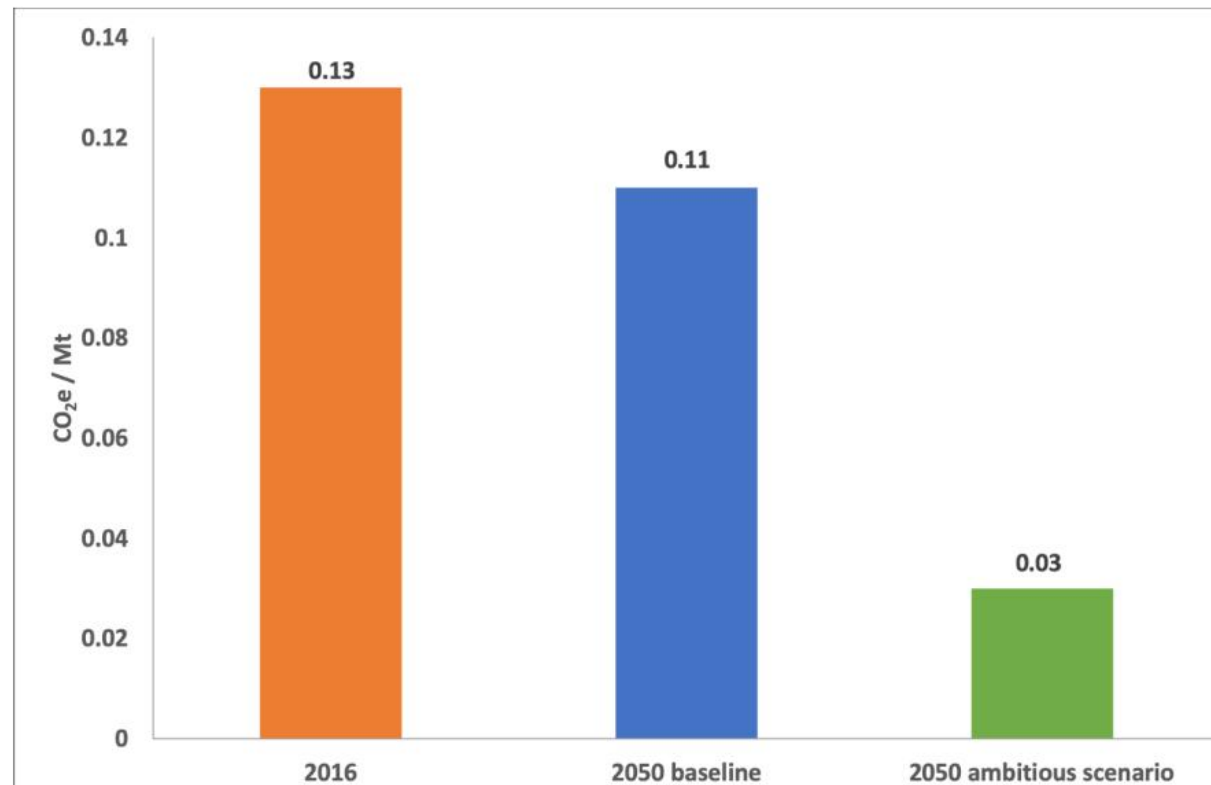
- Low carbon heating
- Carbon capture and storage



# Waste Management

## Ambitious scenario – 77 % decrease

- Landfill gas capture
- Carbon capture and storage
- Electrification of transport



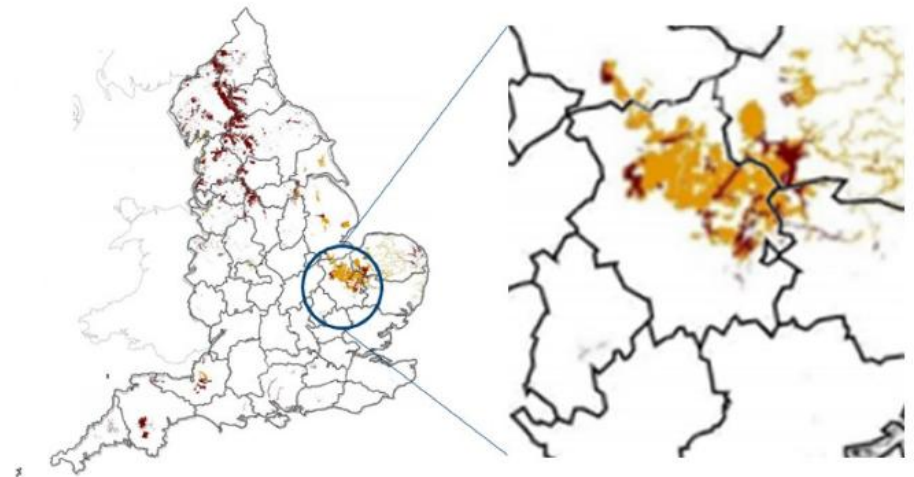
# Afforestation

- Economic analysis of afforestation in Cambridgeshire
- Abatement costs of **£15-50 per tonne CO<sub>2</sub>**.
- Mixture of species considered - promotes biodiversity.

**Model available for council use for further study.**

# Peatland

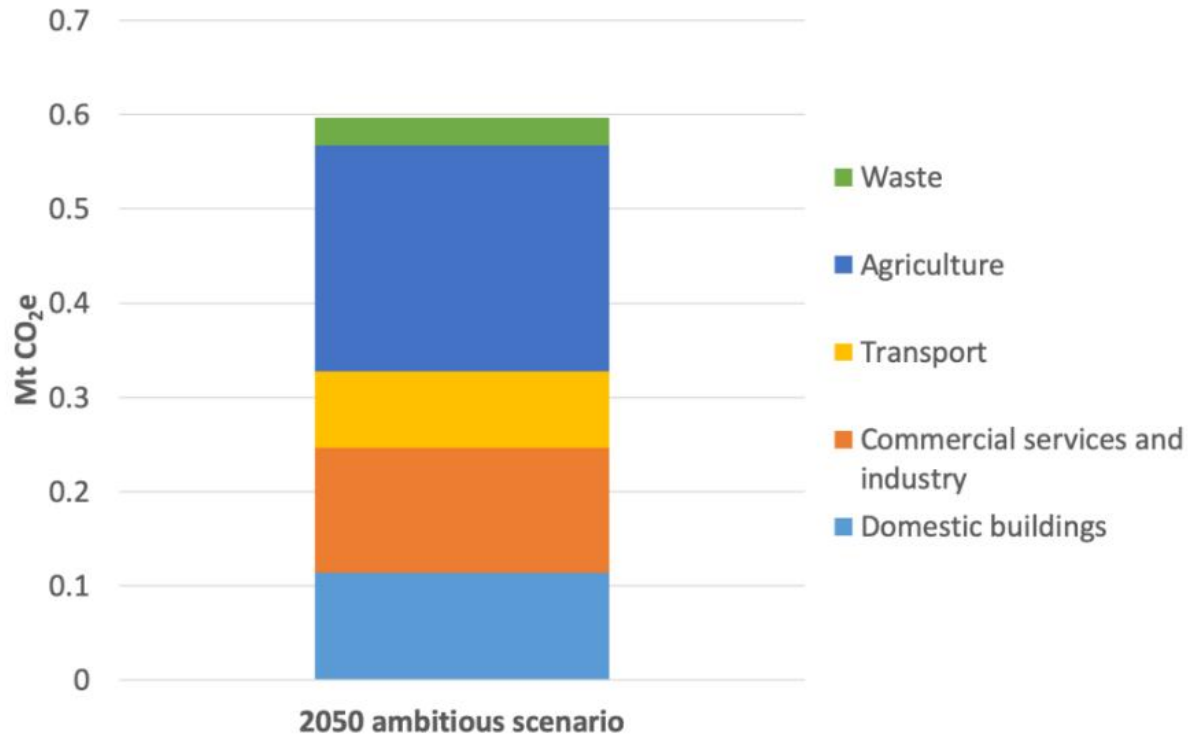
- Inclusion of peatland emissions could **double** total emissions.
- Large-scale peatland restoration a priority.
- Opportunity for world-wide impact.
- Further research needed.



# Ambitious to Net Zero

## Final 0.6 Mt CO<sub>2</sub>e

- Afforestation
- Carbon capture and storage
- Demand reduction





**FINANCE MONITORING REPORT – SEPTEMBER 2019**

**To:** General Purposes Committee

**Meeting Date:** 26th November 2019

**From:** Director of Corporate and Customer Services  
Chief Finance Officer

**Electoral division(s):** All

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

**Purpose:** To present to General Purposes Committee (GPC) the September 2019 Finance Monitoring Report for Corporate Services and LGSS Cambridge Office.

The report is presented to provide GPC with an opportunity to comment on the projected financial and performance outturn position, as at the end of September 2019.

**Recommendation:** The Committee is asked to review, note and comment upon the report.

<b><i>Officer contact:</i></b>	<b><i>Member contacts:</i></b>
Name: Tom Kelly Post: Head of Finance Email: <a href="mailto:Tom.Kelly@cambridgeshire.gov.uk">Tom.Kelly@cambridgeshire.gov.uk</a> Tel: 01223 703599	Names: Councillors Count & Hickford Post: Chair/Vice-Chair Email: <a href="mailto:Steve.Count@cambridgeshire.gov.uk">Steve.Count@cambridgeshire.gov.uk</a> / <a href="mailto:Roger.Hickford@cambridgeshire.gov.uk">Roger.Hickford@cambridgeshire.gov.uk</a> Tel: 01223 706398

## **1. BACKGROUND**

- 1.1 General Purposes Committee receives the Corporate Services and LGSS Cambridge Office Finance Monitoring Report at all of its meetings, where it is asked to both comment on the report and potentially approve recommendations, to ensure that the budgets for which the Committee has responsibility, remain on target.

## **2. MAIN ISSUES**

- 2.1 Attached as **Appendix A**, is the September 2019 Finance Monitoring report.

### **2.2 Revenue:**

- At the end of September, Corporate Services (including the LGSS Managed, Deputy Chief Executive and Financing Costs) is forecasting an underspend of £834k.

There are two new material exceptions to report this month.

- At the end of September, the LGSS Cambridge Office budget is forecasting an overspend of £509k.

There are no new material exceptions to report this month.

### **2.3 Capital:**

- At the end of September, Corporate Services & Transformation and LGSS Managed are forecasting a balanced budget on capital. £68k of the £1,363k capital programme variations budget has been used. There are no significant forecast outturn variances by value (over £250k) to report.

## **3. ALIGNMENT WITH CORPORATE PRIORITIES**

### **3.1 A good quality of life for everyone**

There are no significant implications for this priority.

### **3.2 Thriving places for people to live**

There are no significant implications for this priority.

### **3.3 The best start for Cambridgeshire's children**

There are no significant implications for this priority.

## **4. SIGNIFICANT IMPLICATIONS**

### **4.1 Resource Implications**

This report sets out details of the overall financial position for Corporate Services / LGSS and this Committee.

#### **4.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

#### **4.3 Statutory, Risk and Legal Implications**

There are no significant implications within this category.

#### **4.4 Equality and Diversity Implications**

There are no significant implications within this category.

#### **4.5 Engagement and Consultation Implications**

There are no significant implications within this category.

#### **4.6 Localism and Local Member Involvement**

There are no significant implications within this category.

#### **4.7 Public Health Implications**

There are no significant implications within this category.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	N/A
<b>Have the procurement/contractual/Council Contract Procedure Rules implications been cleared by Finance?</b>	N/A
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	N/A
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	N/A
<b>Have any engagement and communication implications been cleared by Communications?</b>	N/A
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	N/A
<b>Have any Public Health implications been cleared by Public Health</b>	N/A

Source Documents	Location
CS and LGSS Cambridge Office Finance Monitoring Report (September 19)	1 <sup>st</sup> Floor, Octagon, Shire Hall, Cambridge

**Corporate Services and LGSS Cambridge Office****Finance Monitoring Report – September 2019****1. SUMMARY****1.1 Finance**

Previous Status	Category	Target	Current Status	Section Ref.
N/A	Income and Expenditure	Balanced year end position	Green	2.1 – 2.4
N/A	Capital Programme	Remain within overall resources	Green	3.2

**2. INCOME AND EXPENDITURE****2.1 Overall Position**

The service level budgetary control report for Corporate Services, LGSS Managed and Financing Costs for September 2019 can be found in [CS appendix 1](#).

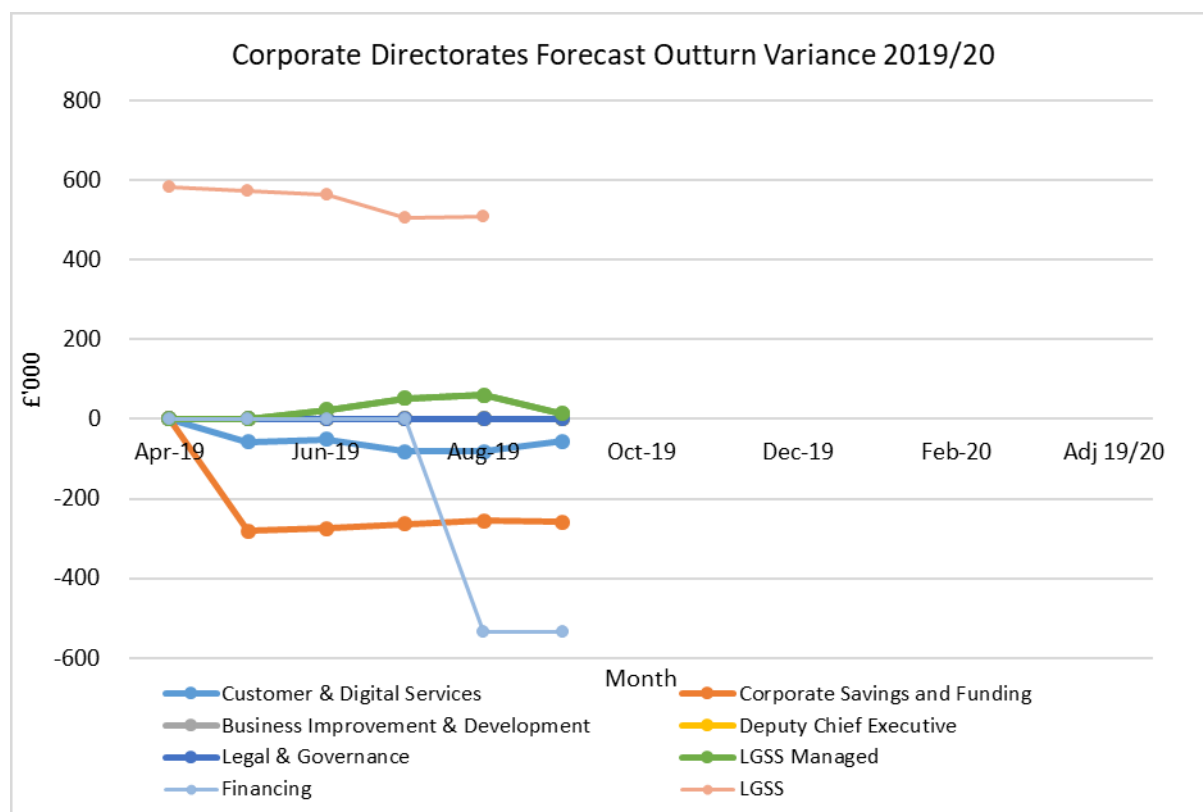
	Outturn Variance (previous) £'000	Directorate	Budget £'000	Actual £'000	Outturn Variance £'000	Outturn Variance %	Status
-81		Customer & Digital Services	6,998	4,044	-55	-0.8%	Green
-255		Corporate Savings & Funding	496	0	-259	-52.2%	Green
0		Business Improvement & Development	1,013	1,765	-0	0.0%	Green
0		Deputy Chief Executive	508	47	-0	0.0%	Green
0		Legal & Governance	102	68	0	0.0%	Green
-534		Financing Costs	27,558	3,525	-534	-1.9%	Green
60		LGSS Managed	14,202	10,207	14	0.1%	Green
<b>-809</b>		<b>Total</b>	<b>50,877</b>	<b>19,658</b>	<b>-834</b>	<b>-1.6%</b>	

The service level budgetary control report for LGSS Cambridge Office for August 2019 can be found in [LGSS appendix 1](#). Pressures and deficits within LGSS Operational budgets are the responsibility of the Joint Committee. Formal risk sharing arrangements are in place such that changes in service or financing impacting one partner are isolated from impacting other partners. In practice, this means that where there is risk (or additional requirements for) in-year savings for back-office services shared with or facing Northamptonshire County Council or Milton

Keynes Council, these do not impact on the service received by Cambridgeshire County Council or impact any overspend to be handled by CCC.

Further analysis of the results can be found in [CS appendix 2](#) and [LGSS appendix 2](#)

*The appendices are published online only and not printed for Committee.*



### 2.1.1 Significant Issues – Customer & Digital Services

Corporate and Customer Services budgets are currently predicting an underspend of £55k, which is a decrease of £26k from the previous forecast. This is mainly due to decrease in forecast underspend in IT & Digital Services.

There are no new exceptions to report this month.

### 2.1.2 Significant Issues – Corporate Savings and Funding

Corporate Savings and Funding budgets are currently predicting an underspend of £259k, which is an increase of £4k from the previous forecast. This is mainly due to increase in the forecast underspend on Central services and Organisation-Wide Risks. Underspend on this budget offsets the overspend on LGSS-Cambridge office budget.

There are no new exceptions to report this month.

### **2.1.3 Significant Issues – Business Improvement & Development**

Business Improvement & Development budgets are currently predicting a balanced position, which is the same as the last month.

There are no new exceptions to report this month.

### **2.1.4 Significant Issues – Deputy Chief Executive**

Deputy Chief Executive budgets are currently predicting a balanced position, which is the same as the last month.

There are no new exceptions to report this month.

### **2.1.5 Significance Issues- Legal and Governance**

The Legal and Governance budget is currently predicting a balanced position, which is the same as the last month.

There are no new exceptions to report this month.

### **2.1.6 Significant Issues – LGSS Managed**

LGSS Managed budgets are currently predicting an overspend of 14k, which is a decrease of £46k from the previous forecast. This is due to savings from vacancies in Organisational and Workforce Development (OWD) Managed.

There are no new exceptions to report this month.

### **2.1.7 Significant Issues – Financing Costs**

The Financing Costs budget is currently predicting an underspend of £534k, which is same as the previous forecast. This is mainly due to savings generated through revenue charge (the Minimum Revenue Charge – MRP).

There are no new exceptions to report this month.

### **2.1.8 Significant Issues – LGSS Cambridge Office**

LGSS Cambridge Office budgets are currently predicting an overspend of £509k, which is an increase of £4k from the previous forecast.

There are no new exceptions to report this month.

### **3. CAPITAL PROGRAMME**

#### **3.1 Capital Expenditure and Funding**

##### Expenditure

- Corporate Services and Transformation schemes have a capital budget of £7.5m in 2019/20 and there is expenditure of £2.3m to date. In-year, an underspend of £40k is forecast. The total scheme forecast is on budget.

There are no new material exceptions to report this month.

- LGSS Managed had a capital budget of £2.3m in 2019/20 and there is expenditure of £2m to date. In-year, an overspend of £40k is predicted. The total scheme forecast is on budget.

There are no new material exceptions to report this month.

##### Funding

- There are no new material exceptions to report this month.
- A detailed explanation of the position for Corporate Services and LGSS Managed can be found in [CS appendix 3](#).

### **4. TECHNICAL NOTE**

- #### **4.1**
- Technical financial information for corporate directorates covering grants, reserves and budget virements is included as CS Appendix 4.

The appendices to this report can be viewed in the [online](#) version of the report.

## RESOURCES RISK REGISTER

Version Date:

Details of Risk				Inherent Risk				Key Controls	Residual Risk			Actions		
Risk No.	Risk Description	Trigger	Consequence	Probability	Impact	Score	Owner		Probability	Impact	Residual Score	Description	Action Owner	Target Date
1	Budgets are not delivered leading to Council wide material overspend	Pressures not identified. Budget assumptions are inaccurate.  Reduction in traded services/income. Lack of management information. Delegated Authority becomes problematic  Lack of timely corrective action.	Reactive in-year savings. Statutory responsibilities unable to be delivered.  Reputational damage. Performance impact	4	5	20	TK/AG	Robust budget planning according to timescales aligning with political governance Regular and accurate finance monitoring reports to track budget, savings, activity and performance.  Adherence to procurement processes and controls to ensure that best value is achieved from contracts Increased diversity of investment portfolio to generate additional income Implement delegated authority model for Officer spend (including with Property Services within Resources)  Regular meetings between finance advisors and budget holders; challenge to forecasts & finance cross-Wider financial mitigations and general reserve balances	2	5	10	Monthly forecasting and monitoring Member oversight - GPC and service committees  Implement Delegated Authority controls as recommended by the audit committee review on County Farms	TK/AG TK/AG AG	Ongoing Ongoing Nov-19
2	Resources directorate service plans are not delivered	Insufficient staffing - recruitment and retention pressures  Increasing workload pressure and competing priorities  Processes not documented or monitored sufficiently	Lack of support to budget holders  Reporting not produced or inaccurate  Business planning work delayed or not completed Financial mismanagement Adverse regulatory opinion Decisions made that contravene the Council's constitution Reputational damage.	3	5	15	TK/AG	Continuous development of localised service plans for Finance and Property Engage in national initiatives to ensure service plans are taking account of new and emerging policies / strategies Respond to the publication of the CIPFA Financial Management Code and embed at CCC  Develop and implement strategic model for property portfolio segmentation (ie % assts for operational; % investments; & % social / best value), underpinned by sound financing model split between capital receipts	2	3	6	Keep under review localised service plans for finance and property  Produce action plan for demonstrating compliance with the new CIPFA Financial Management code for local government	TK/AG TK/AG TK	Ongoing Ongoing Feb-20
3	Statutory or legislative obligations are not delivered	Business disruption. Lack of management oversight. Poor financial management.	Harm to people. Criminal or civil action. Fines or penalties. Reputational damage.	2	5	10	CM	Monthly review and escalation of Property Compliance highlight report Robust Timetable for publishing accounts	1	4	4	Lead to committee confidence Ongoing monitoring of compliance risk		
4	Staffing resources are not sufficient to meet business need	Difficulty recruiting. Long term absence.  Lack of training/capability Savings targets, restructures, efficiencies impact  Relocation risks to retention	Overworked staff and low morale. Increase sickness/absence.  High staff turnover. Reputational damage.	4	4	16	TK/AG	Cross training within teams to ensure sufficient back up cover and staffing flexibility. Effective PADP process and identification of training needs and succession planning opportunities  Up to date & documented job descriptions and person specs. Use of agency or temporary staff.  Sucession planning - sustaining career pathways  Review salary grading to attract and retain competent professional staff	3	4	12	Cascaded PADP approach inline with corp timescales  Consider future service delivery of property, report to go to C&I in Nov Identified Asst Acct (Schools) in need of re-evaluation Trainee recruitment (declining numbers) review. Continue effective succession management through graduate entry to professional level	TK/AG AG TK TK/AG	Ongoing Nov-19 Jan-20 Feb-20
5	IT and business systems resources are not sufficient to meet business need.	Poor implementation of upgrades or new systems.  Issues with ERP Gold Issues with K2	Unable to provide effective and timely service delivery Additional costs for business changes  System resolution matters distract from core purposes	4	4	16	CM	Communication of issues Procurement and involvement in development projects (replacement of K2) Key user involvement in User Acceptance Testing  Consider payment dependencies of systems	3	3	9	ERP user financial improvement workstreams Seat on LGSS Business Systems Board Upgrade of ERP pending in Spring/Summer 2020 Payment alternatives - GPC / CHAPS  Review alternative property asset management software. Techforge is currently looking to be the preferred software and complies with PCC model	TK TK TK AG	Dec-19 Ongoing Ongoing Feb-20
6	Fraud or corruption occurs	Inappropriate staff in key positions Ineffective internal controls in financial processes Lack of management review	Financial loss Expensive investigations Damage to working relationships Expenses/mileage abuse Reputational damage.	2	3	6	CM	Internal Audit Whistleblowing & other existing policies & procedures Robust financial procedure rules Professional Accreditations / Registrations with Chartered bodies	1	3	3	Fraud awareness Ethical awareness (whole service briefing)  Annual review of financial regulations Conflict of interest declaration approach	TK TK TK AG/TK	Feb-20 May-20

### SCORING MATRIX (see Risk Scoring worksheet for descriptors)

VERY HIGH (V)	5	10	15	20	25
HIGH (H)	4	8	12	16	20
MEDIUM (M)	3	6	9	12	15
LOW (L)	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT LIKELIHOOD	VERY RARE	UNLIKELY	POSSIBLE	LIKELY	VERY LIKELY



**INTEGRATED FINANCE MONITORING REPORT FOR THE PERIOD ENDING  
30TH SEPTEMBER 2019**

**To:** General Purposes Committee

**Date:** 26 November 2019

**From:** Chief Finance Officer

**Electoral division(s):** All

**Forward Plan ref:** 2019/013 **Key decision:** Yes

**Purpose:** To present financial information to assess progress in delivering the Council's Business Plan.

**Recommendations:** General Purposes Committee (GPC) is recommended to:

- a) Approve the virement of £230,000 for the increased School Improvement and Brokering Grant from the corporate grants section of Funding items to People and Communities so that it can be used for its intended purpose, as set out in section 4.2;
- b) Note the additional 2019/20 contributions of £360k expected in relation to Combined Authority Schemes, as set out in section 7.7.
- c) Approve additional prudential borrowing of £73m in 2019/20 for Commercial Investments, as set out in section 7.8;
- d) Approve the transfer of £800k Section 106 funding to Cottenham Parish Council, subject to:
  - i. The satisfactory conclusion of a funding agreement; and
  - ii. Cambridgeshire County Council being engaged in an ongoing advisory role to Cottenham Parish Council (and the provider) to ensure that its preferred early years and childcare provider prepares a sustainable business case so that it can provide high quality\* and financially sustainable early years and childcare places in the newly built facility. (\*Ofsted Good or Outstanding and a minimum of three years engagement with the Early Years' Service or another quality improvement provider.)

**As set out in section 7.9.**

<b>Officer contact:</b>		<b>Member contacts:</b>	
Name:	Tom Kelly	Names:	Councillors Count & Hickford
Post:	Head of Finance	Post:	Chair/Vice-Chair
Email:	<a href="mailto:Tom.Kelly@cambridgeshire.gov.uk">Tom.Kelly@cambridgeshire.gov.uk</a>	Email:	<a href="mailto:Steve.Count@cambridgeshire.gov.uk">Steve.Count@cambridgeshire.gov.uk</a> <a href="mailto:Roger.Hickford@cambridgeshire.gov.uk">Roger.Hickford@cambridgeshire.gov.uk</a>
Tel:	01223 703599	Tel:	01223 706398

## **1. PURPOSE**

- 1.1 To present financial and performance information to assess progress in delivering the Council's Business Plan.

## **2. OVERVIEW**

- 2.1 The following summary provides the Authority's forecast financial position at year-end and its key activity data for care budgets.
- 2.2 The key issues included in the summary analysis are:
- The overall revenue budget position is showing a forecast year-end pressure of +£0.65m (+0.2%); this is largely within People & Communities (P&C) (£2.6m pressure), Commercial & Investment (C&I) (£0.5m pressure), and LGSS Operational (£0.4m pressure) partially offset by forecast underspends of -£2.0m in Place & Economy, -£0.5m in CS Financing and -£0.3m in Corporate Services. See section 3 for details.
  - The Capital Programme is forecasting an -£21.4m underspend at year-end after the capital programme variations budget has been utilised in full. See section 7 for details.

### 3. REVENUE BUDGET

3.1 A more detailed analysis of financial performance is included below:

#### Key to abbreviations

CS Financing – Corporate Services Financing  
DoT – Direction of Travel (up arrow means the position has improved since last month)

Original Budget as per Business Plan £000	Forecast Variance (Aug) £000	Service	Current Budget for 2019/20 £000	Actual (Sept) £000	Forecast Variance (Sept) £000	Forecast Variance (Sept) %	Overall Status	DoT
57,504	-1,879	Place & Economy	52,079	19,237	-1,961	-3.8%	Green	↑
254,936	2,972	People & Communities	262,728	134,775	2,578	1.0%	Red	↑
390	-86	Public Health	390	-2,986	-86	-	Green	↔
10,221	-336	Corporate Services	9,117	5,924	-314	-3.4%	Green	↓
14,048	60	LGSS Managed	14,202	10,207	14	0.1%	Green	↑
-9,502	115	Commercial & Investment	-8,768	1,585	542	-	Amber	↓
28,161	-534	CS Financing	27,558	3,525	-534	-1.9%	Green	↔
<b>355,758</b>	<b>312</b>	<b>Service Net Spending</b>	<b>357,306</b>	<b>172,267</b>	<b>239</b>	<b>0.1%</b>	<b>Red</b>	<b>↑</b>
20,357	0	Funding Items	18,447	9,709	0	0.0%	Green	↔
<b>376,115</b>	<b>312</b>	<b>Subtotal Net Spending</b>	<b>375,753</b>	<b>181,976</b>	<b>239</b>	<b>0.1%</b>	<b>Red</b>	<b>↑</b>
		<b>Memorandum items:</b>						
8,161	505	LGSS Operational	8,119	4,745	413	5.1%	Amber	↑
	<b>817</b>	<b>Grand Total Net Spending</b>	<b>383,872</b>	<b>186,721</b>	<b>652</b>	<b>0.2%</b>	<b>Red</b>	<b>↑</b>
170,024		Schools	170,024					
<b>554,300</b>		<b>Total Spending 2019/20</b>	<b>553,896</b>					

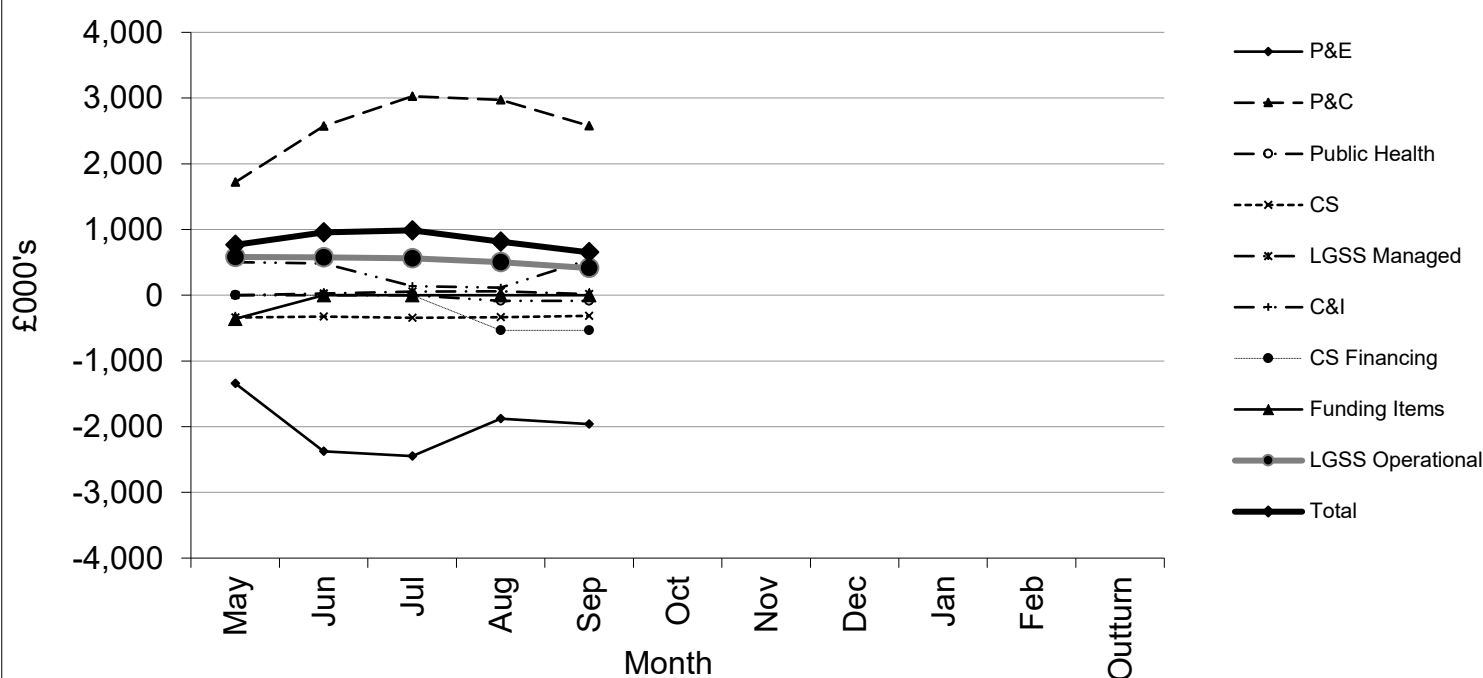
<sup>1</sup> The budget figures in this table are net.

<sup>2</sup> For budget virements between Services throughout the year, please see [Appendix 1](#).

<sup>3</sup> The budget of £390k stated for Public Health is cash limit budget. In addition to this, Public Health has a budget of £24.7m from ring-fenced public health grant, which makes up its gross budget.

<sup>4</sup> The 'Funding Items' budget comprises the £8.7m Combined Authority Levy, the £407k Flood Authority Levy and £9.3m change in general and corporate reserves budget requirement. The forecast outturn on this line reflects any variance in the amount received from corporate grants and business rates from what was budgeted; a negative outturn indicates a favourable variance, i.e. more income received than budgeted.

Forecast Outturn Position 2019/20



3.2 Key exceptions this month are identified below.

3.2.1 **Place & Economy:** -£1.961m (-3.8%) underspend is forecast at year-end.

- |  | £m     | %      |
|--|--------|--------|
| <ul style="list-style-type: none"> <li>• <b>Community Transport</b> – a -£0.313m underspend is forecast, of which -£0.291m relates to a change since last month. An underspend of £313k is forecast for Community Transport due to some contracts costing less than expected and some contracts not being let due to a lack of bidders.</li> </ul> | -0.313 | (-11%) |
| <ul style="list-style-type: none"> <li>• A combination of more minor variances sum with the above to lead to an overall outturn of -£1.961m. For full and previously reported details see the <a href="http://tiny.cc/yecpfz">P&amp;E Finance Monitoring Report</a>, (<a href="http://tiny.cc/yecpfz">http://tiny.cc/yecpfz</a>).</li> </ul>       |        |        |

3.2.2 **People & Communities:** +£2.578m (+1.0%) pressure is forecast at year-end.

- |   | £m     | %      |
|---|--------|--------|
| <ul style="list-style-type: none"> <li>• <b>Older People's Services</b> - a +£4.319m pressure is forecast. This is a decrease of -£1.000m on the position previously reported in June and relates in full to a change since last month. The improved position is due to a number of changes over the first half of the year, specifically the rising number of people in block placements (which are cheaper), a robust process for negotiating fee uplift requests with providers, and an expectation that contributions will be higher than budgeted in line with higher care costs.</li> </ul> | +4.319 | (+22%) |
| <ul style="list-style-type: none"> <li>• <b>Learning Disability Partnership (LDP)</b> – a +£0.588m pressure is forecast, with the NHS paying a further £0.175m as part of the pooled budget. This is a relatively static cohort of service users whose needs have been increasing year on year in line with experiences nationally. Based on changes over the first half of</li> </ul>  | +0.588 | (+1%)  |

the year, we expect these increases to exceed the level built into budgets. In particular, the cost of young people transitioning into adults is high, linked to rising cost of services for children with high needs. Savings delivery within the LDP is on track to overachieve, which provides some mitigation.

- A combination of more minor variances sum with the above to lead to an overall outturn of +£2.578m. For full and previously reported details see the [P&C Finance Monitoring Report](#), (<http://tiny.cc/yocpfz>).

3.2.3 **Public Health:** -£0.086m (-%) underspend is forecast for year-end. There are no exceptions to report this month; for full details see the [PH Finance Monitoring Report](#), (<http://tiny.cc/uxe3fz>).

3.2.4 **Corporate Services:** -£0.314m (-3.4%) underspend is forecast for year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance Monitoring Report](#), (<http://tiny.cc/vff3fz>).

3.2.5 **LGSS Managed:** +£0.014m (+0.1%) pressure is forecast for year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance Monitoring Report](#), (<http://tiny.cc/vff3fz>).

3.2.6 **CS Financing:** -£0.534m (-1.9%) underspend is forecast for year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance Monitoring Report](#), (<http://tiny.cc/vff3fz>).

3.2.7 **Commercial & Investment:** +£0.542m (-%) pressure is forecast at year-end.

**Contract Efficiencies** – a +£0.350m pressure is forecast, of which £0.150m relates to an increase since last month. The Contract Efficiencies & Other Income budget is forecast to underachieve by £350k in 2019/20. This is due to delays in putting in place plans for how to meet targets relating to savings from contract efficiencies and additional external income. Work is underway to achieve this target in future years, and is expected to be taken forward by the Commercial Team once that team is in place.

£m	%
+0.350	(-78%)

- A combination of more minor variances sum with the above to lead to an overall outturn of +£0.542m. For full and previously reported details see the [C&I Finance Monitoring Report](#), (<http://tiny.cc/d6f3fz>).

3.2.8 **Funding Items:** a balanced budget is forecast at year-end. There are no exceptions to report this month.

3.2.9 **LGSS Operational:** +£0.413m (+5.1%) pressure is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance Monitoring Report](#), (<http://tiny.cc/vff3fz>).

**Note:** exceptions relate to Forecast Outturns that are considered to be in excess of +/- £250k.

## 4. FUNDING CHANGES

4.1 Where a virement of over £175k in 2019/20 revenue budget is requested between main budget headings compared to that budgeted in the Business Plan (BP), this will require approval by GPC.

## 4.2 School Improvement Grant

The School Improvement Monitoring and Brokering Grant is an un-ringfenced grant from the Education Funding Agency (EFA) that has been allocated to Local Authorities to allow them to continue to monitor performance of maintained schools, broker school improvement provision, and intervene as appropriate.

Allocations are based on the number of maintained schools in each Local Authority as at 1st September 2019; following the revised calculation, Cambridgeshire County Council's 2019/20 allocation of the £50m grant is £257,358 higher than budgeted for. Previous years' grant allocations have also been higher than budgeted for, including £317k higher in 2017/18 and £240k higher in 2018/19. Taking previous and expected future years' allocations into consideration, it is proposed that a permanent virement of £230k is made to increase the School Improvement Grant income budget in the corporate grants section of Funding items, and to increase the expenditure budget within People and Communities accordingly.

**General Purposes Committee is asked to approve the virement of £230,000 for the increased School Improvement and Brokering Grant from the corporate grants section of Funding items to People and Communities so that it can be used for its intended purpose.**

## 5. SAVINGS TRACKER

- 5.1 The "Savings Tracker" report – a tool for summarising delivery of savings. Within the tracker the forecast is shown against the original saving approved as part of the 2019-20 Business Planning process. Currently, the Council is on track to deliver £14.0m of savings against its original plan. Blue rated savings total £1.3m, exceeding the target on those initiatives. Green rated savings total £7.4m. The Savings Tracker as at the end of quarter 2 is included as **Appendix 3** to this report.

It is also important to note the relationship with the reported position within this report. As pressures arise in-year, further mitigation and/or additional savings will be required to deliver a balanced position.

- 5.2 A summary of Business Plan savings by RAG rating is shown below:

BLUE			GREEN			AMBER			RED			BLACK				
Number of Savings	Total Original Savings	Total Variance	Number of Savings	Total Original Savings	Total Variance	Number of Savings	Total Original Savings	Total Variance	Number of Savings	Total Original Savings	Total Variance	Number of Savings	Total Original Savings	Total Variance	Total Original Savings	Total Variance
	£000	£000		£000	£000		£000	£000		£000	£000		£000	£000	£000	£000
2	-450	-804	42	-7,359	0	6	-4,730	963	3	-2,566	962	4	-680	680	-15,785	1,801

## 6. KEY ACTIVITY DATA

- 6.1 The latest key activity data for: Children in Care Placements; Special Educational Needs (SEN) Placements; Adults & Safeguarding; Adult Mental Health; Older People (OP); and Older People Mental Health (OPMH) can be found in the latest [P&C Finance Monitoring Report](#) (section 5), (<http://tiny.cc/yocpfz>).

## 7. CAPITAL PROGRAMME

7.1 A summary of capital financial performance by service is shown below:

2019-20							TOTAL SCHEME	
Original 2019/20 Budget as per Business Plan £000	Forecast Variance - Outturn (Aug) £000	Service	Revised Budget for 2019/20 £000	Actual-Year to Date (Sept) £000	Forecast Variance - Outturn (Sept) £000	Forecast Variance - Outturn (Sept) %	Total Scheme Revised Budget (Sept) £000	Total Scheme Forecast Variance (Sept) £000
43,908	-5,111	P&E	59,123	10,634	-16,439	-27.8%	410,602	-
129,267	0	P&C	101,166	48,601	-0	0.0%	678,259	-2,515
3,457	-40	CS	7,463	2,312	-40	-0.5%	24,677	-
2,827	40	LGSS Managed	2,339	2,005	40	1.7%	6,785	-
90,443	-	C&I	152,635	84,959	-4,995	-3.3%	351,474	-
-	5,111	Outturn adjustment	-	-	-	-	-	-
<b>269,902</b>	<b>0</b>	<b>Total Spending</b>	<b>322,726</b>	<b>148,511</b>	<b>-21,434</b>	<b>-6.6%</b>	<b>1,471,797</b>	<b>-2,515</b>

### Notes:

1. The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted. A breakdown of the use of the capital programme variations budget by service is shown in section 7.2.
2. The reported P&E capital figures do not include Greater Cambridge Partnership, which has a budget for 2019/20 of £30.8m and is currently forecasting an in-year pressure of £0.8m at year-end.
3. The 'Total Scheme Forecast Variance' reflects the forecast variance against budget of the total expenditure for all active capital schemes across all financial years.

7.2 A summary of the use of capital programme variations budgets by services is shown below. As forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when re-phasing exceeds this budget.

2019-20					
Service	Capital Programme Variations Budget £000	Forecast Variance - Outturn (Sept) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (Sept) £000
P&E	-13,505	-29,944	13,505	100.00%	-16,439
P&C	-13,399	-6,849	6,849	51.12%	-0
CS	-1,431	-68	68	4.75%	-40
LGSS Managed	-585	0	0	0.00%	40
C&I	-26,312	-31,307	26,312	100.00%	-4,995
Outturn adjustment	-	-	8,498	-	-
<b>Total Spending</b>	<b>-55,232</b>	<b>-68,168</b>	<b>55,232</b>	<b>100.00%</b>	<b>-21,434</b>

- 7.3 As at the end of September 2019, Place & Economy schemes and C&I schemes have exceeded the capital variations budget allocated to them, forecasting in-year underspends of -£16.4m and -£5.0m respectively. At this stage of the financial year it is thought that the position across the whole programme will be an underspend, so no adjustment has been made to the outturn.
- 7.4 A more detailed analysis of current year key exceptions this month by programme for individual schemes of £0.25m or greater are identified below.
- 7.4.1 **Place & Economy:** a -£16.4m (-27.8%) in-year underspend is forecast after the capital programme variations budget has been utilised in full.

Revised Budget for 2019/20	Forecast Spend - Outturn (Sept)	Forecast Spend - Outturn Variance (Sept)	Variance Last Month (Aug)	Movement	Breakdown of Variance	
					Underspend/pressure	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Investment in Connecting Cambridgeshire</b>						
14,133	2,705	-11,428	0	-11,428	0	-11,428
An in-year underspend of -£11.4m is forecast on the Investment in Connecting Cambridgeshire scheme. Due to the nature of the contract with BT, the majority of the costs are back-ended and expenditure will not be incurred until 2020/21 and 2021/22. The total scheme cost is still £36.29m.						

- For full and previously reported details see the [P&E Finance Monitoring Report](http://tiny.cc/yecpfz), (<http://tiny.cc/yecpfz>).

- 7.4.2 **People & Communities:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [P&C Finance Monitoring Report](http://tiny.cc/yocpfz), (<http://tiny.cc/yocpfz>).
- 7.4.3 **Corporate Services:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance Monitoring Report](http://tiny.cc/vff3fz), (<http://tiny.cc/vff3fz>).
- 7.4.4 **LGSS Managed:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance Monitoring Report](http://tiny.cc/vff3fz), (<http://tiny.cc/vff3fz>).
- 7.4.5 **Commercial & Investment:** a -£5.0m (-3.3%) in-year underspend is forecast after the capital programme variations budget has been utilised in full.

Revised Budget for 2019/20	Forecast Spend - Outturn (Sept)	Forecast Spend - Outturn Variance (Sept)	Variance Last Month (Aug)	Movement	Breakdown of Variance	
					Underspend/pressure	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Housing Schemes</b>						
56,847	30,372	-26,475	-1,944	-24,531	0	-26,475
An in-year underspend of -£26.5m is forecast. This is a -£24.5m increase on the underspend position previously reported in July and relates in full to a change since last month. This follows profiling of expected loans in relation to both overage and construction.						
<b>Capital Programme Variations Budget</b>						
-26,312	0	26,312	6,706	19,606	0	26,312
As agreed by the Capital Programme Board, any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall up to the point when re-phasing exceeds this budget. Therefore £26.3m of the above Housing Schemes underspend and a combination of more minor and previously reported underspends is balanced by full utilisation of the capital variations budget.						

- For full and previously reported details see the [C&I Finance Monitoring Report](http://tiny.cc/d6f3fz), (<http://tiny.cc/d6f3fz>).

7.5 A more detailed analysis of total scheme key exceptions this month by programme for individual schemes of £0.25m or greater are identified below:

7.5.1 **Place & Economy:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full details see the [P&E Finance Monitoring Report](http://tiny.cc/yecpfz), (<http://tiny.cc/yecpfz>).

7.5.2 **People & Communities:** a -£2.515m (-0.4%) total scheme underspend is forecast.

Total Scheme Revised Budget	Total Scheme Forecast Spend - Outturn (Sept)	Total Scheme Forecast Spend - Outturn Variance (Sept)	Variance Last Month (Aug)	Movement
£'000	£'000	£'000	£'000	£'000
<b>Basic Need - Primary</b>				
273,739	271,329	-2,410	-2,066	-344
A total scheme underspend of -£2.4m is forecast across Basic Need – Primary schemes. This is a change of -£0.3m on the position reported last month and is mainly due to forecast savings on completion of the scheme outlined below:				
<b>Histon Additional Places</b>				
17,171	16,887	-284	0	-284
There is a £284k reduction in the overall budget required through the ongoing tender and review process.				

- For full and previously reported details see the [P&C Finance Monitoring Report](http://tiny.cc/yocpfz), (<http://tiny.cc/yocpfz>).

7.5.3 **Corporate Services:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance Monitoring Report](#), (<http://tiny.cc/vff3fz>).

7.5.4 **LGSS Managed:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance Monitoring Report](#), (<http://tiny.cc/vff3fz>).

7.5.5 **Commercial & Investment:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [C&I Finance Monitoring Report](#), (<http://tiny.cc/d6f3fz>).

7.6 A breakdown of the changes to funding has been identified in the table below.

Funding Source	B'ness Plan Budget	Rolled Forward Funding <sup>1</sup>	Revised Phasing	Additional/Reduction in Funding	Revised Budget	Outturn Funding	Funding Variance
	£m	£m	£m	£m	£m	£m	£m
Department for Transport (DfT) Grant	16.0	0.5	-0.3	1.4	17.6	19.4	1.7
Basic Need Grant	6.9	-	-	-	6.9	6.9	-
Capital Maintenance Grant	4.7	-	-	-1.1	3.5	3.5	-
Devolved Formula Capital	1.0	2.0	-	-0.2	2.8	2.8	-
Specific Grants	8.4	0.0	-	0.7	9.1	7.4	-1.8
S106 Contributions & Community Infrastructure Levy	19.4	3.3	-12.8	0.5	10.4	10.4	-0.1
Capital Receipts	45.4	10.4	-10.5	-20.6	24.7	26.7	2.0
Other Contributions	24.6	3.3	-	4.7	32.6	15.2	-17.3
Revenue Contributions	10.1	-	-	-	10.1	10.1	-
Prudential Borrowing	133.4	19.8	-13.4	65.1	204.9	198.9	-6.0
<b>TOTAL</b>	<b>269.9</b>	<b>39.3</b>	<b>-37.0</b>	<b>50.5</b>	<b>322.7</b>	<b>301.3</b>	<b>-21.4</b>

<sup>1</sup> Reflects the difference between the anticipated 2018/19 year end position used at the time of building the initial Capital Programme budget, as incorporated within the 2019/20 Business Plan, and the actual 2018/19 year end position.

7.7 Key funding changes (of greater than £0.25m or requiring approval):

Funding	Service	Amount (£m)	Reason for Change
Addition/Reduction in Funding - Other contributions	P&E	+£0.4	<p>£360k additional contributions are expected in relation to Combined Authority (CA) Schemes in line with the increased level of work expected to be carried out by CCC above that originally anticipated at the beginning of the financial year. The Combined Authority is invoiced on a monthly basis for work on CA schemes.</p> <p><b>General Purposes Committee is asked to note the additional 2019/20 contributions of £360k expected in relation to Combined Authority Schemes.</b></p>

- 7.8 In the September [C&I Finance Monitoring Report](#), Commercial & Investment (C&I) Committee is recommending to General Purposes Committee (GPC) the approval of a £52m increase in the 2019/20 budget for Commercial Investments. This also requires an amendment to the capital funding for Commercial Investments. This will reduce funding from Capital Receipts by £21m and increase the Prudential Borrowing requirement by £73m. The reduction in available capital receipts is due to rephasing of the timing of expected overage payments from This Land.

This year the Council has pursued a number of commercial investments in accordance with its Commercial Strategy and the investment section of the Capital Strategy. Following this protocol, individual acquisitions have been assessed according to a standardised multi-measure evaluation process with governance overseen by GPC, the C&I Committee, or its Investment Working Group dependent on the value.

With growing certainty about the total anticipated spend on commercial acquisitions for the current year, proposals for further financial investments made by the appointed investment advisor, Reddington, and rising confidence about the level of capital receipts anticipated as the year progresses, it is now timely to consider the sum of prudential borrowing required to contribute to financing this activity.

We anticipate there will be approaching £32m available by year-end in capital receipts. Therefore it will be prudent to deploy £73m in borrowing to the Commercial investments budget for property investments within Cambridgeshire's economic geography. This approach will mean that the C&I Committee delivers its commercial investment targets on track for this year (subject to acquisition dates and performance of individual assets) alongside supporting local economic development through this major investment.

As a result of this increase in funding by borrowing; the annual cost for this scheme will start in 2020/21 estimated at £4.1m, and decreases each year thereafter. This has already been factored into C&I's overall forecast for property returns, associated with acquisitions made during this financial year.

**General Purposes Committee is asked to approve additional prudential borrowing of £73m in 2019/20 for Commercial Investments.**

7.9 At the September Children & Young People (CYP) Committee, the CYP Committee recommended to General Purposes Committee (GPC) that £800k of Section 106 funding secured by the County Council for providing new early years and childcare places required in Cottenham, be transferred to Cottenham Parish Council (CPC). This is to enable CPC to construct and own a building which will have dedicated spaces for early years and childcare within it. This funding transfer will be subject to:

- i. The satisfactory conclusion of a funding agreement; and
- ii. Cambridgeshire County Council being engaged in an ongoing advisory role to Cottenham Parish Council (and the provider) to ensure that its preferred early years and childcare provider prepares a sustainable business case so that it can provide high quality\* and financially sustainable early years and childcare places in the newly built facility. (\*Ofsted Good or Outstanding and a minimum of three years engagement with the Early Years' Service or another quality improvement provider.)

Further details can be found in the CYP paper [here](#). Funding will only be passed to CPC once it has been received. It is anticipated that £128k will be passed to CPC during 2019/20, with the remaining funding being included within the 2020-21 Business Plan.

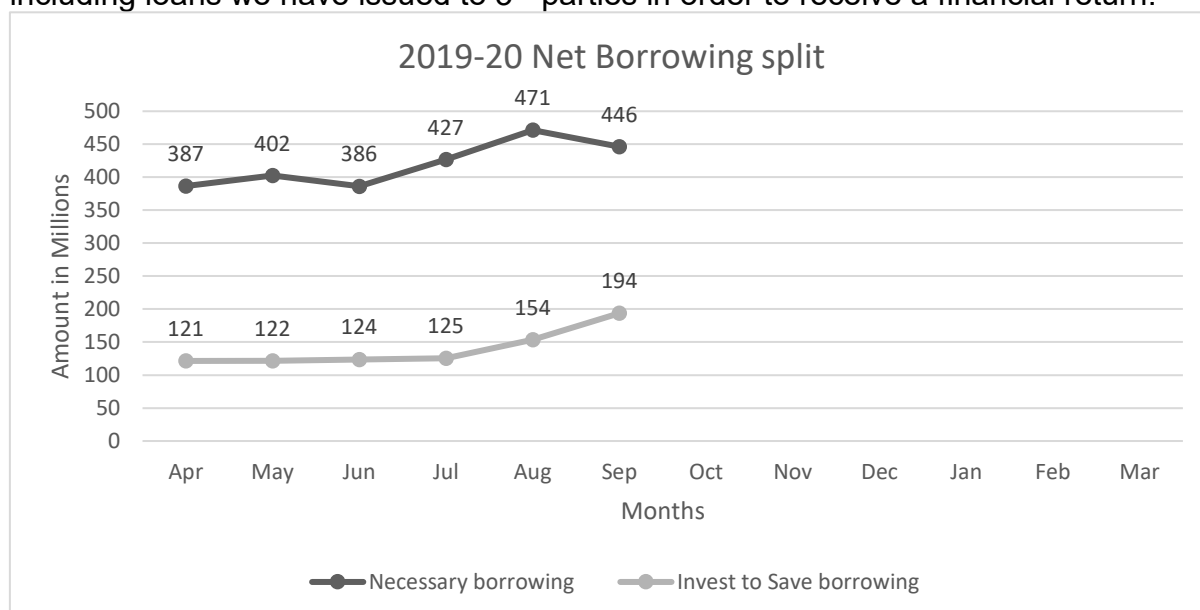
**General Purposes Committee is asked to approve the transfer of £800k Section 106 funding to Cottenham Parish Council subject to the conditions above.**

## 8. BALANCE SHEET

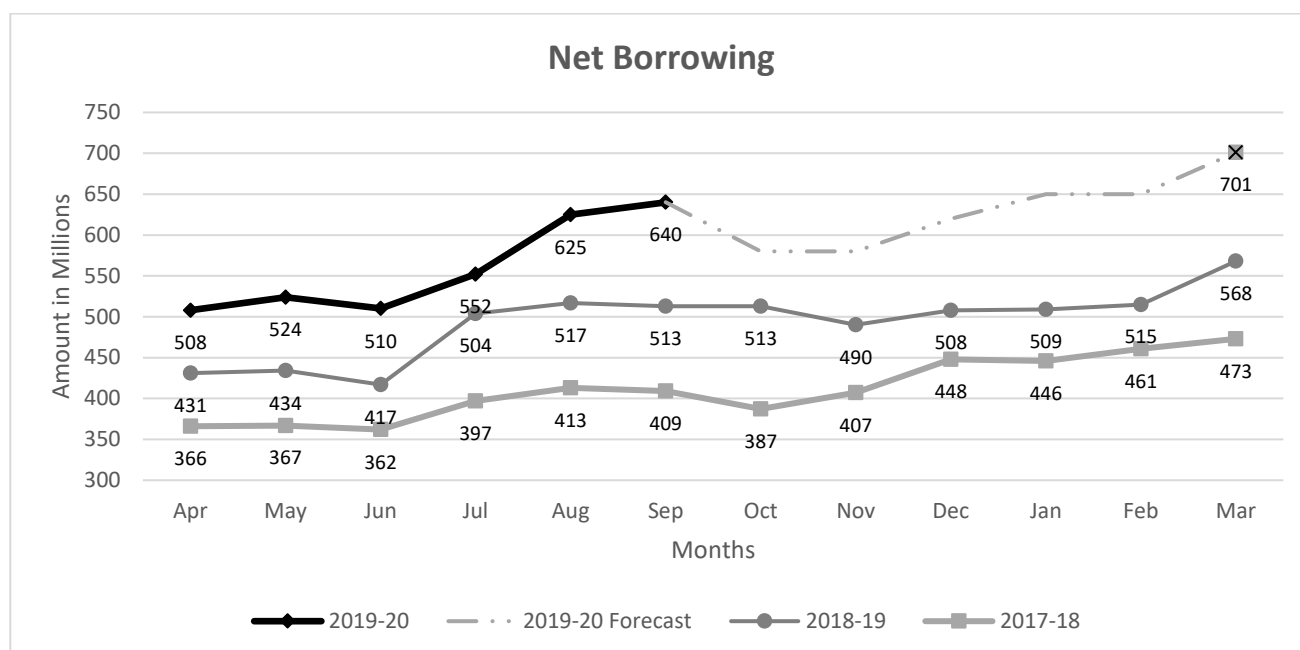
8.1 A more detailed analysis of balance sheet health issues is included below:

Measure		Year End Target	Actual as at the end of Sept 2019
Level of debt outstanding (owed to the council) 91 days +, £m	Adult Social Care	£3.37m	£8.90m
	Sundry	£1.71m	£4.19m

8.2 The graph below shows the estimated split of the net borrowing between necessary borrowing and Invest to Save borrowing. Of the gross borrowing in 2019-20, it is estimated that £194m relates to borrowing for Invest to Save or Invest to Earn schemes, including loans we have issued to 3<sup>rd</sup> parties in order to receive a financial return.



- 8.3 The graph below shows net borrowing (borrowings less investments) on a month by month basis and compares the position with the previous financial year. At the end of September 2019, investments held totalled £108m (excluding 3<sup>rd</sup> party loans) and gross borrowing totalled £748m, equating to a net borrowing position of £640m.



- 8.4 The Council's cash flow profile – which influences the net borrowing requirement - varies considerably during the year, due to the timing difference between outgoing payments (payroll, supplier payments etc.) and income streams (grants, council tax etc.). As illustrated by the comparative 2017-18 and 2018-19 actual net borrowing positions, cash flows at the beginning of the year are typically stronger than at the end of the year, as many grant receipts are received in advance of spend. The 2019-20 net borrowing position is expected to take a similar path, rising more substantially towards the end of the financial year as capital projects are progressed to completion and financed.
- 8.5 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the forthcoming year. It identifies the expected levels of borrowing and investments based upon the Council's financial position and forecast capital programme. When the 2019-20 TMSS was set in February 2019, it anticipated that net borrowing would reach £732.1m by the end of this financial year. Based on the 2018-19 outturn position and subsequent revisions to the capital programme is, this is now forecast to be £700.5m by the end of this financial year.
- 8.6 From a strategic perspective, the Council continues to temporarily utilise cash-backed resources in lieu of additional borrowing (known as internal borrowing) and where borrowing is undertaken loans are raised for shorter terms, both to generate net interest cost savings and consequently holding less investments reduces the Council's exposure to credit risk. However, this approach carries with it interest rate risk and officers continue to monitor options as to the timing of any potential longer term borrowing should underlying interest rates be forecast to rise in a sustained manner.
- 8.7 There is a link between the capital financing borrowing requirement, the net borrowing position and consequently net interest costs. However, the Debt Charges budget is prudently formulated with sensitivity to additional factors including projected levels of cash-backed reserves, forecast movements in interest rates, and the overall borrowing requirement for the Council over the life of the Business Plan and beyond.
- 8.8 Further detail around the Treasury Management activities can be found in the latest [Treasury Management Report \(http://tiny.cc/3by0cz\)](http://tiny.cc/3by0cz).

- 8.9 The Council's reserves include various earmarked reserves (held for specific purposes), as well as provisions (held for potential liabilities) and capital funding. A schedule of the Council's reserves and provisions can be found in [Appendix 2](#).

## **9. ALIGNMENT WITH CORPORATE PRIORITIES**

### **9.1 A good quality of life for everyone**

There are no significant implications for this priority.

### **9.2 Thriving places for people to live**

There are no significant implications for this priority.

### **9.3 The best start for Cambridgeshire's children**

There are no significant implications for this priority.

## **10. SIGNIFICANT IMPLICATIONS**

### **10.1 Resource Implications**

This report provides the latest resources information for the Council and so has a direct impact.

### **10.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

### **10.3 Statutory, Legal and Risk Implications**

There are no significant implications within this category.

### **10.4 Equality and Diversity Implications**

There are no significant implications within this category.

### **10.5 Engagement and Consultation Implications**

No public engagement or consultation is required for the purpose of this report.

### **10.6 Localism and Local Member Involvement**

There are no significant implications within this category.

### **10.7 Public Health Implications**

There are no significant implications within this category.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Name of Financial Officer: Chris Malyon
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?</b>	No Name of Legal Officer: Not applicable
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	No Name of Legal Officer: Not applicable
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	No Name of Officer: Not applicable
<b>Have any engagement and communication implications been cleared by Communications?</b>	No Name of Officer: Not applicable
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	No Name of Officer: Not applicable
<b>Have any Public Health implications been cleared by Public Health</b>	No Name of Officer: Not applicable

<b>Source Documents</b>	<b>Location</b>
P&E Finance Monitoring Report (September 19) P&C Finance Monitoring Report (September 19) PH Finance Monitoring Report (September 19) CS and LGSS Cambridge Office Finance Monitoring Report (September 19) C&I Finance Monitoring Report (September 19) Capital Monitoring Report (September 19) Report on Debt Outstanding (September 19)	1 <sup>st</sup> Floor, Octagon, Shire Hall, Cambridge

**APPENDIX 1 – transfers between Services throughout the year** (only virements of £1k and above (total value) are shown below)

	P&C	Public Health	P&E	CS Financing	Corporate Services	LGSS Managed	C&I	LGSS Op	Financing Items
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Cash Limits as per Business Plan	254,936	390	57,504	28,161	10,221	14,048	-9,502	8,161	20,357
Greater Cambridge Partnership budgets not reported in CCC budget					-602				
Budget Build correction- Impact of Local Government Pay offer on CCC Employee Costs					-430	430			
External audit fees budget transfer					27	-27			
19/20 Council tax income generation proposal to precept income codes					200				
Transfer of Cultural & Community Services from P&E to P&C	4,721		-4,721						
Movement of Contract Efficiency saving target from Corporate Services					49		-49		
Inflation allocation adjustment for Children's Services Legal from CS	30				-30				
Remove Traded Services Central income target from Central Services Risks budget.					-58		58		
Correction of apprenticeship levy					-7	7			
Correction of staffing budget					48			-48	
Community & Safety – Trading Standards moving from P&E to P&C	694		-694						
Review of 2019-20 budget as approved by GPC at 16th July 2019 meeting, Agenda item 5a	2,360				-322	-250	122		-1,910
Transfer Concessionary Fares budget to P&E	-12		12						
Adjustment to match revised LGSS Law SLA						-5		5	
Transfer of commercial schemes' debt charges budget				-603			603		
Transfer P&E Management restructure savings			-22		22				
<b>Current budget</b>	<b>262,728</b>	<b>390</b>	<b>52,080</b>	<b>27,558</b>	<b>9,118</b>	<b>14,203</b>	<b>-8,768</b>	<b>8,119</b>	<b>18,447</b>
Rounding	0	0	0	0	1	1	0	-1	0

## APPENDIX 2 – Reserves and Provisions

Fund Description	Balance at 31 March 2019	2019-20		Forecast Balance 31 March 2020	Notes
		Movements in 2019-20	Balance at 30 Sept 2019		
	£000s	£000s	£000s	£000s	
<b><u>General Reserves</u></b>					
- County Fund Balance	12,850	4,699	17,549	16,897	
- Services					
1 P&C	0	0	0	0	
2 P&E	0	0	0	0	
3 CS	0	0	0	0	
4 LGSS Operational	112	0	112	185	
subtotal	12,962	4,699	17,661	17,082	
<b><u>Earmarked</u></b>					
- Specific Reserves					
5 Insurance	4,060	-679	3,381	3,381	
subtotal	4,060	-679	3,381	3,381	
- Equipment Reserves					
6 P&C	8	0	8	8	
7 P&E	0	0	0	0	
8 CS	3	0	3	3	
9 C&I	56	0	56	0	
subtotal	67	0	67	11	
<b><u>Other Earmarked Funds</u></b>					
10 P&C	286	0	286	286	
11 PH	2,886	0	2,886	2,258	
12 P&E	5,571	-947	4,624	3,437	Includes liquidated damages in respect of the Guided Busway
13 CS	3,193	297	3,490	3,498	
14 LGSS Managed	63	0	63	0	
15 C&I	600	0	600	679	
16 Transformation Fund	24,504	4,567	29,071	20,841	Savings realised through change in MRP policy.
17 Innovate & Cultivate Fund	1,561	-196	1,365	963	
subtotal	38,664	3,721	42,385	31,962	
<b>SUB TOTAL</b>	<b>55,753</b>	<b>7,742</b>	<b>63,495</b>	<b>52,437</b>	
<b><u>Capital Reserves</u></b>					
- Services					
18 P&C	29,463	0	29,463	29,463	
19 P&E	6,069	841	6,910	1,000	
20 LGSS Managed	0	0	0	0	
21 C&I	20,415	13,208	33,623	0	
22 Corporate	54,694	12,047	66,740	56,951	Section 106 and Community Infrastructure Levy balances.
subtotal	110,641	26,096	136,736	87,414	
<b>GRAND TOTAL</b>	<b>166,394</b>	<b>33,838</b>	<b>200,231</b>	<b>139,851</b>	

In addition to the above reserves, specific provisions have been made that set aside sums to meet both current and long term liabilities that are likely or certain to be incurred, but where the amount or timing of the payments are not known. These are:

Fund Description	Balance at 31 March 2019	2019-20		Forecast Balance 31 March 2020	Notes
		Movement s in 2019-20	Balance at 30 Sept 2019		
	£000s	£000s	£000s	£000s	
<b>- Short Term Provisions</b>					
1 P&E	0	0	0	0	
2 P&C	200	0	200	200	
3 CS	0	0	0	0	
4 LGSS Managed	3,460	0	3,460	3,460	
5 C&I	0	0	0	0	
subtotal	3,660	0	3,660	3,660	
<b>- Long Term Provisions</b>					
6 LGSS Managed	3,613	0	3,613	3,613	
subtotal	3,613	0	3,613	3,613	
<b>GRAND TOTAL</b>	<b>7,273</b>	<b>0</b>	<b>7,273</b>	<b>7,273</b>	

Savings Tracker 2019-20

				Investment £000				Prior Years	Planned Savings 2019-20 £000					Prior years	Forecast Savings 2019-20 £000									
				7,378	3,414	1,529	286	-21,509	-5,291	-1,998	-1,794	-1,549	-15,785	-15,910	-5,395	-2,761	-2,038	-2,218	-13,984	1,801				
RAG	Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 19-20 £000	Actual Investment - 19-20 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 19-20	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	Saving complete?	% Variance	Direction of travel	Forecast Commentary
Blue	A/R.6.114	Learning Disabilities - Increasing independence and resilience when meeting the needs of people with learning disabilities	A three-year programme of work was undertaken in Learning Disability Services from 2016/17 to ensure service-users had the appropriate level of care - this saving is the remaining impact of part-year savings made in 2018/19.	1,536	1,520	0	0	-5,481	0	0	0	0	-200	-3,992	-250	-148	-26	-26	-450	-250	No	-125.00	↑	Forecast to deliver £250k in excess of the original target through continuing reviews and commissioning work.
Amber	A/R.6.126	Learning Disabilities - Converting Residential Provision to Supported Living	This is an opportunity to de-register a number of residential homes for people with learning disabilities and change the service model to supported living. The people in these services will benefit from a more progressive model of care that promotes greater independence.	0	0	0	0	0	0	0	0	0	-250	0	0	0	0	-50	-50	200	No	80.00	↓	This is a complex and very volatile area for savings delivery, with challenge from family carers, service user advocates and housing providers. This has slowed delivery of this saving, with only a small element expected to be achieved.
Blue	A/R.6.127	Care in Cambridgeshire for People with Learning Disabilities	Work to enable people with learning disabilities who have been placed 'out of county' to move closer to their family by identifying an alternative placement which is closer to home. To be approached on a case by case basis and will involve close work with the family and the person we support. Will also involve ensuring out of county placements are cost effective and are appropriately funded by the NHS.	120	120	0	0	0	0	0	0	0	-250	0	-200	-478	-63	-63	-804	-554	No	-221.60	↑	On track to over-deliver.
Green	A/R.6.128	Better Care Fund - Investing to support social care and ease pressures in the health and care system	The Improved Better Care Fund is a grant from Central Government for adult social care, to ensure that the health and social care market is not destabilised by pressures on Adult Social Care. A proportion of the funding will be taken as a saving in order to offset increased cost in social care as a result of demand rising and legislative pressures. The IBCF also provides targeted investment in social care services that will promote better outcomes for patients and social care services. The funding has not been confirmed beyond 2019/20, and so at this stage this remains a temporary saving.	0	0	0	0	-7,200	-1,300	0	0	0	-1,300	-7,200	-1,300	0	0	0	-1,300	0	No	0.00	↓	On track
Amber	A/R.6.132	Mental Health Social Work PRISM Integration Project	The introduction of social workers and social care support staffing into the community / primary care health services (PRISM) will deliver improved mental health outcomes for Cambridgeshire residents and reduce demand for services through a focus on prevention, early intervention and strengths-based approach.	340	0	0	0	0	-50	-75	-50	-25	-200	0	-10	-28	-50	-27	-115	85	No	42.50	↓	A change of direction regarding implementation of PRISM has meant that the original model for savings delivery is no longer appropriate. Whilst alternative savings plans are being considered, it is expected that there will be a shortfall against the target, reflecting upwards demand pressures in relation to the provision of care.
Green	A/R.6.133	Impact of investment in Occupational Therapists	OT involvement in reablement goal-setting and review will improve outcomes at the end of the pathway through achieving greater service user independence at the end of reablement.	0	0	0	0	0	-50	-100	-50	-20	-220	0	-50	-100	-50	-20	-220	0	No	0.00	↔	On track
Green	A/R.6.143	Review of Support Functions in Adults	A review of support functions to ensure that capacity is aligned appropriately to the needs of the services supported.	100	4	0	0	0	-150	0	0	0	-150	0	-150	0	0	0	-150	0	No	0.00	↔	On track
Red	A/R.6.174	Review of Supported Housing Commissioning	An ambitious saving of £1m was included in the 2018-23 Business Plan linked to a review of commissioning arrangements for supported housing. Following a detailed review of contract opportunities over the last 12 months, a reduction in the overall saving level is required. The remaining saving will be achieved through working with district partners and providers to redesign services.	250	0	0	0	0	-146	-146	-146	-146	-583	0	-80	-80	-80	-81	-321	262	No	44.94	↔	Expected to be delivered over 2 years into 2020/21 - this revised phasing was agreed when Council set the 2019-24 budget, with the service finding mitigations in-year to offset the revised phasing.
Amber	A/R.6.176	Adults Positive Challenge Programme	Through the Adults Positive Challenge Programme, the County Council has set out to design a new service model for Adult Social Care which will continue to improve outcomes whilst also being economically sustainable in the face of the huge pressure on the sector. This work will focus on promoting independence and changing the conversation with staff and service-users to enable people to stay independent for longer, and has already had success in 2018/19 through a fast-forward element of the programme.	500	239	1,500	258	0	-1,349	-983	-884	-584	-3,800	0	-582	-1,214	-957	-575	-3,309	491	No	12.92	↓	Some evidence of slower than expected delivery, with some cases of interventions not having avoided as much cost as expected. Over-delivery in Reablement is a positive, and further evidence of effects of changing the conversation work is being reviewed, which is expected to demonstrate further costs being avoided.
Green	A/R.6.177	Savings through contract reviews	Several contracts have been retendered throughout 17/18 and 18/19 and have delivered efficiencies, which can now be taken as savings. The largest of these was a retender of domiciliary care block car rounds in late 2017/18.	0	0	0	0	0	-412	0	0	0	-412	0	-412	0	0	0	-412	0	Yes	0.00	↔	Complete
Green	A/R.6.211	Safer Communities Partnership	A review of the required management and support functions within the team will be undertaken depending on the outcome of funding bids, and could deliver a saving of £30,000 during 2019/20.	0	0	0	0	0	0	0	0	0	-30	0	-30	0	0	0	-30	0	Yes	0.00	↔	Complete
Green	A/R.6.212	Strengthening Communities Service	The deletion of a recently vacant Community Protection Project Officer post. The community led no cold calling zones project, which was coordinated by the previous post holder, has now successfully concluded.	0	0	0	0	0	0	0	0	0	-30	0	-30	0	0	0	-30	0	Yes	0.00	↔	Complete
Green	A/R.6.213	Youth Offending Service - efficiencies from joint commissioning and vacancy review	The full year impact of savings realised as a result of the Commissioning of Appropriate Adults and Reparation Services with Peterborough City Council and Cambridgeshire Constabulary. The removal of all capacity within the Youth Offending Service to spot purchase time limited support programmes, tailored to meet individual needs, which may be over and above the core offer. The removal of a part time vacant case holding post, and part time vacantSeniorYOSOfficer post.	0	0	0	0	-124	0	0	0	0	-40	-192	-40	0	0	0	-40	0	Yes	0.00	↔	Complete

				Investment £000				Prior Years	Planned Savings 2019-20 £000					Prior years	Forecast Savings 2019-20 £000									
				7,378	3,414	1,529	286	-21,509	-5,291	-1,998	-1,794	-1,549	-15,785	-15,910	-5,395	-2,761	-2,038	-2,218	-13,984	1,801				
RAG	Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 19-20 £000	Actual Investment - 19-20 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 19-20	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	Saving complete?	% Variance	Direction of travel	Forecast Commentary
Green	A/R.6.214	Youth Support Services	Removal of a staff training budget for Youth Staff (£10k), a reduction in staff capacity and the Community Reach Fund (£30k)	0	0	0	0	0	0	0	0	0	-40	0	-40	0	0	0	-40	0	Yes	0.00	↔	Complete
Green	A/R.6.252	Total Transport - Home to School Transport (Special)	Saving to be made through re-tendering contracts, route reviews, looking across client groups and managing demand for children requiring transport provision	0	0	0	0	0	-83	-28	0	0	-110	0	-28	-27	-28	-27	-110	0	No	0.00	↔	On track
Green	A/R.6.253	Children in Care - Mitigating additional external residential placement numbers	There is currently a shortage of foster placements due to increased numbers of children in care both locally and nationally. This has resulted in a growing number of young people being placed in much higher cost residential placements. This business case describes how we will seek to mitigate 3 of the 8 additional residential placements expected and hence requiring a reduced contribution to the placement budget from demography funding.	705	92	0	18	0	-125	-125	-125	-125	-500	0	-125	-125	-125	-125	-500	0	No	0.00	↔	On track
Green	A/R.6.254	Children in Care - Fee negotiation and review of high cost placements	Negotiation of external placement costs and review of high cost placements. This will be delivered by: - Cost discounts - Volume/long term discounts - Reviewing packages of support for all purchased placement types - Reviewing high cost placements	50	16	50	10	0	-50	-50	-50	-50	-200	0	-50	-50	-50	-50	-200	0	No	0.00	↔	On track
Green	A/R.6.255	Children in Care - Placement composition and reduction in numbers	Numbers of children in care remain at around 100 higher than they should be if our performance was in line with the average of our statistical neighbours. This business case is targeted at reducing demand in the system and delivering sustainable savings by reducing costs associated with higher numbers of children in care in the system as well as increasing in-house fostering numbers and reducing the number of independent agency placements, which are more costly.	0	0	0	0	0	-336	-325	-325	-325	-1,311	0	-336	-325	-325	-325	-1,311	0	No	0.00	↔	On track
Green	A/R.6.258	Children's home changes (underutilised)	Anticipated savings resulting from the closure of the Victoria Road children's home that is currently underutilised. The budget associated with the residential element of the children's home is £600K per annum. The placement costs of the young people living in the provision until mid-June is in the region of £230K per annum, resulting in a full year saving of around £350K per annum.	0	0	0	0	0	-350	0	0	0	-350	0	-350	0	0	0	-350	0	Yes	0.00	↔	Complete
Green	A/R.6.259	Early Years Service	A review of services provided by the Early Years Service in light of the links with Peterborough and growing traded services.	0	0	0	0	0	-50	-50	-50	-50	-200	0	-50	-50	-50	-50	-200	0	No	0.00	↔	On track
Green	A/R.6.260	Reduction of internal funding to school facing traded services	A reduction to the internal funding of the ICT Service and the PE and Sports Advisory Service recognising a reduction in LA usage	0	0	0	0	0	-38	-38	-38	-37	-151	0	-38	-38	-38	-37	-151	0	No	0.00	↔	On track
Green	A/R.6.261	Schools Intervention Service	Reduction in capacity of the service in line with the reduced number of maintained schools that require a direct service	0	0	0	0	0	-25	-25	-25	-25	-100	0	-25	-25	-25	-25	-100	0	No	0.00	↔	On track
Amber	A/R.6.263	Term time only contracts	A voluntary change to term time only contracts (or annualised hours) for staff in the Education Directorate where this is appropriate for their role.	0	0	0	0	0	-7	-8	-7	-8	-30	0	0	0	0	-15	-15	15	No	50.00	↓	Work has not yet started on this and as such it is unlikely to be fully achieved in 2019/20
Green	A/R.6.264	Review of Therapy Contracts	Savings will be delivered by reviewing existing arrangements but further details are unavailable at this time due to commercial confidence.	0	0	0	0	0	0	0	0	0	-321	0	0	0	0	-321	-321	0	No	0.00	↔	On track
Green	A/R.7.101	Early Years subscription package	Proposal to develop Early Years subscription package for trading with settings.	0	0	0	0	0	-4	-4	-4	-4	-16	0	-4	-4	-4	-4	-16	0	No	0.00	↔	On track
Green	A/R.7.103	Attendance and Behaviour Service income	A review of charging models and use of school absence penalty notices within the Attendance and Behaviour Service	0	0	0	0	0	-12	-13	-12	-13	-50	0	-12	-13	-12	-13	-50	0	No	0.00	↔	On track
Black	B/R.6.103	Shared Service: Historic Environment	Income generation shared services with Peterborough.	0	0	0	0	0	0	0	0	0	-10	0	0	0	0	0	0	10	No	100.00	↔	Shared service with PCC, still at discussion stage, may get introduced at back end of year

				Investment £000				Prior Years	Planned Savings 2019-20 £000					Prior years	Forecast Savings 2019-20 £000										
				7,378	3,414	1,529	286	-21,509	-5,291	-1,998	-1,794	-1,549	-15,785	-15,910	-5,395	-2,761	-2,038	-2,218	-13,984	1,801					
RAG	Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 19-20 £000	Actual Investment - 19-20 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 19-20	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	Saving complete?	% Variance	Direction of travel	Forecast Commentary	
Green	B/R.6.105	Transformation of the Infrastructure & Growth Service into a profit centre.	The service recovers its operating costs through recharge and development related income. A large proportion of this is for external clients, such as the Combined Authority & GCP. Commerical operation of the service will maximise income opportunities and standardise the approach to working with external clients.	0	0	0	0	0	0	0	0	0	-79	0	-79	0	0	0	-79	0	No	0.00	↔	Already taken from base budget	
Green	B/R.6.202	Highways Maintenance	Utilising a greater proportion of the on-street parking surplus to fund highways and transport works as allowed by current legislation.	0	0	0	0	0	0	0	0	0	-350	0	-350	0	0	0	-350	0	No	0.00	↔	Change of funding source to accommodate savings	
Amber	B/R.6.206	Highways Shared Services Model	Creation of a single, shared highway service across Cambridgeshire and Peterborough.	0	0	0	0	0	0	0	0	0	-150	0	-12	-13	-12	-13	-50	100	No	66.67	↔	The £150k shared service saving will not be achieved until 20/21. However there are savings within Road Safety of £50k which will mitigate this shortfall.	
Green	B/R.6.210	Household Recycling Centre changes	Implementation of a permitting system for vans and trailers.	0	0	0	0	0	0	0	0	0	-60	0	-15	-15	-15	-15	-60	0	No	0.00	↔	Saving in 19/20 to be made via vacancy saving within the team.	
Green	B/R.6.214	Street Lighting - contract synergies	Annual saving from joint contract drafting with partners. This will not lead to any reduction in street lighting provision.	800	228	0	0	-227	0	0	0	0	11	-227	11	0	0	0	11	0	No	0.00	↔	Funding adjustment	
Red	C/R.6.101	Sharing with other Councils	A joint working agreement is now in place with Peterborough City Council along with a growing number of shared posts.	400	267	0	0	0	0	0	0	0	-500	0	0	0	0	-100	-100	400	No	80.00	↔	Shared Services saving from 18/19 to be met before progress can be made against this target.	
Black	C/R.6.106	Reduction in costs on Redundancy, Pensions & Injury budget	Reduction in costs on Redundancy, Pensions & Injury budget, held within Corporate Services.	0	0	0	0	-20	0	0	0	0	-10	-20	0	0	0	0	0	10	No	100.00	↔	Saving not expected to be met, as costs are not reducing as anticipated.	
Green	C/R.7.101	BP 19/20 - Council Tax: Increasing Contributions	We will seek to work with Cambridgeshire District Councils to identify the best possible activities to drive up increased payment of Council Tax in Cambridgeshire. Based upon these discussions, we will procure support to undertake a process of identifying residents who are incorrectly paying less Council Tax than they should be, notify them and bill them appropriately, bringing in additional revenue. We may also seek to support arrangements to enable people who are genuinely unable to pay their Council Tax by offering more flexible payment terms. Based upon previous work in this area, there is a reasonable likelihood that this activity could be commissioned on a no-win-no-fee basis, with the Local Authority only having to pay if the work undertaken is successful.	0	0	0	0	0	0	0	0	0	-200	0	0	0	-100	-100	-200	0	No	0.00	↔	Complete due to work to understand increased growth in the Council Tax base. A further project is underway to look at reducing fraud in the next financial year.	
Green	D/R.6.999	LGSS operational savings	Savings being driven out by the Milton Keynes Council partnership, from LGSS income growth and from efficiencies following the introduction of the new ERP system.	0	0	0	0	0	0	0	0	0	-159	0	0	0	0	0	-159	0	No	0.00	↔		
Black	D/R.6.999	LGSS trading savings	Saving predicated on growth in LGSS' trading base through acquiring a fourth partner and further customer growth. With much of the work to achieve this on hold whilst the review of the LGSS operating model is completed there is risk around the delivery of this saving.	0	0	0	0	0	0	0	0	0	-460	0	0	0	0	0	0	460	No	100.00	↔	Saving predicated on securing a fourth partner which is not possible whilst the review of the LGSS operating model is ongoing.	
Amber	D/R.6.999	LGSS additional savings	Additional LGSS savings ask above and beyond the savings share between the three partners. This will need to be delivered through a reduced service offering to CCC and options are being drawn up by LGSS for consideration by CCC for the delivery of this saving.	0	0	0	0	0	0	0	0	0	-300	0	0	0	0	0	-228	72	No	24.00	↔		
Green	E/R.6.031	NHS Health Checks - IT software contract decommissioned	NHS Health Checks is a cardiovascular risk assessment offered to people aged to 40 to 74 year olds every five years who do not have a diagnosed health condition. GP practices are commissioned to identify and invite eligible individuals to have an NHS Health Check. A robust data collection process is required to manage patient data and to ensure that anonymized data is sent to the Local Authority as part of the performance monitoring and payment system to the GPs. In 2017 after securing agreement from the Clinical Commissioning Group (CCG) which has responsibility for practice systems new software was commissioned to sit on GP practice systems. The introduction of GPPR compromised the security of the software as it could not meet fully the GDPR requirements and therefore the contract was decommissioned. The IT company fully agreed with this approach and assumed any additional cost for removing systems already in practices. GP practice systems have developed rapidly and they are now able to manage NHS Health Check data electronically and share anonymized data with the Local Authority at no cost to the Local Authority.	0	0	0	0	0	-41	0	0	0	-41	0	-41	0	0	0	-41	0	No	0.00	↔		
Green	E/R.6.032	NHS Health Checks Funding	There has been a recurrent underspend on the NHS Health Checks Programme since the transfer of the funding from the NHS to the Local Authority which has reflected fairly stable activity levels.	0	0	0	0	0	-13	-13	-13	-13	-50	0	-13	-13	-13	-13	-50	0	No	0.00	↔		
Green	E/R.6.033	Drug & Alcohol service - funding reduction built in to new service contract	Savings will be secured through the re-commissioning of the Cambridgeshire Adult Drug and Alcohol Treatment Services, which will enable transformational changes to be undertaken. The Drugs and Alcohol Joint Strategic Needs Assessment, (2016) indicated changes in needs that are addressed in the new service model. An aging long-term drug using population that enter and re-enter the Service has complex health and social problems that do not require intensive acute drug treatment services but more cost effective support services to ensure their good mental and physical health and social support needs are met. Strengthened recovery services using cost-effective peer support models to avoid readmission, different staffing models and a mobile outreach service.	0	0	0	0	0	-162	0	0	0	-162	0	-162	0	0	0	-162	0	No	0.00	↔		

				Investment £000				Prior Years	Planned Savings 2019-20 £000					Prior years	Forecast Savings 2019-20 £000										
				7,378	3,414	1,529	286	-21,509	-5,291	-1,998	-1,794	-1,549	-15,785	-15,910	-5,395	-2,761	-2,038	-2,218	-13,984	1,801					
RAG	Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 19-20 £000	Actual Investment - 19-20 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 19-20	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	Saving complete?	% Variance	Direction of travel	Forecast Commentary	
Green	E/R.6.035	Children 5-19 - Mental Health Training for Children's workforce	This proposal ceases funding for intensive training for a relatively small number of the young people's workforce each year, delivered face to face by Cambridgeshire and Peterborough NHS Foundation Trust. Instead it is proposed that Public Health staff work together with the Heads of Early Help to establish a clear specification of the training requirements and success criteria for an e-learning training package with less intensive face to face training in 2019/20, focussed on the mental health training needs of Young People's workers in the Early Help Teams.	0	0	0	0	0	-36	0	0	0	-36	0	-36	0	0	0	-36	0	No	0.00	↔		
Green	E/R.6.036	Children's 0-19 Services - Healthy Child Programme - Proposal previously agreed in 2017/18 business planning process	<p>This £238k savings proposal was previously discussed by Health Committee in the autumn 2017 business planning round. It was agreed to fund the £238k saving from public health reserves in 2018/19, to allow further time to develop the 0-19 Healthy Child integration programme (and associated savings) for implementation in 2019/20.</p> <p>The Healthy Child programme is a universal-progressive, needs-based service delivered at 4 levels: Community, Universal, Universal Plus (single agency involvement) and Universal Partnership Plus (multi-agency involvement). All children, young people and families are offered a core programme of evidence based, early intervention and preventative health care with additional care and support for those who need it.</p> <p>The 0-19 Healthy Child Programme (HCP) consists of Health Visiting (0-5yrs), Family Nurse Partnership (for vulnerable teenage parents), and School Nursing (5-19yrs). It is delivered by CCS in Cambridgeshire and CPFT in Peterborough. The 2018/19 budget allocations are £8,926,739 in Cambridgeshire and £3,695,226 in Peterborough. Total approximately £12.6 million. Savings will be achieved by integrating the two services with a common management structure, and redesigning the service model to achieve savings through improved skill mix. A Transformation Board including commissioners, public health and senior management from the two provider organisations has been set up to oversee the project from design to implementation.</p> <p>The positive impact of this integration is that it will reduce duplication freeing up workforce capacity to improve areas of poor performance across the HCP particularly in mandated 0-5 checks. There will be an increased focus on areas of need so workforce and services will be resourced to ensure there is an improvement in outcomes and reduced inequalities. The Benson modelling tool has</p>	0	0	0	0	0	-238	0	0	0	-238	0	-238	0	0	0	-238	0	No	0.00	↔		
Green	E/R.6.037	Children's 0-19 Services - Healthy Child Programme - Additional savings proposal for 2018/19	See description for proposal E/R.6.036. This proposal is for additional savings associated with integration of the 0-19 Healthy Child integration programme, not previously discussed in autumn 2017.	0	0	0	0	0	-160	0	0	0	-160	0	-160	0	0	0	-160	0	No	0.00	↔		
Green	E/R.6.038	Public Health Directorate - In house staff rationalisation	It has been possible to build on the efficiencies created by creating a joint public health directorate across Cambridgeshire County Council and Peterborough City Council, by merging two team leader posts in the joint public health commissioning unit. In addition it is proposed to delete three vacant posts in the public health directorate. The saving will be shared across Cambridgeshire County Council and Peterborough City Council, and some of the saving is offset by a technical change to the recharge across the two Councils.	0	0	0	0	0	-80	0	0	0	-80	0	-80	0	0	0	-80	0	No	0.00	↔		
Green	E/R.6.039	Reduce Long Acting Reversible Contraception (LARCs) funding in line with audit results and completion of clinician training	LARCs are commissioned from GP practices. The Clinical Commissioning Group (CCG) recharges the LA for the cost of the contraception devices. Audits have been undertaken of the services which revealed that the recharges included the cost of items for which the LA is not liable i.e. injectable contraception and the use of devices for gynaecological purposes. In addition the training programme for clinicians to ensure that there is capacity in the system to accommodate retiring GPs has now been completed.	0	0	0	0	0	-15	-15	-15	-15	-60	0	-15	-15	-15	-15	-60	0	No	0.00	↔		
Green	E/R.6.040	Reduce immunisations promotion budget	In 2016/17 funding of £20k per annum was allocated by Cambridgeshire County Council for promotion of immunisations. Since then childhood immunisation rates have improved, although still with some further work to do, and the PHE/NHS England screening and immunisations team have been actively taking forward further improvement measures. It is proposed to mainstream promotion of immunisations within the wider health protection and communications functions. £7k will be allocated to the health protection budget and the remaining £13k taken as a saving.	0	0	0	0	0	-9	0	0	0	-13	0	-13	0	0	0	-13	0	No	0.00	↔		
Green	E/R.6.041	Expected operational savings across Public Health staffing and contracts	In-year vacancy savings and efficiencies within demand-led contracts.	0	0	0	0	0	0	0	0	-109	-109	0	0	0	0	-109	-109	0	No	0.00	↔	Will be made through staff vacancies and any other underspends on demand led spending.	
Black	F/R.6.001	BP 19/20 Contract Efficiency	A review of specific areas identified within the contract register to discover what potential there is for savings through more commercially minded renegotiation, re-consideration of service specifications and consideration of where smarter payment processes may assist in driving down costs.	0	0	0	0	0	0	0	0	0	-200	0	0	0	0	0	0	200	No	100.00	↔	Any savings made in 2019/20 will go towards the savings target carried forward from 2018/19 which was not met in that year.	
Green	F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	Savings to be generated from Energy Efficiency Fund capital investment. Element to repay financing costs. Links to capital proposal F/C.2.119	0	0	0	0	-39	0	0	0	0	-19	-39	0	0	0	-19	-19	0	No	0.00	↔		
Green	F/R.7.103	County Farms Investment (Viability) - Surplus to Repayment of Financing Costs	Increase in County Farms rental income resulting from capital investment. Element surplus to repaying financing costs.	0	0	0	0	-15	0	0	0	0	16	-15	0	0	0	0	16	0	No	0.00	↔		

				Investment £000				Prior Years	Planned Savings 2019-20 £000					Prior years	Forecast Savings 2019-20 £000									
				7,378	3,414	1,529	286	-21,509	-5,291	-1,998	-1,794	-1,549	-15,785	-15,910	-5,395	-2,761	-2,038	-2,218	-13,984	1,801				
RAG	Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 19-20 £000	Actual Investment - 19-20 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 19-20	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	Saving complete?	% Variance	Direction of travel	Forecast Commentary
Green	F/R.7.104	County Farms Investment (Viability) - Repayment of Financing Costs	Increase in County Farms rental income resulting from capital investment. Links to capital proposal F/C.2.101.	0	0	0	0	-97	0	0	0	0	-16	-95	0	0	0	0	-16	0	No	0.00	↔	
Green	F/R.7.105	Renewable Energy Soham - Repayment of Financing Costs	Income generation resulting from capital investment in solar farm at Soham. Element to repay financing costs. Links to capital proposal C/C.2.102 in BP 2016-17.	0	0	0	0	-877	0	0	0	0	-8	-877	0	0	0	0	-8	0	No	0.00	↔	
Green	F/R.7.106	Utilisation/commercialisation of physical assets	One Public Estate Asset plan Maximise the income generated from parking Venue request tool	0	0	0	0	0	0	0	0	0	-21	0	0	0	0	0	-21	0	No	0.00	↔	
Red	F/R.7.113	Invest to Save Housing Schemes - Income Generation	The Council is a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. This will require CCC to move from being a seller of sites to being a developer of sites, through a Housing Company. In the future, CCC will operate to make best use of sites with development potential in a co-ordinated and planned manner to develop them for a range of development options, generating capital receipts to support site development and significant revenue and capital income to support services and communities.	2,577	928	-21	0	-6,923	0	0	0	0	-1,483	-2,747	0	0	0	0	-1,183	300	No	20.23	↓	Dependent on land values and This Land's readiness for construction loans.
Green	F/R.7.127	Renewable Energy Soham - Surplus to Repayment of Financing Costs	Income generation resulting from capital investment in solar farm at Soham. Element to surplus to repaying financing costs.	0	0	0	0	-187	0	0	0	0	-5	-187	0	0	0	0	-5	0	No	0.00	↔	
Green	G/R.6.004	Capitalisation of interest on borrowing	Through a change in the Council's accounting policy in 2017-18, the cost of borrowing within all schemes will be capitalised. This will help to better reflect the cost of assets when they actually become operational.	0	0	0	0	-319	0	0	0	0	11	-319	0	0	0	0	11	0	No	0.00	↔	

Key to RAG ratings:

Total saving	Over £500k	100-500k	Below 100k
Black	100% non-achieving	100% non-achieving	100% non-achieving
Red	% variance more than 19%	-	-
Amber	Underachieving by 14% to 19%	% variance more than 19%	% variance more than 19%
Green	% variance less than 14%	% variance less than 19%	% variance less than 19%
Blue	Over-achieving	Over-achieving	Over-achieving



**CORPORATE DIRECTORATES' RISK REGISTER**

**To:** General Purposes Committee

**Meeting Date:** 26 November 2019

**From:** Head of Business Intelligence,  
Business Improvement and Development

**Electoral division(s):** All

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

**Purpose:** To provide a 6 monthly update on the current Corporate Directorates' Risk Register.

**Recommendation:** The Committee is asked to note and comment on the Corporate Directorates' Risk Register.

<b><i>Officer contact:</i></b>		<b><i>Member contacts:</i></b>	
Name:	Tom Barden	Names:	Cllr Steve Count / Cllr Roger Hickford
Post:	Head of Business Intelligence	Post:	Chair/Vice-Chair
Email:	<a href="mailto:Tom.Barden@cambridgeshire.gov.uk">Tom.Barden@cambridgeshire.gov.uk</a>	Email:	<a href="mailto:Steve.Count@cambridgeshire.gov.uk">Steve.Count@cambridgeshire.gov.uk</a> / <a href="mailto:Roger.Hickford@cambridgeshire.gov.uk">Roger.Hickford@cambridgeshire.gov.uk</a>
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## **1. BACKGROUND**

- 1.1 Cambridgeshire County Council has a Corporate Risk Register which is reported to General Purposes Committee and the Audit and Accounts Committee as part of the performance report, and reviewed annually at General Purposes Committee. The Corporate Risk Register covers the activity of the whole Council.
- 1.2 In addition to the Corporate Risk Register, the Corporate Directorates (Resources, Business Improvement and Development, and Customer and Digital) have their own Risk Register which highlights key strategic risks which are being managed within the directorates.
- 1.3 Following a risk management audit undertaken by Zurich, the Council's risk management procedures require that all directorates report their risk registers regularly to the service committee that oversees their work. Since GPC oversees the work of the Corporate Directorates, this report provides information on their risk registers as per the procedures.

## **2. MAIN ISSUES**

- 2.1 The Corporate Directorates' risk register includes the main strategic risks from three Directorates; Resources, Business Improvement & Development and Customer & Digital and is included as an appendix to this report. The risk registers are reviewed quarterly at Directorate Management Team meetings.
- 2.2 As a County Council, the risk appetite for all risks has been set at 16 (4 Likelihood / 4 Consequence), this will indicate that any risk at this level or above will need to be reassessed in terms of its tolerance level and any additional mitigating actions may need to be introduced to further minimise the risk. In some cases, the risk may need to remain for a short-period of time until the mitigating actions take effect.
- 2.3 There are no risks that currently are scored 16 or higher. The highest scoring risks are:
  1. Staffing resources are not sufficient to meet business need (*Resources Risk # 4*)
  2. IT line of business systems and Web/Digital services do not enable efficient and effective service delivery (*Customer and Digital Services Risk # 2*)
  3. Budgets are not delivered leading to Council wide material overspend (*Resources Risk # 1*)
  4. Statutory or legislative obligations are not delivered (*Resources Risk # 3*)
- 2.4 Each of these risks has a set of controls, mitigating actions to manage these risks are identified on the risk register.
- 2.5 It is our intention to report the Corporate Directorates' Risk Register to GPC twice a year. GPC will be invited to note and comment on the risks.

## **3. ALIGNMENT WITH CORPORATE PRIORITIES**

### **3.1 A good quality of life for everyone**

There are no significant implications for this priority.

### **3.2 Thriving places for people to live**

There are no significant implications for this priority.

### **3.3 The best start for Cambridgeshire's children**

There are no significant implications for this priority.

## **4. SIGNIFICANT IMPLICATIONS**

### **4.1 Resource Implications**

This report discusses the risks identified by the Corporate Directorates and the mitigating actions they are taking to manage these.

### **4.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

### **4.3 Statutory, Legal and Risk Implications**

This report discusses the risks identified by the Corporate Directorates and the mitigating actions they are taking to manage these.

### **4.4 Equality and Diversity Implications**

There are no significant implications within this category.

### **4.5 Engagement and Communications Implications**

There are no significant implications within this category.

### **4.6 Localism and Local Member Involvement**

There are no significant implications within this category.

### **4.7 Public Health Implications**

There are no significant implications within this category.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Not applicable
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	Not applicable
<b>Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?</b>	Not applicable
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	Not applicable
<b>Have any engagement and communication implications been cleared by Communications?</b>	Not applicable
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	Not applicable
<b>Have any Public Health implications been cleared by Public Health</b>	Not applicable

<b>Source Documents</b>	<b>Location</b>
None	Not applicable

## CCC Customer and Digital Services

Risk		01. Corporate and Digital Services is not able to support other directorates with the delivery of service												
Likelihood	5													
	4													
	3													
	2													
	1													
		1	2	3	4	5								
	Consequence													
Risk Owners		Sue Grace					Current Score		4		Last Review		29/10/2019	
							Target Score				Next Review		31/12/2019	
							Previous Score		4					
Triggers		Likelihood Factors (Vulnerability)										Potential Consequences		
		01. The service is unable to recruit staff with the right skills and experience. 02. Key business systems are unavailable or insufficient.										01. Failure to deliver effective services. 02. Reputational damage to the Council.		

Risk		02. IT line of business systems and Web/Digital services do not enable efficient and effective service delivery									
Likelihood	5										
	4										
	3										
	2										
	1										
		1	2	3	4	5					
		Consequence									

Risk		03. The Council does not respond to customer contact in a consistent, efficient and effective way									
Likelihood	5										
	4										
	3										
	2										
	1										
		1	2	3	4	5					
Consequence											
		Risk Owners					Sue Grace		Current Score		8
									Target Score		
									Previous Score		8
		Triggers					Likelihood Factors (Vulnerability)			Potential Consequences	
		01. A sudden temporary unplanned loss of high numbers of staff, resulting in an inability to handle incoming contact volumes to timescales determined by the corporate customer service standards. 02. A sudden permanent loss of high numbers of staff/managers, resulting in an inability to handle incoming contact volumes to timescales determined by the corporate customer service standards - need to recruit. 03. Large numbers of new staff present a vulnerability in relation to the efficiency gains associated with the operating model - inability to cross skill 04. Inability to resolve information requests at the first point of contact due to poor or absent online information. 05. Loss of a key or multiple IT systems or a move into Business Continuity mode - there will be a period when the quality of service delivered will be affected by downtime. 06. Loss of supplier.					01. Reliance on LGSS to restore key systems - different operational hours. Response timescales present a potential gap in service. 02. Having appropriately skilled and number of personnel in place at the right time to be able to put recovery plans into place to respond to both planned and unplanned events. 03. The ability to resource more than one critical event at a time.			01. Underperformance/inability to meet performance indicators. 02. Reputational impact - complaints, longer wait times for services to be delivered - first response and end to end, site closures, reduced operating times and reduced offerings for some services. 03. Rise in staff absence/stress, increase in leavers.	

Controls	Adequacy	Critical Success
01. Daily performance catch up meetings in place to review workload, staffing levels and daily priorities.	Good	
02. Daily catch up meeting procedures, which details actions that can be taken to address underperformance.	Good	
03. Operational Performance Management Meetings are scheduled monthly to review the position to date and activities/pressures over the coming 6 weeks.	Good	
04. Effective management of of resourcing in the Contact Centre using the scheduling system and resource calendar - daily through to long term forecasting.	Good	
05. Proactive reviews of IVR messaging to ensure relevance of content, to maximise first contact resolution and to promote the digital first agenda.	Good	
06. SLAs in place for all commissioned services with regular review meetings scheduled to discuss performance levels and to promote joint working on a continuous improvement plan.	Good	
07. Qualitative measures are in place to audit the management of contacts into Customer Services - case audits, monthly reports and mandatory data and a call coaching programme are in place.	Good	
08. CMS real time performance reporting tools are in place.	Good	
09. Production of an executive performance report monthly.	Good	
10. Staffing Business Continuity plans are in place.	Good	
11. Staff Welfare scheme.	Good	
12. Presence of a duty manager - daily and covering all operational opening times	Good	

Action Plan	Responsibility	Target Date
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**Risk Path:** CCC Customer and Digital Services/Cambridgeshire County Council/Cambridgeshire County Council

**Risk Category:**

**Linked Objective(s):**

## Business Improvement and Development

Risk		01. The data in the Council's systems is not sufficient to produce reports as required by the business and / or regulators									
Likelihood	5										
	4										
	3										
	2										
	1										
		1	2	3	4	5					
		Consequence									
		Risk Owners					Tom Barden				
		Current Score					9				
		Target Score									
		Previous Score					9				
		Triggers									
		Likelihood Factors (Vulnerability)									
		Potential Consequences									
		01. Reports are inaccurate. 02. Reports are incomplete.									
		01. The quality of the data in the system. 02. Whether the system is configured correctly. 03. Whether the system accurately captures the processes in the service. 04. Changes to specification of data required by government / regulators.									
		01. Failure to meet statutory or regulatory duties in submitting information. 02. Services not able to manage their business.									

Controls	Adequacy	Critical Success
01. BI participation in systems change projects.	Good	
02. Change control processes.	Good	
03. Data quality reports for services.	Good	
04. System development boards (e.g. Adults Digital Development Board).	Good	
05. Use of spreadsheets / other ad-hoc methods 'off-system'.	Good	

Action Plans	Responsibility	Target Date
01. Liquidlogic implementation (children's services) - will improve data quality and system configuration, introduce new.	Tom Barden	31/01/2020
02. Total Mobile implementation (reablement) Will improve data quality and integration with other adults systems.	Tom Barden	31/01/2020

**Risk Path:** Business Improvement and Development/Cambridgeshire County Council/Cambridgeshire County Council.

**Risk Category:**

**Linked Objective(s):**

Risk		02. BI is unable to extract the right information from systems at the right time									
Likelihood	5										
	4										
	3			X							
	2										
	1										
		1	2	3	4	5					
		Consequence									
		Risk Owners					Tom Barden				
		Current Score					9				
		Target Score									
		Previous Score					9				
		Last Review					31/10/2019				
		Next Review					31/12/2019				
		Triggers								Likelihood Factors (Vulnerability)	
		Potential Consequences									
		01. Ofsted / other regulator inspects and information unable to be provided. 02. Reports not provided to business when required. 03. Reports not provided to government as required.								01. Multiple systems and extraction tools, data 'siloes' in each system. 02. Dependent on LGSS / third parties to do some extraction or prepare the data. 03. Data migrations should bring across all relevant data.	
										01. Council does not meet statutory requirements for information submission. 02. Council does not meet regulatory requirements for information submission. 03. Services not able to manage their business.	

Controls	Adequacy	Critical Success
01. Work plan with LGSS BI	Good	
02. Ensure part of professional groups to get updates to statutory requirements.	Good	
03. BI participation in systems change projects.	Good	

Action Plans	Responsibility	Target Date
01. IT Strategy workstream 4 - 'data driven decision-making' . 02. To develop improved data layer and front-end visualisations.	Tom Barden	31/03/2020

**Risk Path:** Business Improvement and Development/Cambridgeshire County Council/Cambridgeshire County Council  
**Risk Category:**  
**Linked Objective(s):**

Risk		03. BID is not able to support other directorates as required by the Council																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
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Controls	Adequacy	Critical Success
01. Business Development and Improvement Board to discuss prioritisation.	Good	
02. Capacity and work monitoring processes in Transformation and BI.	Good	
03. Business Continuity Planning.	Good	

Action Plans	Responsibility	Target Date
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**Risk Path:** Business Improvement and Development/Cambridgeshire County Council/Cambridgeshire County Council

**Risk Category:**

**Linked Objective(s):**

Risk		04. Change and transformation of services is not successful to meet future estimated levels of resources in the Business Plan									
Likelihood	5										
	4										
	3			X							
	2										
	1										
		1	2	3	4	5					
		Consequence									
		Risk Owners					Current Score		9		
							Target Score				
							Previous Score				
		Triggers					Likelihood Factors (Vulnerability)			Potential Consequences	
		01. Services do not change to meet current demands. 02. Projects and programmes stall or do not make sufficient impact.								01. Statutory obligations not delivered. 02. The Council does not work in a transformed way. 03. Over-spend on budget.	

Controls	Adequacy	Critical Success
01. Transformation Team established to support change in services.	Good	
02. Transformation Fund to ensure access to resources.	Good	
03. Communications with staff about innovation and opportunities for development.	Good	
04. GPC monitor transformation programme monthly as part of Integrated Resources and Performance Report.	Good	
05. Project and programme governance established to oversee delivery.	Good	
06. Rigorous risk management embedded in project and programme governance.	Good	
07. Members involved in transformation.	Good	

Action Plans	Responsibility	Target Date
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**Risk Path:** Business Improvement and Development/Cambridgeshire County Council/Cambridgeshire County Council

**Risk Category:**

**Linked Objective(s):**

## Resources

Risk		01. Budgets are not delivered leading to Council wide material overspend									
Likelihood	5										
	4										
	3										
	2										X
	1										
		1	2	3	4	5					
		Consequence									
		Risk Owners					Tom Kelly		Current Score		10
									Target Score		
									Previous Score		
		Triggers					Likelihood Factors (Vulnerability)			Potential Consequences	
		1. Pressures not identified. 2. Budget assumptions are inaccurate. 3. Reduction in traded services/income. 4. Lack of management information. 5. Delegated Authority becomes problematic. 6. Lack of timely corrective action.								1. Reactive in-year savings. 2. Statutory responsibilities unable to be delivered. 3. Reputational damage. 4. Performance impact	

Controls	Adequacy	Critical Success
01. Robust budget planning according to timescales aligning with political governance.	Good	
02. Regular and accurate finance monitoring reports to track budget, savings, activity and performance.	Good	
03. Adherence to procurement processes and controls to ensure that best value is achieved from contracts.	Good	
04. Increased diversity of investment portfolio to generate additional income.	Good	
05. Implement delegated authority model for Officer spend (including with Property Services within Resources).	Good	
06. Regular meetings between finance advisors and budget holders; challenge to forecasts & finance cross-checks.	Good	
07. Wider financial mitigations and general reserve balances.	Good	

Action Plans	Responsibility	Target Date
01. Monthly forecasting and monitoring.	Tom Kelly	31/03/2020
02. Member oversight - GPC and service committees.	Tom Kelly	31/03/2020
03. Implement Delegated Authority controls.	Tom Kelly	30/11/2019

**Risk Path:** Resources/Cambridgeshire County Council/Cambridgeshire County Council

**Risk Category:**

**Linked Objective(s):**

Risk		02. Resources directorate service plans are not delivered														
Likelihood	5															
	4															
	3															
	2				X											
	1															
		1	2	3	4	5										
	Consequence															
Risk Owners		Tom Kelly					Current Score		6		Last Review					
							Target Score				Next Review		06/02/2020			
							Previous Score									
		Triggers					Likelihood Factors (Vulnerability)					Potential Consequences				
		01. Insufficient staffing - recruitment and retention pressures. 02. Increasing workload pressure and competing priorities. 03 .Processes not documented or monitored sufficiently.										01. Lack of support to budget holders. 02. Reporting not produced or inaccurate. 03. Business planning work delayed or not completed 04. Financial mismanagement. 05. Adverse regulatory opinion. 06 .Decisions made that contravene the Council's constitution. 07. Reputational damage.				

Risk		03. Statutory or legislative obligations are not delivered									
Likelihood	5						Risk Owners Tom Kelly	Current Score Target Score Previous Score	10	Last Review Next Review	06/02/2020
	4										
	3										
	2							Triggers 01. Business disruption. 02. Lack of management oversight. 03. Poor financial management. 04 .Managing statutory compliance on all Council assets to offer staff a safe place of work.	Likelihood Factors (Vulnerability)	Potential Consequences 01. Harm to people. 02. Criminal or civil action. 03. Fines or penalties. 04. Reputational damage. 05. Criminal or civil action.	
	1										
		1	2	3	4	5					
Consequence											

Risk		04. Staffing resources are not sufficient to meet business need									
Likelihood	5						Risk Owners Tom Kelly	Current Score Target Score Previous Score	12	Last Review Next Review	06/02/2020
	4										
	3				X						
	2							Triggers 01. Difficulty recruiting. 02. Long term absence. 03. Lack of training/capability, 04. Savings targets, restructures, efficiencies impact. 05. Relocation risks to retention.	Likelihood Factors (Vulnerability)	Potential Consequences 01. Overworked staff and low morale. 02. Increase sickness/absence. 03. High staff turnover. 04. Reputational damage.	
	1										
		1	2	3	4	5					
Consequence											

Risk		05. IT and business systems resources are not sufficient to meet business need.									
Likelihood	5										
	4										
	3				X						
	2										
	1										
		1	2	3	4	5					
		Consequence									
		Risk Owners					Tom Kelly		Current Score		9
									Target Score		
									Previous Score		
		Triggers					Likelihood Factors (Vulnerability)			Potential Consequences	
		01. Poor implementation of upgrades or new systems. 02. Issues with ERP Gold. 03. Issues with K2.								01. Unable to provide effective and timely service delivery. 02. Additional costs for business changes. 03. System resolution matters distract from core purposes.	

Controls	Adequacy	Critical Success
01. Communication of issues.	Good	
02. Procurement and involvement in development projects (replacement of K2).	Good	
03. Key user involvement in User Acceptance Testing.	Good	
04. Consider payment dependencies of systems.	Good	

Action Plans	Responsibility	Target Date
01. ERP user financial improvement workstreams.	Tom Kelly	31/12/2019
02. Seat on LGSS Business Systems Board.	Tom Kelly	31/03/2020
03. Payment alternatives - GPC / CHAPS.	Tom Kelly	31/03/2020
04. Review alternative property asset management software. Techforge is currently looking to be the preferred software and complies with PCC model.	Tom Kelly	28/02/2020

**Risk Path:** Resources/Cambridgeshire County Council/Cambridgeshire County Council

**Risk Category:**

**Linked Objective(s):**

Risk		06. Fraud or corruption occurs									
Likelihood	5						Risk Owners Tom Kelly	Current Score Target Score Previous Score	3	Last Review Next Review	06/02/2020
	4										
	3										
	2							Triggers 01. Inappropriate staff in key positions. 02. Ineffective internal controls in financial processes. 03. Lack of management review.	Likelihood Factors (Vulnerability)	Potential Consequences 01. Financial loss. 02. Expensive investigations. 03. Damage to working relationships. 04. Expenses/mileage abuse. 05. Reputational damage.	
	1			X							
		1	2	3	4	5					
	Consequence										



**TRANSFORMATION FUND MONITORING REPORT QUARTER 2 2019-20**

**To:** General Purposes Committee

**Meeting Date:** 26 November 2019

**From:** Julia Turner, Interim Head of Transformation

**Electoral division(s):** All

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

**Purpose:** To outline progress in delivery of the projects for which transformation funding has been approved at the end of the second quarter of the 2019/20 financial year.

**Recommendation:** It is recommended that the Committee note and comment on the report and the impact of transformation fund investment across the Council.

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## 1. BACKGROUND

- 1.1 General Purposes Committee (GPC) has responsibility for the stewardship of the Transformation Fund, approving business cases for new proposals and reviewing progress of the existing projects.
- 1.2 The Transformation Fund provides one off funding to encourage projects where an invest to save, invest to improve, or invest to innovate bid can underpin service improvements and deliver improved outcomes and future efficiencies.
- 1.3 This report provides GPC with an overview of how the proposals which are currently drawing down funding are delivering improved outcomes as well as financial objectives. Service Committees continue to review relevant projects in detail as appropriate.
- 1.4 To date, GPC have approved £19m of investments since the inception of the Transformation Fund in 2016. There is currently £20.7m funding available to allocate to further investments.
- 1.5 Further proposals are being drafted as part of the Councils Business Planning process for 2020/21 budget and will be submitted to GPC for consideration in January 2020.

## 2.0 OUTCOMES FOR CURRENT PROJECTS

- 2.1 The table below gives an overview of the projects currently drawing down funding. The table shows their current financial RAG rating across the lifetime of the project and outlines the non-financial outcomes and benefits anticipated from each project.

Project	Brief description of project	Outcomes and benefits
<b>Total Transport C/R.5.102</b>  <b>GREEN</b>	Scrutinising contract services to ensure the Council delivers the most efficient mainstream school transport services whilst ensuring all eligible pupils receive free transport in line with the Council's policy on journey times.	<ul style="list-style-type: none"><li>• More effective and co-ordinated Home to School Transport service</li><li>• Improved experience for service users</li></ul>
<b>External Funding C/R.5.011</b>  <b>AMBER</b>	Fund the Advertising and Sponsorship Coordinator capacity to develop the council-wide structures and processes to identify and lever in new external funding opportunities.	<ul style="list-style-type: none"><li>• Advertising and sponsorship skills within the organisation</li><li>• CCC initiatives can be financially supported</li></ul>
<b>Support Investment in modernising social care payments C/R.5.002</b>  <b>GREEN</b>	Investing in modern payment mechanisms in social care; including payment cards and establishing a direct debit system	<ul style="list-style-type: none"><li>• Provide an efficient and easy to engage with system for service users</li></ul>
<b>Looked After Children (LAC) Placement budget savings</b>	Funded the campaign to recruit more in house foster carers (launched in September 2018) to reduce the reliance on independent fostering	<ul style="list-style-type: none"><li>• Increased the number of in house foster carers to place children with</li></ul>

<b>C/R.5.007</b> <b>BLUE</b>	association (IFA) foster carers, a review of high cost placements and fee negotiations with IFA providers.	<ul style="list-style-type: none"> <li>LAC are placed in the most appropriate placement with the right level of care and support.</li> </ul>
<b>Case reviews of specialist transport provisions</b> <b>C/R.5.009</b> <b>GREEN</b>	Provide additional capacity within the Social, Education Transport Team to review LAC Transport processes and provision	
<b>Library Service</b> <b>C/R.5.010</b> <b>GREEN</b>	To provide time limited business development capacity. Investment to also include budget for marketing, minor building works, and investments in new technology solutions	<ul style="list-style-type: none"> <li>Maximising the impact of libraries to communities</li> <li>Generating new income streams</li> </ul>
<b>Adults Positive Challenge Programme</b> <b>C/R.5.018</b> <b>AMBER</b>	Design and create financially sustainable services that managed demand and enables residents to live fulfilled lives, build on people's strengths and support people in a way that works for them.	<ul style="list-style-type: none"> <li>Putting choice and independence directly into the hands of individuals and communities.</li> <li>addressing citizens' needs early on to prevent them from escalating</li> <li>building self-sufficient and resilient communities</li> </ul>

2.2 The table below shows the trend in RAG rating over the previous four quarters for all current projects.

	<b>Financial RAG</b>				
<b>Project</b>	<b>Q2 2018-19</b>	<b>Q3 2018-19</b>	<b>Q4 2018-19</b>	<b>Q1 2019-20</b>	<b>Q2 2019-20</b>
<b>Total Transport</b>	Green	Green	Green	Green	Green
<b>External Funding</b>	Amber	Amber	Amber	Amber	Amber
<b>Support Investment in modernising social care payments</b>	Green	Green	Green	Green	Green
<b>Looked After Children (LAC) Placement budget savings</b>	Green	Blue	Blue	Blue	Blue
<b>Case reviews of specialist transport provisions</b>	Green	Green	Green	Green	Green
<b>Library Service</b>	Green	Green	Green	Green	Green
<b>Adults Positive Challenge Programme</b>	Not started	Not started	Not started	Green	Amber

### 3.0 FINANCIAL OUTCOMES FOR CURRENT PROJECTS

3.1 The table below summarises the overall financial performance of the current projects drawing down funding as of the first quarter (Q2) of the 2019/20 financial year.

RAG Rating (lifetime of saving)	No. of projects	Investment to Q2 (including prior years) (£000)	Total Investment Committed (including approved future years allocation) (£000)	Savings / income to Q2 (including previous years' savings achieved) (£000)	Forecast savings / income up to end of 2019/20 (including previous years' savings achieved) (£000)	Budgeted future years savings (as per 2019/20 Business Plan, 2020/21 onwards) (£000)
Blue	1	192	705	-2,568	-2,818	0
Green	4	305	544	-2,359	-2,459	0
Amber	2	943	3,040	-1,671	-3,383	-3,800
Red	0	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>1,440</b>	<b>4,289</b>	<b>-6,598</b>	<b>-8,660</b>	<b>-3,800</b>

3.2 There are currently no projects RAG rated as Red from a financial delivery perspective as at the end of Q2 2019/20.

### 4.0 ALIGNMENT WITH CORPORATE PRIORITIES

#### 4.1 A good quality of life for everyone

The individual Transformation Fund bids identify where the specific project supports this outcome.

#### 4.2 Thriving places for people to live

There are no significant implications for this priority.

#### 4.3 The best start for Cambridgeshire's children

The individual Transformation Fund bids identify where the specific project supports this outcome.

### 5.0 SIGNIFICANT IMPLICATIONS

#### 5.1 Resource Implications

The resource implications are captured on the savings tracker showing expenditure from the transformation fund and the actual and anticipated return on investment.

5.1.1 Transformation team resource as at 30 Sept 2019 = 29.1 FTEs

## **5.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

No significant implications – in some instances the procurement process has taken longer than anticipated creating some delay in the expenditure and impact of the transformation investments – these are described within the commentary for each project.

## **5.3 Statutory, Legal and Risk Implications**

There are no significant impacts for this category.

## **5.4 Equality and Diversity Implications**

There are no significant implications within this category from this report – individual community impact assessments were completed for all projects as part of the original business case.

## **5.5 Engagement and Communications Implications**

There are no significant impacts for this category.

## **5.6 Localism and Local Member Involvement**

There are no significant impacts for this category.

## **5.7 Public Health Implications**

There are no significant impacts for this category.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes – Chris Malyon and Tom Kelly
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	N/A
<b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>	N/A
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	N/A
<b>Have any engagement and communication implications been cleared by Communications?</b>	N/A
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	N/A
<b>Have any Public Health implications been cleared by Public Health</b>	N/A

<b>Source Documents</b>	<b>Location</b>
None	Not applicable

**TREASURY MANAGEMENT REPORT – QUARTER TWO UPDATE 2019-20**

*To:* **General Purpose Committee**

*Meeting Date:* **26th November 2019**

*From:* **Chief Finance Officer**

*Electoral division(s):* **All**

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

*Purpose:* **To provide the second quarterly update on the Treasury Management Strategy 2019/20, approved by Council in February 2019.**

*Recommendation:* **The General Purposes Committee is recommended to:**

**a) Note the Treasury Management Report.**

**b) Forward to Full Council for approval.**

<b><i>Officer contact:</i></b>		<b><i>Member contacts:</i></b>	
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## 1. BACKGROUND

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

## 2. ECONOMIC CLIMATE

- 2.1 A detailed commentary from the Council's treasury advisors of the current economic climate is provided at **Appendix A** to this report. In brief summary, Q2 2019/20 saw:
- Bank of England held Bank Rate at 0.75%; noting the deterioration in global activity and sentiment, they confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October;
  - The UK economy contracted by 0.2%; following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit;
  - Brexit negotiations remained at an impasse; UK equities continued to underperform given the uncertainty, generally meaning investors are holding safe-haven government bonds/gilts instead.

## 3. INTEREST RATE FORECAST

- 3.1 The latest forecast for UK Bank Rate along with PWLB borrowing rates (certainty rate) from the Council's treasury advisors is set out in Table 1 below.

### ***PWLB Rates***

- 3.2 In a surprise move and without consultation or prior warning, from 9th October 2019 the Government has:
- increased with immediate effect the interest rates offered on new Public Works Loan Board (PWLB) loans by doubling the margin applied from 1% to 2%. The 20bps discount for providing forward capital forecast data – known as the Certainty Rate – still applies (to which Cambridgeshire is eligible).
  - legislated to increase the statutory limit on how much the PWLB can lend to eligible authorities, from £85bn to £95bn.
- 3.3 As the cost of borrowing has fallen to record lows, a number of local authorities have substantially increased their use of the PWLB in recent months. Some authorities have maximised their borrowing ability directly to invest in commercial property to produce a financial return to underpin front-line services, a practice that Government has expressed concerns over. It would appear that HM Treasury has carried out what Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA had implied should be avoided, namely addressed concerns on borrowing at a few outlying authorities by penalising the whole sector.
- 3.4 The maximum net amount of PWLB loans that can be outstanding at any time is subject to a statutory limit. At 31st March 2019, the amount outstanding stood at £77.9bn. With

PWLB rates falling to record lows, it is estimated that c.£6.2bn of new loans had been raised in the first half of 2019/20. Raising the self-imposed statutory limit from £85bn to £95bn, combined with the rate increase, reduces the likelihood of a statutory limit breach.

- 3.5 The PWLB's new pricing structure - at 180 basis points above gilts for certainty rate loans - no longer necessarily represents good value for local authorities and opens up the potential for better overall terms and flexibility from market lenders.
- 3.6 The Council has entered into a Framework Agreement with the UK Municipal Bonds Agency (MBA). This included the advance of shares and seed capital of £0.4m in total as reported Table 6 below. Long term capital programmes require a fair degree certainty for effective decision making, but it could be argued with snap and unpredictable changes such as these, the PWLB is failing to provide this. As a consequence, there is a renewed rationale for the sector to reduce reliance upon the PWLB and look at bonds as a viable alternative funding vehicle. To date the MBA has not issued any bonds as it has struggled to compete with previous PWLB rates, but this latest change to increases PWLB rates raises the possibility that the bonds agency may be able to issue at competitive rates.
- 3.7 In September 2019 the Council secured £100m of PWLB loans, prior to the PWLB increasing its pricing structure. The drawdown of these long term loans has proved very timely for the Council. Further details can be found in paragraph 5.2 below.
- 3.8 The PWLB rates shown in Table 1 below are inclusive of the new increased margins and certainty rate discount.

**Table 1: Interest Rate Forecast (%)**

Link Asset Services Interest Rate View										
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

- 3.9 There are many risks to the forecast set out above, principally around the timing and pace of further rate rises, and a listing of underlying assumptions is attached at **Appendix B**. Budget estimates prudently include sensitivity analysis of the impact that a slower than forecast economic recovery would have upon the Council, and any impact of changes to interest rates is reported through the Budget Monitoring process.

## 4. INVESTMENTS

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2019/20, which includes the Annual Investment Strategy, was approved by Council in February 2019. It sets out the Council's investment priorities as being:

1. Security of Capital;

2. Liquidity; and then
3. Yield

- 4.2 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.
- 4.3 At 31st March 2019 investment balances totalled £29.6m, held in Money Market Funds, Call/Notice accounts and the CCLA Property Fund. This figure excludes third party loans and share capital. Due to the nature of various government funding streams and timing of capital expenditure, the average level of funds available for investment purposes during Q1 was £72.7m.
- 4.4 As mentioned in paragraph 3.7 above, in September 2019 the Council secured £100m of PWLB loans. Further details can be found in paragraph 5.2 below. These long term loans will replace some of the Council's existing short-term loans within the borrowing portfolio when they mature later this year but, in the meantime, have been invested in line with the Council's approved strategy. Therefore the average level of funds available for investment purposes during Q2 increased to £89.6m.
- 4.5 Table 2 below summarises the maturity profile of the Council's investment portfolio at the end of Q2 2019/20 (excluding third party loans):

**Table 2 – Investment maturity profile at end of Q2 2019/20**

Product	Access Type	Maturity Period					
		0d	0-3m	3-6m	5yrs *	Total	
		£m	£m	£m	£m	£m	%
Money Market Funds	Same-Day	2.4				2.4	2.2
Bank Call Account	Instant Access	5.0				5.0	4.7
Certificate of Deposits	Fixed Term / Tradeable		40.0	50.0		90.0	83.6
Pooled Property Fund	Redemption Period Applies				10.2	10.2	9.5
<b>Total</b>		<b>7.4</b>	<b>40.0</b>	<b>50.0</b>	<b>10.2</b>	<b>107.6</b>	<b>100.0</b>
<b>%</b>		<b>6.9</b>	<b>37.1</b>	<b>46.5</b>	<b>9.5</b>	<b>100.0</b>	

- 4.6 The scheduled date for the UK to leave the EU is now 31st January 2020 and there remains little political clarity as to whether a deal will be agreed by this date, with the possibility that the exit date could be deferred again.
- 4.7 There remains an outside chance that a particularly disruptive Brexit (such as last minute no-deal) may interrupt international payment systems and/or normal international market trading. To mitigate, the Council may hold additional liquidity with its banking partners Barclays on instant access and has established an account for deposits with the HM Treasury directly through the Debt Management Account Deposit Facility (DMADF) which it may use as an additional buffer.

- 4.8 Set out below are details of the amounts outstanding on loans and share equity investments classed as capital expenditure advanced to third party organisations at the end of Q2:

**Table 3 - Loans/Equity holdings in This Land Ltd**

<b>Loan Summary</b>	<b>Amount (£m)</b>	<b>Repayment Year</b>
Bridging Loan	8.500	2020/21
Loans for land acquired from third parties	2.040	2021/22
Construction & Development loans	7.100	2029/30
Loans for land acquired from CCC	78.872	2028/29
<b>Total Loans</b>	<b>96.512</b>	
<b>Equity holding</b>	<b>3.951</b>	-
<b>Total Loans/Equity in This Land Ltd</b>	<b>100.463</b>	

**Table 4 - Third Party Loans**

<b>Loan Counterparty</b>	<b>Original Amount (£m)</b>	<b>Amount Outstanding (£m)</b>	<b>Repayment Year</b>
Arthur Ranks Hospice Charity	4.000	3.680	2042/43
Estover Playing Field 2015 CIC (Guaranteed by March Town Council)	0.350	0.305	2024/25
Wisbech Town Council	0.150	0.150	2043/44
<b>Total Third Party Loans</b>	<b>4.500</b>	<b>4.135</b>	

**Table 5 - Cashflow Loans**

<b>Loan Counterparty</b>	<b>Amount (£m)</b>	<b>Repayment Year</b>
LGSS Law	0.325	Continuous

**Table 6 – Share/Seeder Investments**

<b>Counterparty</b>	<b>Amount (£m)</b>	<b>Repayment Year</b>
UK Municipal Bond Agency	0.400	-

- 4.9 In addition, the following Third Party loans are in the process of finalising loan agreements:

**Table 7 – Pending Third Party Loans**

<b>Loan Counterparty</b>	<b>Proposed Amount (£m)</b>	<b>Repayment Year</b>
Viva Arts & Community Group	0.300	Loan pending agreement
<b>Total Pending Third Party Loans</b>	<b>0.300</b>	

- 4.10 Financial markets trade on confidence and certainty, and for some time now, both have been in short supply. Investment rates have increased from historical lows following bank base rate rises, but remain relatively low in short to medium-term durations, with limited pickup in value for longer durations.
- 4.11 Investment balances are forecast to reduce by the financial year end as internal resources

from temporary positive cashflow surpluses are applied to fund expenditure demands in lieu of fully funding the borrowing requirement (internal borrowing) on a net basis. This process effectively reduces the cost of carrying additional borrowing at a higher cost than the income that could be generated through short term investment of those balances, as well as reducing investment counterparty credit risk.

- 4.12 The Council's investments in Q2 outperformed against the most comparable weighted duration benchmark by 44 basis points (equivalent to £98k more than benchmark return), largely due to an average dividend return of 4.23% on the Council's investment held in the CCLA Property Fund. Any impact upon latest budget projections for the financial year are reported through the Budget Monitoring process.

**Table 8: Benchmark Performance – Q2 2019/20**

	<b>Benchmark</b>	<b>Benchmark Return</b>	<b>Council Performance</b>
<b>Q1 (Last Qtr)</b>	<b>3m LIBID</b>	0.76%	1.31%
<b>Q2 (This Qtr)</b>	<b>3m LIBID</b>	0.71%	1.15%
<b>Q1+2 (YTD)</b>	<b>3m LIBID</b>	0.75%	1.22%

- 4.13 Leaving market conditions aside, the Council's return on investments is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument:

- Credit risk is the consideration of the likelihood of default and is controlled through the creditworthiness policy approved by Council.
- The duration of an investment introduces liquidity risk; the risk that funds cannot be accessed when required.
- Interest rate risk; the risk that arises from fluctuating market interest rates.

- 4.14 These factors and associated risks are actively managed by the LGSS Finance Treasury team.

## **5. BORROWING**

- 5.1 The Council can raise cash through borrowing in order to fund expenditure on its capital programme for the benefit of Cambridgeshire. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement, underlying borrowing requirement, forecast cash-backed reserves and both current and forecast economic conditions.
- 5.2 As mentioned in paragraph 3.7 above, in September the Council secured £100m of borrowing from the PWLB at historically low rates. £30m over 50 years with principal repaid on maturity at 1.67%, and £70m over 30 years on an Equal Instalment of Principal basis at 1.45%. These long term loans will replace some of the Council's existing short-term loans within the borrowing portfolio when they mature later this year, and provides some added balance against short-term funding exposure. As stated in paragraph 3.4, many other local authorities have raised PWLB funding in recent months that they may not immediately require for cashflow purposes, so there is not expected to be any shortage of availability of short-term loans from other local authorities. By keeping a proportion of the borrowing portfolio short-dated the Council will also be in the position to take up any funding

opportunities that could arise in the near term, which may include the UK Municipal Bonds Agency.

- 5.3 In addition, to take advantage of low interest rates and an increase in supply to the market, during Q2 the Council repaid on maturity a total of £35m short-term loans from other local authorities, and raised a total of £100m in replacement loans from other local authorities; £95m for terms between 5 months and 1 year at an average rate of 0.86%, and £5m for 2 years at 0.90%. £40m was also borrowed in two tranches for less than 1 month each for cashflow purposes and was repaid during the quarter.
- 5.4 Therefore overall borrowing outstanding increased during Q2 compared to Q1 by £165.0m. At Q1, the Council held £583.2m of borrowing, of which £156.2m matures in less than 1 year. At the end of Q2, the Council held £748.2m of borrowing, of which £218.5m matures in less than 1 year.
- 5.5 Table 9 below sets out the maturity profile of the Council's borrowing portfolio at the end of Q2. £374.7m is held with the PWLB, £313m from other local authorities, £45m in market loans and £15.5m in a single market Lender Option Borrower Option (LOBO) loan.

**Table 9: Borrowing Maturity Profile – Q2 2019/20**

Term Remaining	Borrowing	
	£m	%
Under 12 months	218.5	29.2
1-2 years	110.0	14.7
2-5 years	57.0	7.6
5-10 years	79.7	10.7
10-20 years	100.7	13.5
20-30 years	46.8	6.3
30-40 years	45.0	6.0
40-50 years	40.0	5.3
Over 50 years	50.5	6.7
<b>TOTAL</b>	<b>748.2</b>	<b>100.0</b>

- 5.6 Market LOBO loans are included in Table 9 at their final maturity rather than their next potential call date. In the current low interest rate environment the likelihood of lenders exercising their option to increase the interest rates on these loans - and so triggering the Council's option to repayment at par - is considered to be low.
- 5.7 The Council is in an internally borrowed cash position and balances will need to be replenished at some point in the future (subject to expenditure demands). This strategy is prudent while investment returns are lower than the cost of servicing debt and also serves to mitigate counterparty risk. The Council therefore plans to maintain this internal borrowing position but will closely monitor those reserves, balances and cashflows supporting this approach.

## **6. BORROWING RESTRUCTURING**

- 6.1 No borrowing rescheduling was undertaken during the Q2. Rescheduling opportunities are limited in the current economic climate. For PWLB loans, due to the spread between the carrying rate of existing borrowing and early redemption rates, substantial exit (premium) costs would be incurred. For market borrowing, the lender uses the certainty of the loans cashflow profile to hedge against forecast interest rate movements and so would pass the cost of unwinding these instruments onto the Council as an exit (premium) cost. Officers continue to monitor the position regularly.

## **7. TREASURY AND PRUDENTIAL INDICATORS**

- 7.1 The Council's Treasury and Prudential Indicators (affordability limits) were approved alongside the TMSS. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits.
- 7.2 During the financial year to date the Council has operated within the Treasury and Prudential Indicators set out in the Council's TMSS, shown in **Appendix C**.

## **8. ALIGNMENT WITH CORPORATE PRIORITIES**

### **8.1 A good quality of life for everyone**

There are no significant implications for this priority.

### **8.2 Thriving places for people to live**

There are no significant implications for this priority.

### **8.3 The best start for Cambridgeshire's children**

There are no significant implications for this priority.

## **9. SIGNIFICANT IMPLICATIONS**

### **9.1 Resource Implications**

This report provides information on performance against the Treasury Management Strategy. Decisions on treasury management, which are driven by the capital programme and the Council's overall financial position, will impact the Debt Charges Budget and are reported through the Budget Monitoring process.

### **9.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications for this category.

### **9.3 Statutory, Legal and Risk Implications**

The Council continues to operate within the statutory requirements for borrowing and investments. Further details can be found within the Prudential Indicators in Appendix C.

#### 9.4 Equality and Diversity Implications

There are no significant implications for this category.

#### 9.5 Engagement and Communications Implications

There are no significant implications for this category.

#### 9.6 Localism and Local Member Involvement

There are no significant implications for this category.

#### 9.7 Public Health Implications

There are no significant implications for this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Tom Kelly
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Not applicable
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not applicable
Have the equality and diversity implications been cleared by your Service Contact?	Not applicable
Have any engagement and communication implications been cleared by Communications?	Not applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Not applicable
Have any Public Health implications been cleared by Public Health	Not applicable

Source Documents	Location
None	Not applicable

## **Appendix A**

### **Economic Commentary; Extract from Treasury Advisors (Link Asset Services)**

#### **UK**

This first half year has been a time of upheaval on the political front as the Prime Minister resigned and the new Prime Minister set on the UK leaving the EU on 31 October, with or without a deal. However, in September, the proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU then it is possible that growth could recover relatively quickly. The Bank of England (BoE) could then need to address the issue of whether to raise Bank Rate at some point in the coming year when there is little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the BoE would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the BoE would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the BoE was notably downbeat about the outlook for both the UK and major world economies. The meeting of 19<sup>th</sup> September reemphasised concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that Bank Rate remained unchanged at 0.75% throughout 2019, so far, as BoE is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the BoE to cut Bank Rate to support growth.

As for inflation itself, CPI has been hovering around the BoE target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it did not pose any immediate concern at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the labour market, despite the contraction in quarterly GDP growth of -0.2% q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter

## **Appendix A**

### **Economic Commentary continued**

figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the BoE will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the political arena, following a general election soon, there could be a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

### **WORLD GROWTH**

The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest Purchase Managers Index survey statistics of the economic health of the US, UK, EU and China all indicate a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

## **Appendix B**

### **Interest Rate Forecast Commentary; Extract from Treasury Advisors (Link Asset Services)**

Underlying assumptions to the interest rate forecast are:

The interest rate forecasts at paragraph 3.8 (Table 1) above have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

The balance of risk to the UK is:

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture;
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy (i.e. the rate that is neither expansionary nor deflationary) is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth;
- Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate;
- A resurgence of the Eurozone sovereign debt crisis;
- Weak capitalisation of some European banks, particularly Italian banks;
- German minority government;
- Other minority EU governments having vulnerable minority governments dependent on coalitions which could prove fragile;
- There are concerns around the levels of US corporate debt;
- Geopolitical risks

Upside risks to current forecasts for UK gilt yields and PWLB rates are:

- Brexit – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK;

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect;
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

## Appendix C

### Treasury and Prudential Indicators

Prudential Indicator	2019/20 Indicator	2019/20 Q2
Authorised limit for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	----- £1,088.0m -----	
Operational boundary for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	----- £1,058.0m -----	
Capital Financing Requirement (CFR) <i>[Including PFI and Finance Lease Liabilities]</i>	£1,008.0m	£848.4m
Ratio of financing costs to net revenue streams	9.2%	8.9%
Upper limit of fixed interest rates based on net debt	150%	101%
Upper limit of variable interest rates based on net debt	65%	-1%
Principal sums invested > 364 days (exc' third party loans)	£50.0m	£10.2m
Maturity structure of borrowing limits:-		
Under 12 months	Max. 80% Min. 0%	31.0%
12 months to 2 years	Max. 50% Min. 0%	15.9%
2 years to 5 years	Max. 50% Min. 0%	10.4%
5 years to 10 years	Max. 50% Min. 0%	10.7%
10 years and above	Max. 100% Min. 0%	32.0%

- The Treasury Management Code of Practice guidance notes requires that maturity is determined by the earliest date on which the lender can trigger repayment, which in the case of LOBO loans is the next break/call point. This approach differs to Table 9 at paragraph 5.5 above, which instead shows the Council's LOBO loan at maturity date as the likelihood of the option being exercised is low.

# GENERAL PURPOSES COMMITTEE AGENDA PLAN

## Agenda Item No.9



Cambridgeshire  
County Council

### Notes

Committee dates shown in bold are confirmed.

Committee dates shown in brackets and italics are reserve dates.

The definition of a key decision is set out in the Council's Constitution in Part 2, Article 12.

\* indicates items expected to be recommended for determination by full Council.

+ indicates items expected to be confidential, which would exclude the press and public.

Draft reports are due with the Democratic Services Officer by 10.00 a.m. eight clear working days before the meeting.

The agenda dispatch date is six clear working days before the meeting.

Committee date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
<b>26/11/19</b>	1. Minutes – 22/10/19	M Rowe		<b>13/11/19</b>	<b>18/11/19</b>
	2. Resources Report (September) – Corporate and Customer Services and LGSS Managed	T Kelly	Not applicable		
	3. Integrated Resources Report (September)	R Barnes	2019/013		
	4. Treasury Management Report – Quarter 2*	C Oliver/ J Lee	Not applicable		
	5. Draft 2020/21 Capital Programme and Capital Prioritisation	C Malyon	Not applicable		
	6. Transformation Fund Monitoring Report Quarter 2 2019-20	A Askham	Not applicable		
	7. Corporate Risk Register	S Grace/A Askham	Not applicable		
	8. Learning Disability Partnership – Baseline 2020/21 (Pooled Budget Review)+	M Darbar W Patten	Not applicable		

<b>Committee date</b>	<b>Agenda item</b>	<b>Lead officer</b>	<b>Reference if key decision</b>	<b>Deadline for draft reports</b>	<b>Agenda despatch date</b>
	9. Future Operating Model LGSS	C Malyon	Not applicable		
<b>17/12/19</b>	1. Minutes – 26/11/19	M Rowe		<b>04/12/19</b>	<b>09/12/19</b>
	2. Resources Report (October) – Corporate and Customer Services and LGSS Managed	T Kelly	Not applicable		
	3. Integrated Resources Report – (October)	R Barnes	2019/014		
	4. Amendments to Business Plan Tables (if required)	C Malyon	Not applicable		
	5. Draft Revenue and Capital Business Planning Proposals for 2020-21 to 2024-2025 (whole Council)	C Malyon	Not applicable		
	6. Treasury Management Strategy	C Oliver/ J Lee	Not applicable		
	7. Performance Report – Quarter 3	A Mailer	Not applicable		
	8. Nearly zero energy buildings Policy: Implications for new Public Sector Buildings	S French	2019/039		
	9. Transformation Fund Bids (a) Demand Management in SEND (b) Investment for external support to develop a strategy and corresponding plan to deliver early help and address adolescent risk across Peterborough and Cambridgeshire.	N Capuano G Casazza	Not applicable		
<b>28/01/20</b>	1. Minutes – 17/12/19	M Rowe		<b>15/01/20</b>	<b>20/01/20</b>
	2. Resources Report (November) – Corporate and Customer Services and LGSS Managed	T Kelly	Not applicable		
	3. Integrated Resources Report –(November)	R Barnes	2020/001		
	4. Local Government Finance Settlement	C Malyon	Not applicable		

<b>Committee date</b>	<b>Agenda item</b>	<b>Lead officer</b>	<b>Reference if key decision</b>	<b>Deadline for draft reports</b>	<b>Agenda despatch date</b>
	5. Business Plan*	C Malyon	Not applicable		
	6. Consultation Report	S Grace	Not applicable		
	7. Cambridge University Science and Policy Exchange – Transport Report	S French	Not applicable		
	8. No Car Zones – Outside Schools	M Staton	2020/012		
	9. Transformation Fund Bids 1) Strategic Support 2) Foresight Model 3) Membership of the New Local Government Network (NLGN)	R Ginn J Turner	Not applicable		
<i>[25/02/20] Provisional Meeting</i>					
<b>24/03/20</b>	1. Minutes – 28/01/20	M Rowe		<b>11/03/20</b>	<b>16/03/20</b>
	2. Resources Report (January) – Corporate and Customer Services and LGSS Managed	T Kelly	Not applicable		
	3. Integrated Resources Report (January)	R Barnes	2020/002		
	4. Transformation Fund Monitoring Report Quarter 3 2019/20	A Askham	Not applicable		
	5. Treasury Management Report – Quarter 3	C Oliver/ J Lee	Not applicable		
	6. Performance Report – Quarter 4	T Barden	Not applicable		
	7. Plastics Strategy - Update	S French	Not applicable		
<i>[28/04/20] Provisional Meeting</i>					
<b>02/06/20</b>	1. Minutes – 24/03/20	M Rowe		<b>19/05/20</b>	<b>22/05/20</b>

<b>Committee date</b>	<b>Agenda item</b>	<b>Lead officer</b>	<b>Reference if key decision</b>	<b>Deadline for draft reports</b>	<b>Agenda despatch date</b>
	2. Resources Report (March) – Corporate and Customer Services and LGSS Managed	T Kelly	Not applicable		
	3. Integrated Resources Report (March)	R Barnes	2020/003		
	4. Treasury Management Report – Quarter 4 and Outturn Report*	C Oliver/ J Lee	Not applicable		
	5. Performance Report – Quarter 1	T Barden	Not applicable		

**DRAFT 2020-21 CAPITAL PROGRAMME AND CAPITAL PRIORITISATION**

**To:** General Purposes Committee

**Meeting Date:** 26th November 2019

**From:** 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 full draft Business Plan Capital Programme and results from the capital prioritisation process.

**Recommendation:** It is requested that the Committee:

- a) Note the overview and context provided for the 2020-21 Capital Programme
- b) Note and comment on the results of the capital prioritisation process, taking into consideration the most up to date estimations for financing costs and the overall revenue position
- c) Comment on the draft proposals for the full 2020-21 Capital Programme and endorse their development

<b><i>Officer contact:</i></b>		<b><i>Member contacts:</i></b>	
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Post:	Chief Finance Officer	Post:	Chair/Vice-Chair
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## **1. CAPITAL STRATEGY**

- 1.1 The Council strives to achieve its vision through delivery of its Business Plan. To assist in delivering the 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.
- 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.
- 1.3 This report forms part of the process set out in the Capital Strategy whereby the Council updates, alters and refines its capital planning over an extended planning period. New schemes have been developed by Services and all existing schemes have been reviewed and updated as required before being presented to the Capital Programme Board and subsequently Service Committees for further review and development.
- 1.4 An Investment Appraisal of each capital scheme (excluding committed schemes and schemes with 100% ring-fenced funding) has also been undertaken / revised in order to determine a prioritisation score. This score allows schemes within and across all Services to be ranked and prioritised against each other, in light of the finite resources available to fund the overall Programme and in order to ensure the schemes included within the Programme are aligned to assist the Council with achieving its outcomes.

## **2. DEVELOPMENT OF THE 2020-21 CAPITAL PROGRAMME**

- 2.1 Service Capital Programmes have been reviewed individually by Service Committees in October, alongside the addition, revision and update of schemes. Once the prioritisation of schemes across the whole programme has been reviewed by GPC as part of this report, firm capital and revenue spending plans will be considered by Service Committees in December. In January, GPC will review 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.
- 2.2 All capital schemes are funded using capital resources or borrowing, as this is the most financially sensible option for the Council due to the ability to borrow money for capital schemes and defray the cost of that expenditure to the Council over the life of the asset. Therefore any Invest to Save or Earn schemes will continue to be funded over time by the revenue payback they produce via savings or increased income; this means the Transformation Fund can be prioritised towards revenue investment.
- 2.3 There are several schemes in progress where work is underway to develop the scheme, however they are either not sufficiently far enough forward to be able to include any capital estimate within the Business Plan, or a draft set of figures have been included but they are, at this stage, highly indicative. The following are the main schemes that this applies to:
  - The Older People's Accommodation Strategy
  - Care that is provided to service-users with learning disabilities, particular those placed out-of-county due to lack of suitable local provision.
  - The King's Dyke project.

### 3. REVENUE IMPLICATIONS

- 3.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to the 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 The Council is required by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities 2017 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to ensure that it achieves this, GPC 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 started in 2018-19), so long as the aggregate limit remains unchanged.
- 3.3 For the 2020-21 Business Plan, GPC has agreed as part of the Capital Strategy paper that went to October committee that this should continue to equate to the level of revenue debt charges as set out in the 2014-15 Business Plan and then limited to around £39m annually from 2019-20 onwards (restated to take into account the change to the Minimum Revenue Policy agreed by GPC in February 2016).

### 4. SUMMARY OF THE DRAFT CAPITAL PROGRAMME

- 4.1 Following on from October service committees, the revised draft Capital Programme is as follows (please see **Appendix A** for the full programme):

Service Block	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
People and Communities	56,744	73,744	72,262	77,315	48,033	52,217
Place and Economy	25,998	32,338	21,330	15,025	15,025	16,000
Corporate and Managed Services	7,929	3,002	112	112	-	-
Commercial and Investment Committee	107,192	37,379	10,335	6,922	800	4,000
<b>Total</b>	<b>197,863</b>	<b>146,463</b>	<b>104,039</b>	<b>99,374</b>	<b>63,858</b>	<b>72,217</b>

- 4.2 This is anticipated to be funded by the following resources:

Funding Source	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
Grants	51,265	38,199	33,062	28,419	32,382	58,071
Contributions	12,526	41,978	54,600	38,908	22,423	194,012
Capital Receipts	36,770	2,944	592	692	375	875
Borrowing	58,108	50,347	17,296	25,771	11,938	2,017
Borrowing (Repayable)*	39,194	12,995	-1,511	5,584	-3,260	-182,758
<b>Total</b>	<b>197,863</b>	<b>146,463</b>	<b>104,039</b>	<b>99,374</b>	<b>63,858</b>	<b>72,217</b>

\* 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.

4.3 The following table shows how each Service's borrowing position has changed since the 2019-20 Capital Programme was set:

Service Block	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
People and Communities	-22,011	19,087	-9,397	269	15,397	2,598
Place and Economy	1,935	-3,485	188	2,916	-	-
Corporate and Managed Services	5,329	470	112	112	-	-
Commercial and Investment Committee	23,774	38,725	9,443	5,930	125	-47,035
Corporate and Managed Services – relating to general capital receipts	-	-	-	-	-	-
<b>Total</b>	<b>9,027</b>	<b>54,797</b>	<b>346</b>	<b>9,227</b>	<b>15,522</b>	<b>-44,437</b>

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
New	13,218	3,225	0	0	0	0
Removed/Ended	15	-336	-3,785	-5,828	4,170	2,850
Minor Changes/Rephasing*	-33,606	26,676	8,346	10,991	14,899	3,904
Increased Cost (includes rephasing)	-757	1,835	1,300	139	0	0
Reduced Cost (includes rephasing)	-19,033	7,849	33	-195	0	1,300
Change to other funding (includes rephasing)	1,667	-3,541	-7,752	-2,317	-1,095	-874
Housing Schemes	50,951	28,732	4,925	7,288	0	-67,842
Variation Budget	-3,428	-9,643	-2,721	-851	-2,452	16,225
<b>Total</b>	<b>9,027</b>	<b>54,797</b>	<b>346</b>	<b>9,227</b>	<b>15,522</b>	<b>-44,437</b>

\*This does not off-set to zero across the years because the rephasing also relates to pre-2020-21.

4.5 In addition to rephasing, the main changes to borrowing relate to (this includes any costs incurred pre-2020-21):

#### New schemes

- Three school schemes, at a total borrowing cost of £6.7m, to respond to anticipated demand for new school places
- The relocation of the Data Centre, at a total borrowing cost of £5.4m
- A new IT Strategy at a total borrowing cost of £3.3m
- The Cambs 2020 Spokes Asset Review scheme, at a total borrowing cost of £6.0m (this includes the previously agreed repurposed Shire Hall Maintenance budget of £0.6m)

#### Removed schemes

- Three school schemes, at a total borrowing cost of £6.3m, to reflect where need is now required
- Citizen First, Digital First, at a total borrowing cost of £3.5m, as this workstream will be incorporated into the IT Strategy
- Joint Highways Depot, at a total borrowing cost of £0.4m, as this scheme is being revised

#### Increased cost of schemes

- Increased borrowing costs of £1.6m for 1 school scheme

#### Decreased cost of schemes

- Decreased borrowing costs of £7.3m for 3 school schemes
- Decreased borrowing costs of £6.6m for 2 energy schemes

#### Change in funding:

- Additional S106 contributions for 5 school schemes of £13.3m, which reduces borrowing by the same amount
- Additional Basic Need funding, estimated at £2.2m, which reduces borrowing by the same amount
- Reduction in S106 contributions available for the Waste – Household Recycling Centre Improvements scheme, which increase borrowing by £0.4m

4.6 Since the October committees, there has been some movement regarding the levels of borrowing included within the above figures, mainly relating to:

- Changes in phasing, and therefore funding profile for several schemes, including the Housing schemes
- Reduced costs of £6.6m for 2 energy schemes
- Additional S106 contributions for several school schemes
- Updates to the Variation Budgets to reflect the above changes

4.7 The revised levels of borrowing result in the following overall levels of financing costs:

Financing Costs	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000
2018-19 agreed BP	33.4	39.6	42.0	44.4	-
2019-20 draft BP	29.0	32.7	32.5	34.1	36.9
<b>CHANGE (+) increase / (-) decrease</b>	<b>-4.4</b>	<b>-6.9</b>	<b>-9.5</b>	<b>-10.3</b>	<b>36.9*</b>

*\*This is a large increase due to having a new year 5 (i.e. there was no budget for 2024-25 in the 2019-20 BP).*

4.8 Financing costs have decreased, despite an increase in the levels of borrowing forecast, due to a reset of the financing costs model. This has taken into account revised levels of forecast spend for both the latter period of 2018-19 and current forecasts for 2019-20, as well as updated projections on levels of internal cash balances held by the Council, and also interest rates on recently secured loans and expectations regarding future interest rates. Whilst the cost of Public Works Loan Board (PWLb) borrowing increased by 100 basis points during October 2019, due to having secured £100m of borrowing prior to rate rises, the Council's track record in securing good value borrowing from other lenders (particularly other local authorities) and also remaining 'internally borrowed' (utilising cash balances to mitigate the level of external borrowing), the Council does not expect this rate rise to impact significantly over the life of the Business Plan.

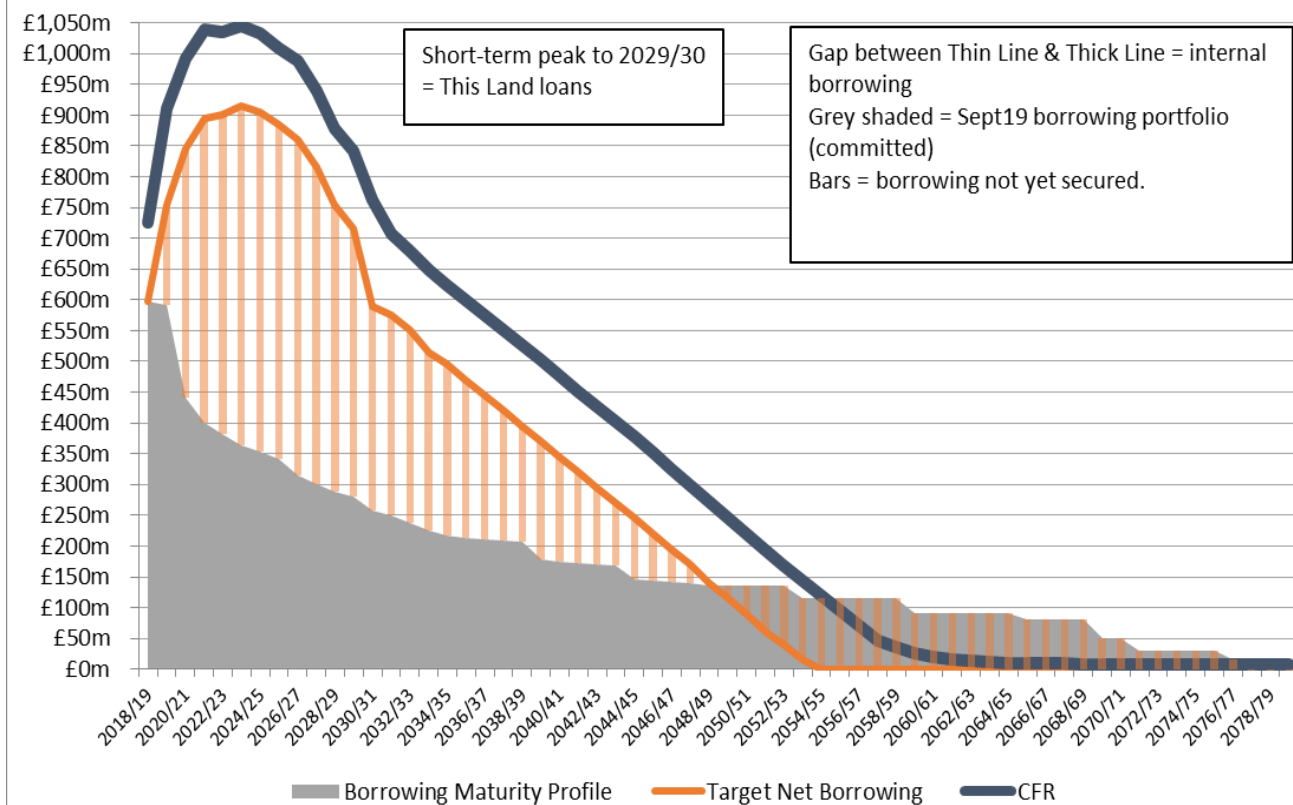
- 4.9 In addition to the above, the financing costs for any commercial activity are now recharged out of the financing costs budget to the service of the specific scheme in question. This has therefore also reduced the financing costs budget, however it is a net nil change when considering the Council's budget as a whole.
- 4.10 Invest to Save / Earn schemes are excluded from the advisory financing costs limit – whilst the financing costs for commercial activity have already been removed from the budget, there are several other Invest to Save / Earn schemes that have not been recharged e.g. third party loans. The following table therefore compares revised net financing costs excluding these costs. In order to afford a degree of flexibility from year to year, the limit is reviewed over a three-year period – based on the revised programme, the advisory limit is not exceeded for either of these 3 year blocks.

<b>Financing Costs</b>	<b>2018-19 £m</b>	<b>2019-20 £m</b>	<b>2020-21 £m</b>	<b>2021-22 £m</b>	<b>2022-23 £m</b>	<b>2023-24 £m</b>
2019-20 draft BP (net figures excluding Invest to Save / Earn schemes)	24.5	26.0	28.2	31.9	31.7	33.3
Recommend limit	37.9	38.6	39.2	39.7	40.3	40.8
<b>HEADROOM</b>	<b>-13.4</b>	<b>-12.6</b>	<b>-11.0</b>	<b>-7.9</b>	<b>-8.6</b>	<b>-7.5</b>
Recommend limit (3 years)	115.7			120.8		
<b>HEADROOM (3 years)</b>	<b>-37.0</b>			<b>-24.0</b>		

- 4.11 Whilst the limit hasn't been exceeded, GPC still has an obligation to ensure that the overall total level of debt remains affordable. The following table and chart show the proportion of net budget (excluding schools) that is forecast to be spent on debt charges, and the estimated increase in borrowing levels over the period of the 2020-21 plan:

	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Debt charges (including Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	9.2%	9.5%	9.5%	9.7%	10.0%
Debt charges (excluding Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	7.1%	7.3%	7.0%	7.2%	7.5%

## CCC - Capital Financing Requirement v Debt (Nov 2019)



## 5. CAPITAL PRIORITISATION

- 5.1 An Investment Appraisal of each capital scheme (excluding schemes with 100% ring-fenced funding) is undertaken / revised as part of the Investment Proposal, which allows the scheme to be scored against a weighted set of criteria such as strategic fit, business continuity, joint working, investment payback and resource use (see **Appendix B** for criteria). Schemes that are already committed (i.e. where the asset is already part constructed, or we have entered into a commitment to incur expenditure) are not subsequently scored; nor are schemes that are fully funded by non-borrowing resources.
- 5.2 This process allows schemes within and across all Services to be ranked and prioritised against each other, in light of the finite resources available to fund the overall Programme and in order to ensure the schemes included within the Programme are aligned to assist the Council with achieving its targeted outcomes. A summary of results for all scored schemes (excludes committed and fully funded schemes) is included in Appendix B.
- 5.3 It should be noted that it is difficult to score many of the school schemes for use of non-borrowing funding, as the allocation of Basic Need / Capital Maintenance grants and prudential borrowing is often arbitrary and could in theory be moved around.
- 5.4 **Appendix C** ranks the scored schemes in order of priority, provides detail of cost and borrowing figures and detail on flexibility of timing of spend or alternative methods of delivery (which is particularly helpful with regard to assessing the school schemes).

## 6. NEXT STEPS

- 6.1 The following amendments are expected to be made before the Service Capital Programmes are presented to Service committees again in December:

- Updated capitalisation of interest figures
- Refresh of the Housing Schemes in line with the company's updated business plan, which is currently under review

## **7. ALIGNMENT WITH CORPORATE PRIORITIES**

### **7.1 A good quality of life for everyone**

For detail on significant implications within this category, please see the September Service Committee reports.

### **7.2 Thriving places for people to live**

For detail on significant implications within this category, please see the September Service Committee reports.

### **7.3 The best start for Cambridgeshire's children**

For detail on significant implications within this category, please see the September Service Committee reports.

## **8. SIGNIFICANT IMPLICATIONS**

### **8.1 Resource Implications**

The report above is entirely concerned with resource issues and the significant implications are included throughout the report.

### **8.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

For detail on significant implications within this category, please see the October Service Committee reports.

### **8.3 Statutory, Legal and Risk Implications**

For detail on significant implications within this category, please see the October Service Committee reports.

### **8.4 Equality and Diversity Implications**

There are no significant implications within this category.

### **8.5 Engagement and Communications Implications**

The significant engagement and consultation implications will be addressed as part of the overarching Business Planning Process.

### **8.6 Localism and Local Member Involvement**

There are no significant implications within this category.

### **8.7 Public Health Implications**

There are no significant implications within this category.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Ellie Tod
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?</b>	N/A
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	N/A
<b>Are there any Equality and Diversity implications?</b>	N/A
<b>Have any engagement and communication implications been cleared by Communications?</b>	N/A
<b>Are there any Localism and Local Member involvement issues?</b>	N/A
<b>Have any Public Health implications been cleared by Public Health</b>	N/A

<b>Source Documents</b>	<b>Location</b>
2019-20 Business Plan	<a href="https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans/">https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans/</a>
October 2019 Service Committee reports;	
General Purposes Committee	<a href="https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1014/Committee/2/Default.aspx">https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1014/Committee/2/Default.aspx</a>
Children and Young People Committee	<a href="https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1026/Committee/4/Default.aspx">https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1026/Committee/4/Default.aspx</a>
Economy and Environment Committee	<a href="https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1050/Committee/5/Default.aspx">https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1050/Committee/5/Default.aspx</a>
Highways and Infrastructure Committee	<a href="https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1145/Committee/7/Default.aspx">https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1145/Committee/7/Default.aspx</a>
Commercial & Investment Committee	<a href="https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1121/Committee/31/Default.aspx">https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1121/Committee/31/Default.aspx</a>



## Appendix B - Capital Investment Appraisals

### Summary of Scores

Ref	Title	Capital Scheme Category	(1) Meets Outcomes & Enablers 12/100	(2) Bold Economic Investment 15/100	(3) Asset Management Strategy 5/100	(4) Statutory Obligation 15/100	(5) Business Interruption / Risk 10/100	(6) Partnership Benefits 5/100	(7) Business Case 4/100	(8) Asset Life 7/100	(9) Value for Money 15/100	(10) Non- borrowing Funding 12/100	Total Score 100/100
A/C.01.040	Ermine Street Primary, Alconbury, Phase 2	P&C - Basic Need - Primary	12	0	5	10	5	0	2	7	0	12	53
A/C.01.043	Littleport 3rd primary	P&C - Basic Need - Primary	8	0	5	10	10	0	2	7	0	12	54
A/C.01.044	Loves Farm primary, St Neots	P&C - Basic Need - Primary	8	0	5	10	10	0	2	7	0	2	44
A/C.01.046	Sawston Primary	P&C - Basic Need - Primary	8	0	5	10	10	0	2	7	0	0	42
A/C.01.049	Northstowe 2nd primary	P&C - Basic Need - Primary	8	0	5	5	5	0	2	7	0	12	44
A/C.01.052	NIAB 2nd primary	P&C - Basic Need - Primary	8	0	5	10	10	0	2	7	0	12	54
A/C.01.056	Alconbury Weald 2nd primary	P&C - Basic Need - Primary	8	0	5	5	5	0	2	7	0	12	44
A/C.01.057	Northstowe 3rd primary	P&C - Basic Need - Primary	8	0	5	5	5	0	2	7	0	10	42
A/C.01.066	Bassingbourn Primary School	P&C - Basic Need - Primary	8	0	5	15	5	0	4	7	0	0	44
A/C.01.067	WING Development - Cambridge (new primary)	P&C - Basic Need - Primary	8	0	5	15	10	0	4	7	0	12	61
A/C.01.068	St Philips Primary School	P&C - Basic Need - Primary	8	0	5	10	5	0	4	7	0	12	51
A/C.01.069	Caldecote Primary	P&C - Basic Need - Primary	8	0	5	10	5	0	4	7	0	3	42
A/C.01.071	Kennett Primary School	P&C - Basic Need - Primary	8	0	5	10	0	0	4	7	0	10	44
A/C.02.011	New secondary capacity to serve Wisbech	P&C - Basic Need - Secondary	8	0	5	10	10	0	4	7	0	1	45
A/C.02.012	Cromwell Community College	P&C - Basic Need - Secondary	8	0	5	10	5	0	2	7	0	11	48
A/C.02.013	St. Neots secondary	P&C - Basic Need - Secondary	8	0	5	10	5	0	2	7	0	12	49
A/C.02.014	Northstowe secondary, phase 2	P&C - Basic Need - Secondary	8	0	5	5	5	0	2	7	0	4	36
A/C.02.015	Sir Harry Smith Community College	P&C - Basic Need - Secondary	8	0	5	10	10	0	4	7	0	12	56
A/C.02.016	Cambourne West secondary	P&C - Basic Need - Secondary	8	0	5	10	5	0	4	7	0	6	45
A/C.04.007	William Westley Primary	P&C - Adaptations	8	0	5	5	0	0	0	7	0	0	25
A/C.05.001	School Condition, Maintenance & Suitability	P&C - Condition & Maintenance	8	0	5	15	5	0	2	7	0	12	54
A/C.08.003	SEN Pupil Adaptations	P&C - Specialist Provision	12	0	5	15	10	0	0	3	0	0	45
A/C.08.004	Replacement Pilgrim Pupil Referral Unit - Medical Provision	P&C - Specialist Provision	8	0	5	5	5	0	2	7	0	0	32
A/C.08.005	Spring Common Special School	P&C - Specialist Provision	8	0	5	10	5	0	2	7	0	0	37
A/C.08.006	Highfields Special School Phase 2	P&C - Specialist Provision	8	0	5	15	10	0	2	7	0	3	50
A/C.08.007	Samuel Pepys Special School	P&C - Specialist Provision	8	0	5	15	10	0	2	7	0	6	53
A/C.09.001	Site Acquisition, Development, Analysis and Investigations	P&C - Site Acquisition & Development	8	0	5	0	0	0	2	7	0	12	34
A/C.09.002	St Ives Site Acquisition	P&C - Site Acquisition & Development	8	0	5	10	0	0	4	7	0	0	34
A/C.10.001	Temporary Accommodation	P&C - Temporary Accommodation	8	0	5	15	5	0	2	5	0	9	49
A/C.11.001	Children's Minor Works and Adaptions	P&C - Children Support Services	0	0	5	0	0	0	0	5	0	2	12
A/C.12.005	Integrated Community Equipment Service	P&C - Adult Social Care	12	0	5	15	10	5	2	0	0	0	49
A/C.13.001	New Community Hub/ Library Service Provision Darwin Green	P&E - Infrastructure Management & Operations	0	0	5	0	5	5	0	7	0	12	34
A/C.13.002	Library Service - Card Payments in Libraries	P&E - Libraries, Archives & Information	0	0	0	0	0	5	4	3	0	0	12
B/C.3.001	Highways Maintenance (carriageways only from 2015/16 onwards)	P&E - Infrastructure Management & Operations	12	15	5	0	10	0	2	7	0	1	52
B/C.5.029	Energy Efficiency Fund	P&E - Strategy & Development	4	0	0	0	0	0	0	5	5	0	14
C/C.3.001	Capitalisation of Transformation Team	CS - Corporate Services	8	0	0	0	0	0	0	0	0	12	20
C/C.3.002	Capitalisation of Redundancies	CS - Corporate Services	0	0	0	0	0	0	0	0	0	12	12
F/C.1.117	Commercial Investments	C&I - Commercialisation & Investments	4	15	5	0	0	0	4	7	10	7	52
F/C.1.119	Babraham Smart Energy Grid	C&I - Commercialisation & Investments	12	15	5	0	0	5	4	5	10	0	56
F/C.1.120	Trumpington Smart Energy Grid	C&I - Commercialisation & Investments	12	15	5	0	0	5	4	5	10	0	56
F/C.1.121	Stanground Closed Landfill Energy Project	C&I - Commercialisation & Investments	4	15	5	0	0	5	4	5	5	0	43
F/C.1.122	Woodston Closed Landfill Energy Project	C&I - Commercialisation & Investments	4	15	5	0	0	5	4	5	15	0	53
F/C.1.123	North Angle Solar Farm, Soham	C&I - Commercialisation & Investments	12	15	5	0	0	5	4	5	10	0	56
F/C.1.240	Housing Schemes	C&I - Commercialisation & Investments	12	15	5	0	5	5	4	7	5	12	70
F/C.2.112	Building Maintenance	C&I - Commercialisation & Investments	8	0	5	0	10	0	0	5	0	0	28
F/C.3.101	County Farms investment (Viability)	C&I - Commercialisation & Investments	4	0	0	0	0	5	0	7	15	0	31
F/C.3.103	Local Plans - representations	C&I - Commercialisation & Investments	8	0	5	0	0	5	0	7	0	0	25



**LGSS OPERATING MODEL**

**To:** General Purposes Committee

**Meeting Date:** 26 November 2019

**From:** Deputy Chief Executive

**Electoral division(s):** All

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

**Purpose:** Following on from a report considered at the last meeting of this Committee, this report sets out the proposed next stages and direction of travel for the future operating model to support the delivery of the Council's support service functions. The report to the LGSS Joint Committee of 31st October and the associated minutes are attached as appendices.

**Recommendation:** It is recommended that the Committee:

- a) Notes the content of the report;
- b) Accepts the proposed future direction of travel for the Council's support services;
- c) Recognises the financial and operational benefits that the LGSS shared services model has delivered for the residents of Cambridgeshire but;
- d) Acknowledges that the future operating and financial models will result in a significant increase in costs to this Council and notes that an estimate of these additional costs have been provided for within the latest Business Plan.

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## 1. BACKGROUND

- 1.1 Most of the background to this issue was covered by the report seeking the Committee's agreement to the repatriation of Professional Finance and Democratic Services that was considered at the last meeting. In summary a review of the operating and financial model of LGSS was undertaken by The Chartered Institute of Public Finance and Accountancy (CIPFA), largely driven by Northamptonshire County Council's desire to re-baseline the funding of these services due to a perceived 'subsidy' that has benefitted Cambridgeshire since the inception of LGSS.
- 1.2 A report was considered by the LGSS Joint Committee on 31st October which recommended that the Joint Committee agree to work commencing on detailed design for the new model, based on option 3 of the CIPFA report. This report is **Appendix 1** and the minutes for the item is **Appendix 2**. Both are confidential.

## 2. THE COST DISTRIBUTION MODEL

- 2.1 A link to the CIPFA report, which was considered by the Joint Committee on 31st October, is included at the end of this report. The Committee is reminded that this report was a confidential item. In order for this paper to be considered in public session the CIPFA report has not been included as an Appendix and therefore the Committee is asked to be mindful of this during the debate.
- 2.2 Although it is possible to challenge some of the assumptions upon which the CIPFA model is predicated it is undoubtedly true that the funding arrangements result in a lower cost to serve for Cambridgeshire compared to that of Northamptonshire.
- 2.3 This differential in cost to serve is nothing new and has in fact been the case since both Councils first considered the sharing of their support services over ten years ago. It has always been very transparent to both Councils that this was the case, and was clearly set out in financial terms in the original Partnership Agreement. The position derives from the starting position of the two county councils.
- 2.4 At the point that both organisations considered the business case for joining up their support service functions, the cost of delivering services in Cambridgeshire was significantly lower than the same range of services in Northamptonshire. This could have been as a result of differences in quantum of activity, input costs (i.e. salaries have always been higher in NCC), or the quality of the services provided. In reality it was probably a mixture of all of these factors. As a consequence of this Cambridgeshire has gained more than Northamptonshire from these arrangements over the last 8 years.

## 3. DELIVERING VALUE THROUGH SHARING OF SERVICES

- 3.1 When Max Caller undertook a review of the financial causes that led to NCC having to issue a Section 114 notice, he took the opportunity to challenge the value added by LGSS. In his view it was not possible to provide demonstrable evidence that the savings delivered through LGSS could not have been delivered by NCC alone. Although there is significant evidence of the overall reduction in costs of delivering the support services within LGSS it is not possible to demonstrably evidence a counter factual position and therefore this remains an opinion that is neither proven or not proven.

- 3.2 Max Caller did however suggest that the scope of services within LGSS included service areas where there was no demonstrable evidence that these services benefitted from any sharing. It is the view of all the partners that this is correct. It would appear that service areas were included within the scope of LGSS simply to increase the financial turnover of the organisation. Many service areas such as Democratic Services, Finance and HR business partners, and operational IT simply support the organisations that they work in. There is no sharing of skills or resources and therefore the only benefit that is derived is through areas of significant procurement – the same outcome of which can be delivered without a shared service offer.
- 3.3 As a result the Council has already repatriated Property Services, Professional Finance, and Democratic Services. Other service areas will follow as part of the next phase of developing a new operational model.
- 3.4 The financing of LGSS is a mixture of external income and partner organisation base funding. Following the issues in NCC, the opportunity to ‘sell’ services to more public sector organisations has become almost impossible and at least one major client, Norwich City Council, has given notice and will terminate their contract on 31st March 2020. Once Northamptonshire is restructured, the not insignificant margin generated from the provision of services to Northampton Borough Council will naturally be lost. These two clients alone contribute around £1m to the management overheads of the LGSS operations.
- 3.5 The implications of losing the income from Norwich have been built in to the CIPFA modelling but not the implication of Local Government Review in Northamptonshire. Although both Cambridgeshire and Northamptonshire knowingly entered in to a shared service model that sustained the relative differential of in cost of service delivery (through the equal sharing of cost savings and income generation) this has now become an unacceptable position for NCC. NCC are therefore seeking to address what they see as a funding model that is not an equitable cost model, and to do so as soon as possible.
- 3.6 Under the terms of the Partnership Agreement, the terms of the partnership can be varied at any point with the agreement of all partners. However if there is no agreement to the proposed change, one partner can invoke the change by giving 18 months’ notice and by accepting the cost of change associated with the proposal.
- 3.7 Over the last 12 months, or so, the partners have been discussing how the partnership could move to a new operating model yet still retain some of the benefits that have demonstrably accrued to all partner organisations. The principles set out in the attached paper are a compromise as all three organisations are not getting exactly what they had hoped for at the start of the discussions over the future model of LGSS. There is still a large amount of work to be done, as for many service areas the issue is not simply a matter of adjusting reporting lines.
- 3.8 Officers will continue to work with partner organisations to bring this matter to a conclusion as soon as possible. It is important that all partners are cognisant of the impact that these prolonged discussions have over staff. Coupled with the uncertainty about the future arrangements in Northamptonshire post Local Government Review (LGR), it has been an unsettling time for LGSS staff. It is to their credit that services have largely been unaffected. It is however true that some service areas have been more affected through

staff turnover than others and the partner organisations have prioritised these service areas as part of the overall transition programme.

- 3.9 Although CIPFA have produced a financial model, this does make various assumptions on the cost of service delivery post repatriation. These assumptions were predicated on the views put forward by the various service leads on what they thought each council would need to put in place to take the services back in to their own organisations. We now move to developing a model that is based on more detailed proposals as opposed to assumptions. It is therefore inevitable that the actual cost model will differ from that within the CIPFA report. It is hoped that this work can be concluded within three months but this is a very challenging ask and it is possible that it will not be delivered within this timescale. As soon as the revised model is available it will be considered by the Joint Committee in the first instance and then by the respective governance arrangements within each Council.

#### **4. ALIGNMENT WITH CORPORATE PRIORITIES**

##### **4.1 A good quality of life for everyone**

There are no direct implications for this priority.

##### **4.2 Thriving places for people to live**

There are no direct implications for this priority.

##### **4.3 The best start for Cambridgeshire's children**

There are no direct implications for this priority.

#### **5. SIGNIFICANT IMPLICATIONS**

##### **5.1 Resource Implications**

There are no direct implications arising from this specific report. However this report will lead to a set of proposals that will have a significant impact on the cost of delivering the Councils support services and on the human resources that currently deliver these services.

##### **5.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

##### **5.3 Statutory, Legal and Risk Implications**

There are no significant implications within this category.

##### **5.4 Equality and Diversity Implications**

There are no significant implications within this category.

## 5.5 Engagement and Communications Implications

Once detailed information is available on how each service area will be specifically managed under the new operating model, a significant amount of engagement will be undertaken with staff. All LGSS staff have been engaged on the current direction of travel by the Managing Director of LGSS and the Council has also sent a communication to all CCC staff.

## 5.6 Localism and Local Member Involvement

There are no significant implications within this category.

## 5.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	No implications
Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?	No implications
Have the equality and diversity implications been cleared by your Service Contact?	No implications
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Chris Malyon
Have any localism and Local Member involvement issues been cleared by your Service Contact?	No implications
Have any Public Health implications been cleared by Public Health	No implications

Source Documents	Location
CIPFA Report: LGSS independent review of shared services (Please note this is confidential and therefore accessible by GPC Members only)	<a href="https://my.huddle.net/workspace/38684377/files/#/74710330">https://my.huddle.net/workspace/38684377/files/#/74710330</a>

