Agenda Item No: 7

Review of Draft Revenue and Capital Business Planning Proposals for 2023-28

To: Children & Young People Committee

Meeting Date: 29 November 2022

From: Charlotte Black, Executive Director for People & Communities.
Tom Kelly, Service Director: Finance & Procurement

Electoral division(s): All

Key decision: No

Outcome: The Committee is asked to consider:

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

Recommendation: It is recommended that the Committee:

a) Note the progress made to date and next steps required to develop the business plan for 2023-2028

b) Comment on and endorse the budget and savings proposals that are within the remit of the Committee as part of consideration of the Council's overall Business Plan

c) Comment on and endorse the proposed changes to the capital programme that are within the remit of the Committee as part of consideration of the Council's overall Business Plan

d) Note the updates to fees and charges proposed for 2023-24

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1. Overview

1.1 The Council's Business Plan sets out how we will spend our resources to achieve our vision and priorities for Cambridgeshire, and the key outcomes we want for the county and its people. This paper provides an overview of the updates to the Council's financial position since Committees were last consulted on the draft Business Plan for 2023-28. The paper sets out the evolving context in which the Business Plan is developed, further savings identified, the changes to key assumptions impacting financial forecasts, and next steps required to balance the budget and agree the Council's Business Plan for 2023-28. The Council has a legal requirement to set a balanced but for 2023-24.

1.2 On 17 November, the Chancellor of the Exchequer delivered an Autumn Statement that updated on national economic projections and set out the government's approach to taxation and public spending over the medium-term. This followed a tumultuous period following the fiscal event in September 2022 under the previous government which caused a worsening of the country's economic outlook. The Autumn Statement confirmed that the country was facing strong economic headwinds with a public spending gap of £55bn over five years, which the Chancellor outlined plans to close equally through public spending constraint and taxation.

1.3 The economic situation comes on the back of many years of under-funding compared to other councils. The recent census results confirm that Cambridgeshire has been one of the fastest growing areas in the country and has been managing disproportionate increases in demand for services which have not been reflected in the revenue grant system. The Chancellor did announce several further grants to support social care authorities, but balancing this were changes to business rates policy, the minimum wage and funding received for the now cancelled rise in National Insurance. Section 2 below sets out more detail from the Autumn Statement.

1.4 This report builds on the information provided previously to this Committee and sets out the latest financial position regarding the Business Plan for the period 2023-28. A number of Business Cases have been developed which provide further details of the proposed changes to our budget, and these will be reviewed by their relevant Service Committees in December, prior to being reviewed by Strategy and Resources Committee in January for endorsement to full Council in February 2023.

1.5 The budget gaps over the medium-term previously presented to Committees were, in £000:

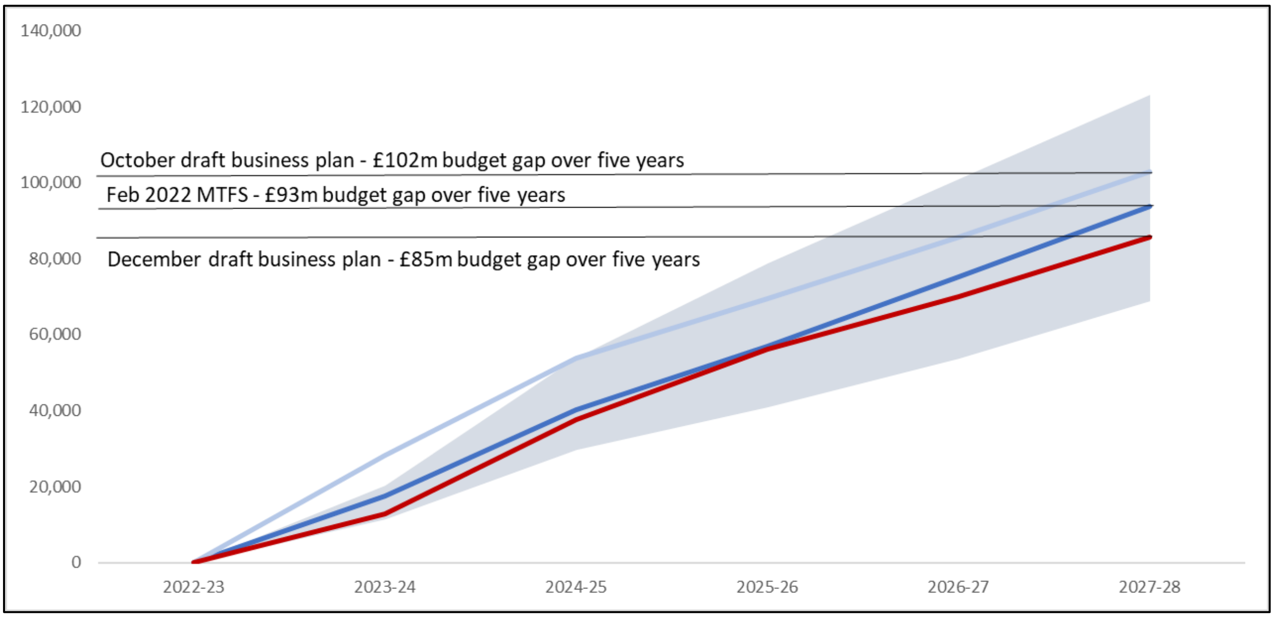
	2023-24	2024-25	2025-26	2026-27	2027-28
£000	28,624	26,367	16,812	17,384	18,762

1.6 Since then, work has been ongoing to refine estimates and identify mitigations to reduce the budget gap, including savings and income generation schemes. Despite some further pressures identified, and a continuing challenging inflationary environment, the budget gap for 2023/24 is now estimated as £12.9m, and a cumulative budget gap over the five-year draft Business Plan of £86m:

	2023-24	2024-25	2025-26	2026-27	2027-28
£000	12,886	25,398	17,977	13,053	14,333

1.7 At the time of producing this iteration of the draft business plan, the impact of the Autumn Statement was not yet known and so could not be factored in. We set out in section 2 below what we estimate the impact of that to be. It is important to note, however, that the majority of detailed information regarding local government funding, including Council Tax limits, will actually be made available to us at the finance settlement which is expected around 21 December.

1.8 We have made significant progress since the last Committee, closing the projected budget gap for 2023/24 by over £15m. Despite this improvement, it will still be a challenge to balance the budget for next year as we are required to do. The Autumn Statement confirmed higher than projected inflation next year and made several other changes that will bring us further pressures. We do not expect any funding announced to fully address these new or our underlying pressures. This means we will need to close the gap mostly through decisions that are within the Council's control. These could include Council Tax, further savings or income generation, deployment of one-off reserves or use of grant funding to offset pressures built into budgets.



1.9 The below graph shows the potential range of the cumulative budget gap over the medium-term, assuming a 2% Council Tax rise in all years per the current Business Plan. As progress has been made to close the gap for 2023/24, the overall cumulative gap over five years is lower, and the range in the earlier years has narrowed – the red line reflects latest projections. Uncertainty remains in later years.

1.9 This analysis shows that there remains a risk of adverse movements in the budget gap over the five years, particularly as the effects of demand changes post-Covid become clearer, and also depending on how long the peak of inflation actually lasts for.

1.10 Further information on developments since the last Committee are set out below. The Council's legal obligation to set a balanced budget alongside a sustainable approach to our finances in future years means that difficult decisions will need to be taken in order to close the budget gap. Some of these are proposed in this update, and more will be needed as the final Business Plan is agreed.

1.11 The update to Committees in October provided details about the inflationary pressures that the Council is expecting to face next year. These pressures come in many forms, including contractual inflationary uplifts, the rising price of goods and services purchased at market value, rising utility prices, the increasing minimum wage and the need to provide for pay increases for Council staff. Inflation projections have mostly not changed significantly since October, as the general inflationary outlook over the next 12-18 months has not improved. We have updated our projections around energy costs, particularly electricity. Having expected larger increases within 2023, we now expect that after a 100% increase in prices from September 2022 that there will be modest growth in October 2023 and reductions in prices thereafter through the rest of the medium-term. It is important to note that increasing energy prices will brings us benefit from our energy generation schemes. There is a particular dependency now assumed around the North Angle Solar Farm generating electricity from next summer. Increased income expectation from these, in line with rising energy prices, has reduced the budget gap.

1.12 Demand projections have been updated in some areas since October to reflect more up to date trend information and through ensuring that a moderate risk approach is used in all cases rather than a bad-case scenario.

1.13 We are continuing to review the Council's capital programme. Rising costs of materials and construction are affecting the overall budget requirement for schemes, and rising interest rates are increasing the cost of the borrowing which funds much of our capital programme. Increases in the costs of many schemes are reflected in the capital budget tables and rising borrowing costs have adversely affected the budget gap. We have reviewed the phasing, scope, design and cost of some schemes to bring costs down, and any relevant changes for this Committee are included in section 6 below.

1.14 The current draft business plan proposed capitalising a portion of our highways spend that was previously proposed for revenue funding, initially for two years. Capitalising this spend enables us to defray the cost over a longer period of time and produces an upfront reduction in revenue budget requirement. It will, however, result in increased borrowing costs over the life of the asset, which in most cases is thirty years. By doing this for an initial period of two years we will maximise the initial benefit while still ensuring good value-for-money on funding our highways assets over the longer-term.

1.15 In September, the government announced it was cancelling the increase in national insurance contributions that had come in in April 2022. That rise ceased from 4 November. The Council had to budget for around £2m in 2023/24 for the effect of this rise, both in terms of employer contributions for our own staff and mitigating the effect of the rise on the adult social care market. The removal of the increase means this budget increase can be reversed.

1.16 Since the previous Committee, progress has been made identifying mitigations to close the budget gap. These include further savings opportunities, income generation, and adjustments to demand/inflation projections. In total, this work has closed the gap by around £10m. New items identified within the remit of this Committee are detailed below in section 6. This represents good progress made in identifying savings and takes the total savings within this business plan to over £15m including items identified last year and earlier in this planning round. Not all of these will appear in the specific 'savings' section of the tables, as some will be income generation or net off against other projections.

1.17 Despite this progress, a budget gap remains both next year and in future years and so further service savings will be needed. We will continue working on cross-cutting changes to the way we work and how we support people who use our services to deliver sustainable change and reduce demand for our services. Until we have identified further savings and closed the budget gap, we cannot consider further investment requests from services.

1.18 The current Business Plan assumes 2% Council Tax increase each year. The Autumn Statement confirmed that councils would be able to raise Council Tax by up to 4.99% without a referendum in 2023/24 to provide for a closer to inflation rise in funding (2% of which would be Adult Social Care Precept). Strategy & Resources Committee will consider taxation levels in due course, with Full Council making the ultimate decision in February.

1.19 It is important to note that, while 2023/24 sees an improved position in this update, the 2024/25 budget gap of £24.6m remains a major challenge. Further mitigations to this position will need to be identified before the final Business Plan is agreed to ensure that there is a more sustainable medium-term plan. This position may be compounded by the announcements in Autumn Statement appearing to defer some of the contraction in spending power to beyond next year.

2. Autumn Statement: November 2022

2.1 On 17 November, the Chancellor of the Exchequer presented an Autumn Statement to Parliament. In introducing the statement, Mr Hunt referenced strong international economic headwinds, particularly rising inflation driven very significantly by the invasion of Ukraine. He reported a public spending gap of £55bn and outlined plans to close this gap over five years through a combination of public spending restraint and increased tax receipts.

2.2 This statement was accompanied by a full set of economic projections by the Office of Budgetary Responsibility (OBR). The OBR forecasts that we are in a recession that started in Q3 of 2022, with a contraction in GDP of -1.4% in 2023, and projects that inflation will fall back to 9.1% this calendar year and remain at 7.4% in 2023.

2.3 This revised inflation forecast for 2023 appears to make the average level of general inflation across next financial year higher than we have been projecting at Cambridgeshire in aggregate. We utilise the most appropriate indices or spend data for each category of Council spending and we will revise our calculations on the impact of inflation on costs and revise budget proposal where appropriate. Benefits, including state pension, will be increased by 10.1% in line with inflation.

2.4 Public spending over the remainder of the current spending review (2023-25) will increase at 3.7% a year on average. Beyond the spending review period, the Chancellor announced spending would still grow in real terms, but at a lower rate than growth in the economy, in order to get public debt falling.

2.5 On taxation, additional receipts are expected to be generated through freezing of income tax thresholds and personal allowances, as well as reducing the amount at which the 45p income tax rate beings from £150k to £125k. An increased windfall tax on the energy sector was also announced. An update was given on taxation relevant to local government, with Council Tax being allowed to rise by up to 5% without a referendum, and a business rates revaluation has been confirmed. The business rates multiplier will be frozen, and several new reliefs will be introduced. At this stage, we are concerned that these business rates changes could reduce the overall income received by Cambridgeshire.

2.6 Reforms to Adult Social Care charging have been delayed by two years to 2025. This has implications on all social care authorities which have been planning for this change but given uncertainties around funding for the reforms this removes a source of uncertainty in the immediate future. Additional funding was announced for social care authorities. As well as the flexibility to increase Council Tax by up to 5%, new grant funding will be made available. Around £1.3bn nationally will be paid to authorities as an increase to the existing un-ringfenced adult and children's social care grant, which part-funds our demand and inflationary pressures in those services. £600m will be allocated through the existing Better Care Fund, which is a pooled budget with the NHS, and a new ring-fenced grant of £400m nationally will be paid to support hospital discharges. It remains to be seen what the local allocations for these amounts will be, the distribution governance and conditions and how these compare with our previous expectations.

2.7 The minimum wage is being increased to £10.42, which is around 10p per hour higher than we had been budgeting for. This has cost implications for social care spend, potentially in the region of £1.5m of additional cost. The government is also expected to reverse funding that was supplied to councils to meet the cost of the now cancelled increase in National Insurance contributions, which could be up to a £2m reduction in CCC's funding.

2.8 As usual, local government will need to await the full Finance Settlement, usually in late December, for the implications on our funding to be revealed and Council-level allocations of grants to be confirmed. While targeted support appears to have been made available to adult social care, there is no specific support for the major pressures the Council is facing more widely such as in children's services, home to school transport, streetlighting or waste management.

2.9 The core budget for schools will be increased by £2.3bn nationally in both 2023/24 and 2024/25. This will assist schools with meeting inflationary pressures but does not appear to be a real term rise in funding.

2.10 The Household Support Fund was extended for a further twelve months. This is a much-needed source of funding to individuals and families in need of support and covers free school meals during school holidays. As we get more information about the scope of the extended fund, we will update the relevant committee.

2.11 The Chancellor announced that there would be two new fiscal rules to guide public spending and taxation decisions. Firstly, that over a five-year period public sector borrowing is to stay below 3% of GDP. Secondly, debt should be falling as a share of GDP by the fifth year of a rolling five-year cycle.

3. Building the Revenue Budget

3.1 Following the initial estimates of the five-year position for 2023-28 previously presented at Committee, we refine estimates for demand and inflation following any updating information that becomes available. We also apply the effects of any new savings or income initiatives that come forward, and the effects of any known funding changes.

3.2 Delivering a balanced budget in the current economic climate continues to be difficult, alongside uncertainty about key government reforms. In order to do this as well as produce an overall sustainable financial strategy and meet Joint Administration policy objectives we will need to review the services the Council provides and look for opportunities to dis-invest where they aren't meeting our objectives.

3.3 We continue to develop the business plan using a reasonable balance of risk, which can be seen in some updates of demand and inflation projections. The Council retains reserves to mitigate against unforeseen risk.

3.4 The changes to the budget gap estimation between Committee meetings have been:

	2023-24	2024-25	2025-26	2026-27	2027-28
October budget gap	**28,624**	**26,367**	**16,812**	**17,384**	**18,762**
Inflation Updates					
Place Inflation	-2,514	-419	-1,061	-1,115	-1,174
People Services Inflation	769	526	129	130	128
Resources Inflation	-337	-315	-291	-231	-79
Staff Pay inflation	1,901	2,021	2,122	2,228	2,337
Energy Schemes	-3,233	-885	1,409	1,576	1,261
Inflation changes total	**-3,414**	**928**	**2,308**	**2,588**	**2,473**
Pressures/Investments Updates					
National Insurance Pressure, reversal	-1,998	0	0	0	0
Investment in Communities	230	0	0	0	0
CLT Structure	0	0	617	0	0
Pressures/investments total	**-1,768**	**0**	**617**	**0**	**0**
Further Savings*					
Adults Savings	-3,685	-3,068	-3,964	-4,148	-2,694
Invest to Save - Adults	155	0	0	0	0
Children's Savings	-1,402	100	0	0	0
Education Savings	-435	0	0	0	0
Place savings	-1,337	-2,098	-1,018	-8	399
Invest to Save - Place	90	-90	0	0	0
Strategy & Partnerships Savings	-230	0	0	0	0
Public Health Savings	-220	-30	0	0	0
Resources Savings	-2,691	488	-660	-719	-733
Further savings total	**-9,755**	**-4,698**	**-5,642**	**-4,875**	**-3,028**
Other changes					
Funding Changes	507	0	0	0	0
Capitalisation decisions	-3,435	215	4,000	0	0
Capital financing costs	2,015	2,636	-92	-2,099	-3,874
Miscellaneous changes	112	-50	-26	55	0
Revised budget gap in December	**12,886**	**25,398**	**17,977**	**13,053**	**14,333**

*reflects savings work undertaken in recent months, but numbers will appear in several sections in the financial tables depending on specific nature of change. This may be income generation, demand/inflation projections or reduced pressures.

3.5 More detail about the proposals that make up this table relevant to this Committee are set out in section 6 below.

3.6 This budget gap contains our best estimates of inflation, demand and other costs we will face in 2023-28, as well as best estimates of the impact of new savings and income plans.

3.7 As noted above, this table does not factor in the implications of the Autumn Statement. The next iteration of the draft business plan, presented to S&R Committee in January, will contain the full implications and refreshed funding and cost projections.

4. Capital

4.1 Following on from October service committees, a significant amount of further review has been undertaken to prioritise, rephase and reduce the Capital Programme where assessed as appropriate. This is alongside the ongoing refinement to schemes following challenge by Capital Programme Board, considering changes to overall funding or to specific circumstances surrounding individual schemes.

4.2 The revised draft Capital Programme is as follows:

Service Block	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
People Services	164,113	86,681	79,725	42,552	18,081	45,760
Place and Sustainability	77,227	57,445	40,213	22,331	22,261	18,810
Finance and Resources	7,842	2,799	1,261	800	800	13,920
Strategy and Partnerships	3,918	1,380	6	-	-	-
Total	**253,100**	**148,305**	**121,205**	**65,683**	**41,142**	**78,490**

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

Funding Source	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
Grants	60,196	48,037	34,769	31,290	30,154	44,954
Contributions	75,433	27,407	21,648	37,124	38,848	63,668
Capital Receipts	2,846	29,845	24,340	3,000	2,500	15,000
Borrowing	115,865	42,894	40,948	22,148	6,486	3,994
Borrowing (Repayable)*	-1,240	122	-500	-27,879	-36,846	-49,126
Total	**253,100**	**148,305**	**121,205**	**65,683**	**41,142**	**78,490**

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

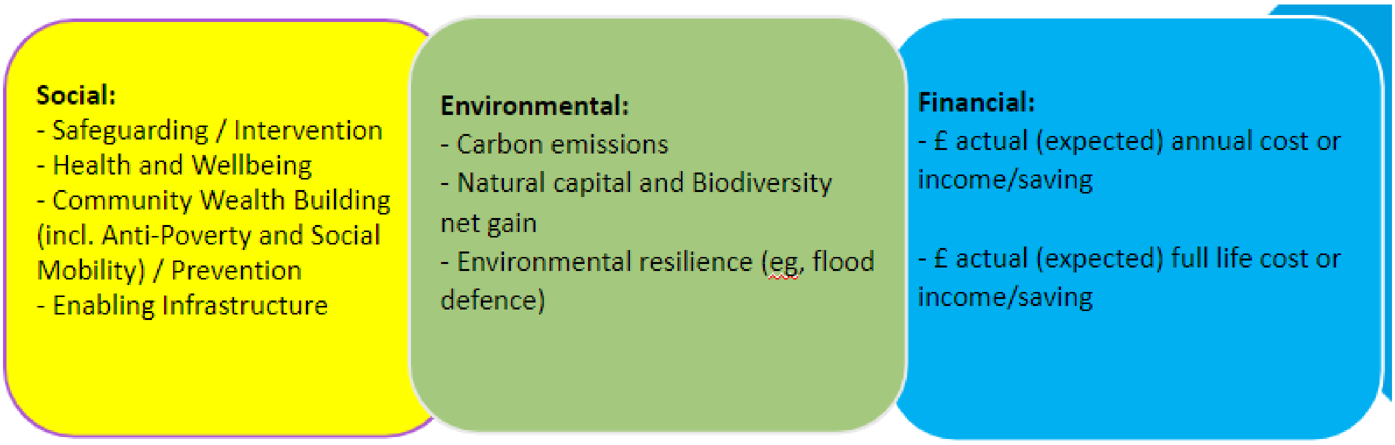
All funding sources above are off-set by an amount included in the capital variation budget, which anticipates a degree of slippage across all programmes and then applies that slippage to individual funding sources.

4.4 The level of prudential borrowing currently projected for this business plan is an increase of approximately £37.5m; this is a decrease of £2.0m since October committees (whilst there has been a significant reduction in borrowing for People Services, additional schemes and increases elsewhere, including movements from revenue to capital, have negated this reduction). The level of borrowing has a direct impact on the revenue position through interest payments and repayment of principal. The debt charges budget has undergone a thorough review of interest rates, internal cash balances, Minimum Revenue Provision charges and estimates of capitalisation of interest and as a result, the budget will rise by £1.3m to £38.0m for 2023-24, largely as a result of interest rate rises and delayed spend increasing the borrowing levels for 2023/24.

4.5 The Council is required by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities 2021 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to achieve this, Strategy & Resources recommends an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan. In order to afford a degree of flexibility from year to year, changes to the phasing of the limit is allowed within any three-year block (the current block starts in 2021-22), so long as the aggregate limit remains unchanged. Strategy & Resources are due to set limits for the 2023-24 Business Plan as part of the Capital Strategy review in December.

5. Triple Bottom Line Approach

5.1 The Triple Bottom Line (TBL) approach has been developed to aid balanced decision making and enable monitoring across social, environmental and financial factors using a scoring matrix ranging from –5 to +5, with 0 being a neutral impact score. This marks a first step in a significant change in approach for the way the Council will approach prioritisation and decision making, placing much greater emphasis on the impact County Council spending can have on our communities and environment.



5.2 The criteria have been set to ensure we are assessing and scoring the business cases objectively and consistently. The criterion is summarised as follows:

Social criteria: safeguarding / interventions, health and wellbeing, prevention, equalities, localism and enabling infrastructure.

Environmental criteria: carbon emissions, natural capital, biodiversity net gai, environmental resilience

Financial criteria: actual (expected) annual cost or income / saving and actual (expected) full life cost or income / savings

5.3 The Business Cases currently proposed for the 2023-24 Business Plan have been assessed using the TBL scoring criteria. These scores are shown in the table below reflecting the portfolio which has been assessed:

BUSINESS CASE	**Committee**	SOCIAL	ENVIRONMENTAL	FINANCIAL
ASC Recommissioning block cars	A & H	Neutral	+1	+3
Adults MH Employment Support	A & H	+1	Neutral	+1
Adults Hospital Discharge	A & H	+1	Neutral	+1
Realigning Schools Partnership & Improvement Service	CYP	Neutral	Neutral	+1
Review of non-statutory services	CYP	Neutral	+1	+1
Family Safeguarding	CYP	Neutral	Neutral	+1
Special guardianship orders	CYP	Neutral	Neutral	+1
Children in Care Placements	CYP	Neutral	Neutral	+4
ICT Service	CYP	Neutral	Neutral	+1
Cambridgeshire Music	CYP	Neutral	Neutral	Neutral
Childrens Residential Short Breaks	CYP	Neutral	Neutral	-2
Teachers Pensions	CYP	Neutral	Neutral	+1
Communities Investment	COSMIC	+5	2	-1
P&S Vacancy Factor	E&GI	Neutral	Neutral	+1
Updated Street lighting efficiencies	H&T	Neutral	+4	+5
Stopping weed killing	H&T	Neutral	+1	+1
Resilience Winter Highway Network	H&T	Neutral	+1	+1
Council-wide milage reduction	S&R	Neutral	+1	+2
Corporate Vacancy Factor	S&R	Neutral	Neutral	+2
Biodiversity developer offsets	S&R	+3	+3	+2
Commercial Investment	S&R	Neutral	Neutral	5
Insurance Claims & re-procurement	S&R	Neutral	Neutral	2

6. Overview of the CYP Draft Revenue Programme

6.1 This section provides an overview of the savings and income proposals within the remit of the Committee.

6.2 All of the proposals within the remit of the Committee are described in the business planning tables (Appendix 1) and business case summary report (Appendix 2).

6.3 The Committee is asked to comment on these proposals for consideration as part of the Council's Business Plan for the next five years. Please note that the proposals are still draft at this stage, and it is only at Full Council in February 2023 that proposals are finalised and become the Council's Business Plan.

6.4 The proposals for the CYP Committee include:

6.5 **Childrens**

6.5.1 Demand and Inflation Overview

6.5.2 Following review of demand on the current trends over the last 12 months, a demand investment of £2.022m is required in 2023/24, representing a £628k increase on the existing 2023/24 allocation in the Business Plan, as summarised in the table below. This remains the same as the position reported at October committee.

Demand	**2023/24** £’000	**2024/25** £’000	**2025/26** £’000	**2026/27** £’000	**2027/28** £’000
A/R.3.011 Funding for rising Children in Care (CIC) placements	592	13	183	260	263
A/R.3.019 Children with Disabilities	35	42	50	59	83

6.5.3 Inflation forecasts continue to be reviewed in line with inflationary pressures across the sector. The inflation investment required for 2022/23, is £1.967m in 2023/24, an increase of £1.22m from existed budgetary inflation in the Business Plan. This has not changed from the reported position at October committee.

Inflation	**2023/24** £’000	**2024/25** £’000	**2025/26** £’000	**2026/27** £’000	**2027/28** £’000
A/R.2.003 Centrally funded inflation – Looked after Children (LAC) placements	1,225	-158	-37	-82	-68

6.5.3 Savings and Income Opportunities

6.5.4 We have identified and committed to deliver £1.602m of savings and increased income for 2023/24. £100k of these are already included in the existing Business Plan, as outlined in the table below.

A/R.6.267 Children’s Disability 0-25 Service: maximising opportunities for increasing independence as children with disabilities move into adulthood.	-£100k
Total existing savings:	**£100k**

6.5.5 £1.5m of the savings identified are new opportunities, as outlined in the below table.

Special Guardianship Orders (SGOs): effective exiting of children from care has reduced the scale of saving we can offer going forward.	-£0.150m
Manage increase in residential children’s placement demand and fee negotiation	-£1.000m
Family Safeguarding team restructure	-£0.352m
Total new savings:	**- £1.502m**

6.5.6 The following pressure has been identified, that requires ongoing investment.

Residential short breaks children’s homes – harmonisation of terms and conditions	£311k
Total new pressures:	**Up to £311k**

6.5.7 We continue to focus on the Triple Bottom Line, with opportunities delivering a range of social and environmental benefits in addition to financial ones. In addition to the above, there are further opportunities being explored:

- Technology Enabled Care (TEC) for children with disabilities: use of TEC to maximise independence for children as they transition to adulthood. This links closely with the same work undertaken in the Adults' sphere.

- Wider transformation opportunities across Children's services, focusing on the following key strands:

    - Workforce: strengthening pathways into social care, improving recruitment and retention and reducing reliance on agency staffing. Including exploring the opportunity to reduce some staffing levels, including business support, based on the reduction in the numbers of children in care and child protection cases.

    - Fostering/Adoption and SGOs: including exploring the need for a more supportive network care model to ensure the fostering service continues to expand its number of foster carers. This is a key area for us in continuing to support improving practice and outcomes for children as well as ensure that we can continue to meet need in a targeted way.

    - Placement Sufficiency: development of new models to ensure we have the right support, available at the right time in the right setting to support the best outcomes for children and young people. This includes building on our more focused targeted early help offer and more integrated working with adolescents on the edge of care, family breakdown, mental health needs and youth offending. Ensuring the ongoing effectiveness of the Family Safeguarding model and making the most efficient use of funds available to us in Early Help. This links to our increased award for Supporting Families under the new scheme but will remain dependent on Payment by Results targets.

6.6 Education

6.6.1 Demand and Inflation Overview

6.6.2 There are no changes to the demand budget changes reported at the October committee cycle. Following review of demand on the current trends over the last 12 months, a demand investment of £2.032m is required in 2023/24, representing a -£364k decrease on the existing 2023/24 allocation in the Business Plan, as summarised in the table below.

Demand	**2023/24** £'000	**2024/25** £'000	**2025/26** £'000	**2026/27** £'000	**2027/28** £'000
A/R.3.008 Home to School Transport Mainstream	53	52	52	52	55
A/R.3.010 Home to School Transport Special	-417	-531	-668	-827	-541

6.6.3 Inflation forecasts continue to be reviewed in line with inflationary pressures across the sector. The inflation investment required for 2022/23, is £1.376m in 2023/24, an increase of £768k from existed budgetary inflation in the Business Plan. This has not changed from the reported position at October committee.

Inflation	**2023/24** £'000	**2024/25** £'000	**2025/26** £'000	**2026/27** £'000	**2027/28** £'000
A/R.2.004 Centrally funded inflation – Transport	768	-25	-17	-17	-4

6.6.4 We have identified and committed to deliver £1.228m of savings and increased income for 2023/24. £793k of these are already included in the existing Business Plan, as outlined in the table below.

A/R.6.250 New IT System – there is a potential delay in delivering this saving due to implementation timescales. Officers are currently reviewing benefit realisation arising from the system implementation.	-£223k
A/R.6.268 Transport – risk around demand changes and market conditions (currently under review). There are likely to be some phasing issues especially around any policy changes / fees increases.	-£570k
Total existing savings:	**-£793k**

6.6.5 £435k of the savings identified are new opportunities, as outlined in the below table.

Cambridgeshire Music – contribution to the cost of the new music base in Histon through surplus traded income.	-£25k
Cambridgeshire ICT – Building on the growth in demand for the service we will increase the target surplus for the service from £200k to £300k. The service is looking to provide a wider range of services beyond its normal customer base. There is a risk around the funding from the DSG to support the Eastnet network (broadband connectivity for schools)	-£100k
Review of Non-Statutory Services delivered across education. We are currently reviewing a number of options around services that are discretionary or can be delivered in a different way. Our current estimate of savings may be reviewed as this review continues.	-£75k
Review of structure in School Improvement in light of White Paper – following some changes in LA responsibilities and vacant roles, we have identified £85k of savings to contribute to the overall deficit position.	-£85k
Teacher pensions: due to reduction in the number of individuals who are eligible for teacher pensions.	-£150k
Total New Savings:	**-£435k**

6.5.6 We continue to focus on the Triple Bottom Line, with opportunities delivering a range of social and environmental benefits in addition to financial ones. In addition to the above, the further opportunities are being explored:

- A review will be undertaken of the Early Years service provision in light of newly published benchmarking data considering the services run by statistical neighbours. There may be opportunity through this review to identify further savings.

7. Overview of CYP Draft Capital Programme

7.1.1 Work has been undertaken since October CYP Committee to review the capital programme against a renewed set of priorities. The current council financial position has been recognised alongside a clear understanding of the council's statutory duties to ensure sufficient school places. The existing programme has been reviewed to ensure the following:

a) Schemes included are either directly linked to basic need for pupil places and aligned to the most recent demography forecasts or directly linked to condition survey data.
b) Projected costs for projects are directly aligned wherever possible with the available funding stream via section 106, or basic need grant.
c) Schemes have been reviewed to consider how delivery could be more cost effective and also align with the wider education priorities, for example supporting small school viability.
d) Funding sources have been reviewed to ensure all third-party contributions are updated and included within the correct financial year. In some cases, this has changed due to housing build out rate and section 106 trigger points.

7.1.2 The impact of this review of the programme at a scheme level was largely to realign projects to current development led timescales. There were also projects included linked to basic need, which now, due to a change in housing development, are no longer required. There are three projects following the review and application of the basic need led principles that have been adjusted in the programme. Details are included below:

- Manea Primary
  There is a requirement for a 4-class basic need expansion. The existing proposal proposed to deliver additionality to the school including some internal remodelling. Applying the principles of the review in terms of all capital delivery being directly linked to either basic need delivery or condition of the building, it is proposed that the scheme is adjusted to the delivery of 4 classroom extension. This represents a saving of £2m

- North Cambridge Academy
  Originally £5m had been included in the programme to cover a 1FE expansion. This is now not possible given inflationary rates within the £5m budget and so the proposal has been revised to include £1m investment to deliver an additional three to five places per year, per year group (in line with basic need requirement). This represents a saving of £4m.

- St Phillips Primary
  This scheme is currently in the programme being funded through section 106 contributions. This scheme aimed to deliver an additional classroom as well as remodel the entrance way. However, it isn't linked to basic need requirement according to a BB103 analysis. Removal of the scheme following the review

principles of capital projects being directly linked to basic need, allows for the £1.7m s106 contribution to be re-distributed to other Cambridge City Schemes that have a basic need requirement.

7.1.3 Alongside the review that has been undertaken, the education capital team are currently undertaking a review in relation to the delivery mechanism used to deliver capital projects. This will include an analysis of route to market options, an analysis of the specification of education capital builds and an analysis of insourcing verses the current outsourcing model for consultancy. The result of this review will be brought to CYP committee in January 2023 for committee's views and approval of a renewed education capital strategy.

7.2.1 The revised draft Capital Programme for People Services is as follows:

Capital Expenditure	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
People Services	164,113	86,681	79,725	42,552	18,081	45,760

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

Funding Source	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
Grants	25,736	20,829	14,027	10,504	9,368	41,750
Contributions	61,093	24,054	18,807	8,280	1,037	-
Capital Receipts	-	-	-	-	-	-
Borrowing	78,534	41,666	47,391	23,768	7,676	4,010
Borrowing (Repayable)	-1,250	132	-500	-	-	-
Total	**164,113**	**86,681**	**79,725**	**42,552**	**18,081**	**45,760**

7.2.3 The level of prudential borrowing currently projected for this business plan for People Services is an increase of approximately £30m, which will impact on the level of debt charges incurred. However, this is a £47m reduction compared with the October committee tables.

7.2.4 The updated Capital Tables are in Exempt Appendix 1d.

8. Next Steps

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

November / December	Draft business cases presented to committees for consideration.
January	Strategy and Resources Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

9. Alignment with corporate priorities

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

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

10. Significant Implications

10.1 Resource Implications
The proposals set out the response to the financial context described in section 5 and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget will be described in the financial tables of the business plan. The proposals will seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

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

10.3 Statutory, Legal and Risk Implications
The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget. Cambridgeshire County Council will continue to meet the range of statutory duties for supporting our residents.

10.4 Equality and Diversity Implications
Each of the proposals will be developed alongside an Equality Impact Assessment to ensure we have discharged our duties in line with the Equality Act 2010, including the Public Sector Equality Duty, as well as met our commitment to implementing the Socio-economic Inequalities Duty. Business cases will include a summary of key points from the relevant Equality Impact Assessment. These summaries will highlight any positive impacts identified and outline mitigations for any negative impacts or justification for retaining a negative impact where this is appropriate.

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

10.6 Localism and Local Member Involvement

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

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

10.8 Environment and Climate Change Implications on Priority Areas
The climate and environment implications will vary depending on the detail of each of the proposals. Any positive or negative impacts will have been considered for each proposal as part of its development.

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Martin Wade

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? Yes
Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes
Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?
Yes
Name of Officer: Faye McCarthy

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

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

Have any Public Health implications been cleared by Public Health?
Yes
Name of Officer: Raj Lakshman

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

11. Source documents

11.1 None