

**COMMERCIAL & INVESTMENT COMMITTEE REVIEW OF DRAFT REVENUE AND CAPITAL BUSINESS PLANNING PROPOSALS FOR 2020/21 TO 2024/25**

**To:** Commercial & Investment Committee

**Meeting Date:** 16 December 2019

**From:** Director of Business Improvement and Development  
Chief Finance Officer

**Electoral division(s):** All

**Forward Plan ref:** N/a      **Key decision:** No

**Purpose:** This report provides the Committee with an overview of the draft Business Plan revenue and capital proposals for services that are within the remit of the Commercial & Investment Committee.

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

- a) Note the overview and context provided for the 2020/21 to 2024/25 Business Plan revenue proposals for the Service, updated since the last report to the Committee in October.
- b) Comment on the draft budget and savings proposals that are within the remit of the Commercial & Investment Committee for 2020/21 to 2024/25, and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan.
- c) Comment on the changes to the capital programme that are within the remit of the Commercial & Investment Committee and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan.

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## **1. PURPOSE AND BACKGROUND**

- 1.1 The Council's Business Plan sets out how we will spend the resources we have at our disposal to achieve our vision and priorities for Cambridgeshire, and the outcomes we want for people. This paper presents an overview of the proposals being put forward as part of the Council's draft revenue and capital budgets, with a focus on those which are relevant to this Committee. The report forms part of the process set out in the Medium Term Financial Strategy whereby the Council updates, alters and refines its revenue and capital proposals in line with new savings targets.
- 1.2 In developing our plan we are responding to a combination of cost increases and continuing resource pressures following a decade of sustained reductions in Government funding. To balance the budget whilst still delivering for communities we need to identify savings or additional income of £21.4m for 2020-21, and totaling £68.5m across the full five years of the Business Plan.

## **2. FINANCIAL OVERVIEW UPDATE**

- 2.1 In October, Committees received information about emerging draft proposals to respond to this challenge – at that point we had identified 44% of the savings required and the remaining budget gap for 2020/21 was £12.6m. Additional gaps also existed for the later years of the business plan.
- 2.2 Since October, work on the business plan has continued with a focus on;
  - Further exploring the existing schemes, refining the business cases and seeking to push schemes further wherever possible
  - Identifying mitigation measures for the identified pressures – aiming to minimise their impact on the savings requirement for the organisation
  - Incorporating revised forecasts of the grant funding which the Council expects to receive following the announcement of the 2019 Spending Round in September
- 2.3 We are continuing as an authority to explore every avenue to identify further efficiency or to bring in more funding to the local economy and public sector. In particular;
  - We continue to drive forward our Fairer Funding Campaign – arguing for Cambridgeshire to receive a higher and fairer allocation of national funding for education, social care and a range of other services.
  - In collaboration with Cambridgeshire District Authorities and Peterborough City Council, we have submitted a joint bid for a business rates pooling arrangement which would allow the Council to share the benefit of a reduced levy on business rates growth in Cambridgeshire.
  - We are developing a growing portfolio of commercial investments which is expected to deliver a net benefit of £7.3m to the Council's budget by 2024/25 to support the delivery of frontline services.
  - We continue to work closely with care providers to manage the rising costs of care placements through outcomes based performance management, developing placement capacity to respond to the changing needs of

service users and exploring joint commissioning arrangements with Peterborough City Council.

- We are driving forward innovative cross-service approaches to delivering Adult Social Care through our Adults Positive Challenge Programme, helping us to address the challenge of growing demand for services.

- 2.4 Similar to councils nationally, cost pressures are being faced by adult social care services in Cambridgeshire. These are being faced most acutely within care for Older People, where the weekly costs of residential and nursing placements are increasing on average by around 10% per year. This is coupled with a national focus on reducing delayed transfers of care out of hospitals, resulting in higher numbers of placements as more people are discharged.

Care costs for working age adults are also increasing by more than expected. These are relatively static cohorts of people whose needs are increasing year on year, and there continues to be progress made in discharging people out of secure hospitals and into community placements as part of the Transforming Care agenda.

Good progress has been made with mitigating the increasing demand for services through the Adults Positive Challenge Programme, which is focusing on maximising the use of technology, Reablement and other preventative services to ensure people stay as independent as possible. We have also relied on government grant funding to offset care pressures similar to many councils, and have welcomed announcements that these will continue into 2020/21, but there remains uncertainty thereafter.

- 2.5 Within Children's services, although reducing, numbers of children in care remain higher than expected based on the performance of Cambridgeshire's statistical neighbours. This continues to place pressure on directly related budgets – those associated with placement costs, supervised contact and legal costs. Additionally, the foster placement capacity both in house and externally is very stretched by demand both locally and nationally. Over 18 unaccompanied asylum seeking children (UASC) also continues to be a pressure due to the increased number of children turning 18 and acquiring care leaver status and the ongoing disparity between the costs associated with supporting this group of young people and the level of grant received from the Home Office.
- 2.6 Within Education we have seen an 11% increase in pupils with Education, Health and Care Plans (EHCPs) between October 2018 and October 2019 and a continuing increase in pupils attending special schools and units over the same period. This continuing rise in numbers, and complexity of need, has increased pressures on the High Needs Block element of the Dedicated Schools Grant (DSG) and associated Special Educational Needs & Disability (SEND) budgets such as transport.

We are seeing more pupils with SEND being transported and, due to local provision reaching capacity, pupils are being transported significant distances to access education which results in higher transport costs. An increase in complexity of needs has also contributed to this pressure with more pupils

needing specialist equipment or passenger assistants to assist their travel. This is against a backdrop of a challenging transport market with quoted costs for routes being significantly higher than in previous years.

- 2.7 The table below provides a summary of the various material (£100k or greater) changes since October in the overall business planning position for 2020/21. It reflects both the positive impact of the new proposals and transformation agenda and the growing pressures we face as a sector. As shown below, the level of unidentified savings has reduced by £8.7m to £3.9m. Work to identify and work up further ideas to fill the gap is ongoing and the pressures emerging are still under review as we monitor trends and develop mitigating strategies.

Description	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000
<b>Remaining Unidentified Savings at October Committees</b>	<b>12,565</b>	<b>10,435</b>	<b>9,658</b>	<b>12,538</b>	<b>9,741</b>
Increased needs of working age adults with disabilities in previous years	600				
Increasing Home to School Transport - Special	210				
Children in Care - Secure Accommodation	190				
Coroner Service – increasing demand and complexity of cases	391	-37			
Impact of National Living Wage (NLW) on Contracts		920	920		
Guided Busway Defects – litigation delay	1,300	-1,300			
Winter Highway Maintenance – contractual pressure	463				
Repatriation of LGSS services, revised funding mechanism & loss of income, following agreement	400	750			
Updated estimate of nationally negotiated pay award (admin band)	250				
Updated calculation of pension contribution (vacant posts)		-480	-240	-240	-240
Miscellaneous pressures <£100k	-39				
<b>Subtotal revised pressures</b>	<b>16,330</b>	<b>10,288</b>	<b>10,338</b>	<b>12,298</b>	<b>9,501</b>
Investment in Social Care Capacity	2,600		-1,300		
Commercial Team		258			
<b>Subtotal new investments</b>	<b>18,930</b>	<b>10,546</b>	<b>9,038</b>	<b>12,298</b>	<b>9,501</b>
Home to School Transport savings as per GPC case	-600				
Review of commissioned domiciliary care	-300				
Learning Disabilities Commissioning	-250	-400			
Mental Health Commissioning	-144	-24	-24		
Improved Better Care Fund uplift	-170				
Income from utilisation of vacant block care provision by self-funders	-150				

Registration Service - Certificate Income (national price changes)	-140				
Review of commissioning approaches for accommodation based care		-175	-175		
Revised commissioning approach for interim bed provision		-150			
Adults Positive Challenge Programme		-100	-100	-100	
<b>Subtotal P&amp;C savings and income proposals</b>	<b>17,176</b>	<b>9,697</b>	<b>8,739</b>	<b>12,198</b>	<b>9,501</b>
Waste – demand management	-400				
Public Health – uplift in ring-fenced grant to fund Public Health directorate	-191				
Increase in ESPO (Purchasing Organisation) dividend	-250				
Soham Solar Farm	-118	-83	-29	-14	-13
Commercial income related to Commercial team	-105	-758	-500	-750	-750
Sharing with other Councils – updated to match pressure	110				
Cambis 2020: Spokes buildings net operating costs/savings	395	-605			
Revised income expectation from Energy projects		-401	1,418	-157	-249
Miscellaneous savings and income proposals <£100k	-135	196	-175	-96	
<b>Subtotal PH, P&amp;E, C&amp;I and CS savings and income proposals</b>	<b>16,482</b>	<b>8,046</b>	<b>9,453</b>	<b>11,181</b>	<b>8,489</b>
Social Care Grant Funding (Spending Round 2019)	-8,453				
Local taxation grants - updated assumptions	-1,050	-650			
Debt charges - cost of financing capital expenditure	-3,738	-1,555	-2,367	-330	1,804
Additional changes to funding forecasts and/or holding reserves at policy level	703	-851	1,277	-11	4
<b>Total Financing Adjustments</b>	<b>-12,538</b>	<b>-3,056</b>	<b>-1,090</b>	<b>-341</b>	<b>1,808</b>
<b>Revised Gap at December Committees</b>	<b>3,944</b>	<b>4,990</b>	<b>8,363</b>	<b>10,840</b>	<b>10,297</b>

2.8 The following table shows the total level of savings necessary for each of the next five years, the amount of savings attributed from identified savings and the residual gap for which saving or income has still to be found:

	2020-21 £'000	2021-22 £'000	2022-23 £'000	2022-24 £'000	2024-25 £'000
Total Saving Requirement	21,248	13,107	11,070	12,058	10,860
Identified Savings	-11,841	-3,991	-705	80	327
Identified additional Income Generation	-5,463	-4,126	-2,002	-1,298	-890
<b>Residual Savings to be identified</b>	<b>3,944</b>	<b>4,990</b>	<b>8,363</b>	<b>10,840</b>	<b>10,297</b>

2.9 The following funding options are available to the council to contribute towards closing the gap for 2020/21 and beyond:

Item	2020-21	2021-22	Recurring/ non-recurring	Confirmed/ unconfirmed
Further 2% Council tax increase	£5.8m	£0.4m	Recurring	Local Decision
Revenue investment of recurring MRP savings	£2.0m		Recurring but diminishing, at least £2m until 2025	Local Decision
<b>Subtotal - locally controlled/recurrent</b>	<b>£7.8m</b>	<b>£0.4m</b>		

In addition to the broad areas of focus set out in section 2.2, the following savings and income generation proposals are currently being developed to contribute towards closing the gap:

- **Horizons funding:** the Council may receive a small one-off revenue allocation from the Horizons Rolling Fund, subject to approval from the Horizons Board
- **Learning Disability Partnership (LDP):** General Purposes Committee will be asked to consider a transformation bid to fund a detailed case review of partner contributions to the LDP pooled budget. The work will ensure that LD clients eligible to receive free NHS healthcare consistently receive the support to which they are entitled.
- **Organisational and business support review:** an organisation-wide review of staffing and business support capacity is proposed to ensure that Council resources are deployed efficiently and effectively to support the delivery of frontline services

The revenue impacts of the above proposals will be included in the budget as work progresses to establish timeframes and expected income or savings.

### 3 ASSUMPTIONS AND RISKS

- 3.1 In the business planning tables the level of savings required is based on a 2% increase in Council Tax in 2020-21, through levying the Adult Social Care precept. The Council's Medium Term Financial Strategy assumes 2% increases in the Adult Social Care precept from 2021-22 onwards, however there has been no confirmation as yet that the precept will be available beyond 2020-21. For each 1% more or less that Council Tax is changed, the level of savings required will change by approximately +/-£2.9m.
- 3.2 There is currently a limit on the increase of Council Tax to 3.99%, above which approval must be sought from residents through a positive vote in a local referendum. The estimated cost of a referendum in May 2020 would be £742k with further costs incurred if the public reject the proposal as new bills would need to be issued.
- 3.3 There are also a number of risks which are not included in the numbers above, or accompanying tables. These will be incorporated (as required) as the Business Plan is developed and the figures can be confirmed:
  - Movement in current year pressures – Work is ongoing to manage our in-year pressures downwards; however any change to the outturn position of the Council will impact the savings requirement in 2020-21. This is particularly

relevant to demand led budgets such as children in care or adult social care provision.

- Public Sector pay inflation – the business plan assumes that staff pay will increase by 2% in 2020-21 and 2021-22 and by 1% thereafter. Pay awards across the public sector are widely in excess of 2% from 2020-21 and have followed an upward trajectory in recent years. It is therefore possible that the Council could face additional costs as a result of nationally negotiated pay settlements.
- The Government announced additional one-off funding allocations for Social Care in the 2018 Autumn Budget and more recently in the 2019 Spending Round. Due to the postponement of the Fair Funding Review, the funding outlook from 2021/22 remains unclear. The Council is assuming, in line with other Local Authorities, that the additional funding announced for Social Care will continue for the duration of the business plan period.
- From 2021/22, Local Authorities will retain 75% of locally generated income from business rates. The tier split of business rates between Counties and Districts is subject to change, and the funding baselines for Local Authorities will be reassessed. There is therefore a significant level of uncertainty around the accuracy of our funding assumptions from 2021/22 onwards. The Council's future funding position will remain unclear until Government provides an indicative allocation of business rates in Spring 2021.

#### **4. CAPITAL PROGRAMME UPDATE**

- 4.1 The draft capital programme was reviewed individually by service committees in October and was subsequently reviewed in its entirety, along with the prioritisation of schemes, by GPC in November. As a result further work was required on a handful of schemes, as well as further work ongoing to revise and update the programme in light of continuing review by the Capital Programme Board, changes to overall funding or to specific circumstances surrounding individual schemes.
- 4.2 The Council is still awaiting funding announcements regarding various capital grants, plus the ongoing nature of the capital programme inevitably means that circumstances are continually changing. Therefore Services will continue to make any necessary updates in the lead up to the January GPC meeting at which the Business Plan is considered.

#### **5. OVERVIEW OF COMMERCIAL AND INVESTMENT DRAFT REVENUE PROGRAMME**

- 5.1 This section provides an overview of the updated savings and income proposals within the remit of the Committee and those which have been added to the draft plan since the proposals were presented in October or where the business case has altered materially.

- 5.2 All of the proposals within the remit of the Committee are described in the business planning tables (Appendix 1) and business cases (Appendix 2). The October papers are available to view [here](#).
- 5.3 The Committee is asked to comment on these proposals, and endorse them to GPC for consideration as part of the Council's development of the Business Plan for the next five years. Although now well developed, the proposals are still draft at this stage and it is only at Full Council in February 2020 that proposals are finalised and become the Council's Business Plan.
- 5.4 The following table provides a summary of the various material (£100k or greater) changes to the C&I business plan proposals since October committee:

Proposal Description	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Notes
Cambs 2020: Spokes buildings net operating costs/savings	395	-605				1
Commercial Team - operating costs		258				2
Commercial Team - additional income		-758	-500	-750	-750	2
Additional income from commercial property investments	-105					3
Increase in ESPO dividend	-250					4
Soham Solar Farm – income expectation	-118	-83	-29	-14	-13	5
Revised income expectation from Energy projects		-401	1,418	-157	-249	6
<b>Net changes to C&amp;I Budget Proposals</b>	<b>-78</b>	<b>-1,589</b>	<b>889</b>	<b>-921</b>	<b>-1,012</b>	

- 5.5 The following notes to the above should be considered:
1. The committee received a report in October which set out the operational costs and savings anticipated from the Cambs 2020 project. The amounts above are additional to the -£397k saving already included in the business plan relating to the surrender of the Babbage House lease in 2020-21.
  2. The committee endorsed a proposal to establish a new Commercial Team in October which was subsequently approved by GPC. The above proposals set out the operating costs of the new commercial team, to be funded from the C&I base budget from 2021-22, and the additional income which the team is expected to generate.
  3. This proposal reflects the increased return anticipated from existing and additional property investments in 2020-21.
  4. This proposal reflects the increased level of ESPO dividend that has been achieved in previous financial years.
  5. The Soham Solar Farm continues to exceed performance targets and this proposal recognises the additional income contribution.
  6. The business cases for the Energy Investment Projects at Babraham Park & Ride and Stanground Closed Landfill Site have been updated to reflect the preferred build options in light of current market conditions.

The following business cases can be found in Appendix 2:

- 5.4 **F/R.7.127 County Farms – commercial uses (-75k)**



5.5 **F/R.7.129 Pooled property fund investment (-420k)**

**6. TRANSFORMATION FUND INVESTMENTS**

- 6.1 A transformation programme of this scale requires additional investment and so services are identifying where transformation funding is needed to support delivery. GPC has responsibility for oversight and management of the Transformation Fund and will be asked to approve the necessary investments associated with the proposals at January committee.

**7. OVERVIEW OF COMMERCIAL AND INVESTMENT DRAFT CAPITAL PROGRAMME**

- 7.1 The capital programme is shown in full in Appendix 1 as part of the finance tables. Since the Capital programme was presented at Service Committee in October the following significant changes have been made:

**Commercial Investments** – additional £53m of budget in 2019-20 to be funded by prudential borrowing, as agreed by GPC in November 19, and £38m of additional budget in 2020-21 to be funded by Capital Receipts.

**Energy schemes** – Babraham Smart Energy Grid and Stanground Closed Landfill Energy Project updated to reflect revised business cases and rephased budget for Woodston Closed Landfill Energy Project

**Housing Schemes** – updated to reflect the revised profile of issuing loans for 2019-20 and 2020-21. The company is currently revising its business plan; as such this scheme will be updated further prior to January GPC.

**8. NEXT STEPS**

- 8.1 Following December service committees, GPC will review the overall programme before recommending the programme in January as part of the overarching Business Plan for Full Council to consider in February.

December	GPC will review the budget tables for all service areas for the first time  Local Government Financial Settlement Published, although there is a likelihood this could be delayed contingent on the outcome of the general election
January	GPC 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**

- 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**  
The impact of these proposals is summarised in the equality impact assessments, included within Appendix 1.
- 9.3 **The best start for Cambridgeshire's children**  
The impact of these proposals is summarised in the equality impact assessments, included within Appendix 1.

## **10. SIGNIFICANT IMPLICATIONS**

- 10.1 **Resource Implications**  
The proposals set out the response to the financial context and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget is described in the financial tables of the business plan, attached as an appendix
- 10.2 **Procurement/Contractual/Council Contract Procedure Rules Implications**  
There are no significant implications within this category.
- 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.
- 10.4 **Equality and Diversity Implications**  
The Community Impact Assessments describe the impact of each proposal, in particular any disproportionate impact on vulnerable or minority groups.
- 10.5 **Engagement and Consultation Implications**  
Our Business Planning proposals are informed by the CCC public consultation on the Business Plan and will be discussed with a wide range of partners throughout the process (some of which has begun already). 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 the Commercial and Investment Committee.
- Draft Community Impact Assessments (CIAs) for the savings proposals are included within the business cases attached to this paper for consideration by the Committee, and where applicable these are developed based on consultation with service users and stakeholders.
- 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 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**

We are working closely with Public Health colleagues as part of the operating model to ensure our emerging Business Planning proposals are aligned.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Eleanor Tod
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	Yes Gus De Silva
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	Yes Monitoring Officer: Fiona McMillan, LGSS Law
<b>Are there any Equality and Diversity implications?</b>	Covered in Business Case impact assessments. Owen Garling
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes Christine Birchall
<b>Are there any Localism and Local Member involvement issues?</b>	No Julia Turner
<b>Have any Public Health implications been cleared by Public Health</b>	Yes Iain Green

<b>Source Documents</b>	<b>Location</b>
October 2019 Committee Business Planning Papers	<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>

**Appendix 1a C&I Revenue Finance Tables 1 - 3**

**Appendix 1b C&I Capital Finance Tables 4 & 5 (CONFIDENTIAL)**

**Appendix 2 C&I Draft Business Cases**

**Appendix 3 C&I Proposed Fees & Charges**