

**SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING PROPOSALS FOR 2017/18 TO 2021/22**

*To:* **General Purposes Committee**

*Meeting Date:* **25 October 2016**

*From:* **Sue Grace, Director of Customer Service and Transformation  
Chris Malyon, 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 draft Business Plan Revenue Proposals for Corporate and LGSS Managed Services, and cross-Council proposals that are within the remit of the General Purposes Committee.**

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

- a) note the overview and context provided for the 2017/18 to 2021/22 Business Plan revenue proposals for the Service.**
- b) comment on the draft revenue savings proposals that are within the remit of the General Purposes Committee for 2017/18 to 2021/22.**
- c) approve the retention of the statutory maximum charge for Blue Badges for the financial year beginning 1 April 2017.**

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## 1. OVERVIEW

1.1 The Council's Business Plan sets out how we will spend our money to achieve our vision and priorities for Cambridgeshire. Like all Councils across the country, we are facing a major challenge. Our funding is reducing at a time when our costs continue to rise significantly due to inflationary and demographic pressures, which are greater than others due to being the fastest growing county in the country.

1.2 The Council has experienced a number of years where it has sought to protect frontline services in response to reducing Government funding. Looking back, we have saved £68m in the last two years and are on course to save a further £41m this year (2016/17). As a result, we have had to make tough decisions over service levels during this time. Over the coming five years those decisions become even more challenging. That is why this year the Council has adopted a new approach to meeting these financial challenges, which builds upon the outcome-led approach that was developed last year.

1.3 The Council last year established the strategic outcomes it will be guided by throughout the Business Planning process, these are outlined on the right. Early in the process this year, a number of Transformation Programmes were established to identify the specific proposals that will meet these outcomes within the resources available to the Council.

1.4 These Transformation Programmes are the lens through which this year's Business Planning Process has been approached, and will feature in the material considered by Members in workshops and Committees. There are 11 Programmes, made up of "vertical" service-based Programmes, and "horizontal" cross-cutting Programmes:

Outcomes	
Older people live well independently.	
Places that work with children help them to reach their full potential.	
People lead a healthy lifestyle and stay healthy for longer.	
People with disabilities live well independently.	
People live in a safe environment.	
The Cambridgeshire economy prospers to the benefit of all Cambridgeshire residents.	
People at risk of harm are kept safe.	

1. Adult Services	2. Children's Services	3. Economy, Transport and Environment	4. Corporate and LGSS	5. Public Health
6. Finance and Budget Review				
7. Customers and Communities				
8. Assets, Estates and Facilities Management				
9. Commissioning				
10. Contracts, Commercial and Procurement				
11. Workforce Planning and Development				

- 1.5 In July 2016 General Purposes Committee considered and endorsed a report which summarised the role that the new approach to transformation has played so far this year. In particular, this table captured how transformation – in line with the Council’s strategic outcomes – will contribute towards balancing the budget:

Base Budget		Year 0
Review of Outturn		
Corporately agreed changes to	Inflation	X
	Demography	X
	Capital Financing	X
	Service Pressures	X
		Year 1
Base budget (new business plan)		
Projected Resource Envelope		A
Savings Challenge		$Y1 - A = B$
<b>Transformation Programme</b>		
“Horizontal” Cross-cutting programmes	X	
“Vertical” Service-based programmes	X	
Total Transformation Proposals		C
Revised Savings Challenge		$B - C = D$
Savings Challenge applied to Budgets		E

- 1.6 Within this new framework the Council continues to undertake financial planning of its revenue budget over a five year timescale which links to its longer term financial modelling and planning for growth. This paper presents an overview of the proposals being put forward as part of the Council’s draft revenue budget for 2017/18 that are relevant to this Committee.
- 1.7 Funding projections have been updated based on the latest available information to provide a current picture of the total resource available to the Council. At this stage in the year however, projections remain fluid and will be reviewed as more accurate data becomes available.
- 1.8 The Committee is asked to endorse these initial proposals for consideration as part of the Council’s development of the Business Plan for the next five years. Draft proposals across all Committees will continue to be developed over the next few months to ensure a robust plan and to allow as much mitigation as possible against the impact of these savings. Therefore these proposals may change as they are developed or alternatives found.

## 2. BUILDING THE REVENUE BUDGET

- 2.1 Changes to the previous year’s budget are put forward as individual proposals for consideration by committees, General Purposes Committee and ultimately Full Council. Proposals are classified according to their type, as outlined in **Appendix B**, accounting for the forecasts of inflation, demography and service pressures, such as new legislative requirements that have resource as well as savings implications.
- 2.2 The process of building the budget begins by identifying the cost of providing a similar level of service to the previous year. The previous year’s budget is adjusted for the Council’s best forecasts of the cost of inflation, the cost of

changes in the number and level of need of service users (demography) and proposed investments. Should services have budgetary pressures these are expected to be managed within that service where possible, if necessary being met through the achievement of additional savings or income. If this is not possible, particularly if the pressure is caused by legislative change, then pressures are funded corporately as agreed at GPC in July. It should be noted however, that there are no additional resources and therefore this results in an increase in the level of savings that are required to be found across all Council Services. The total expenditure level is compared to the available funding and where this is insufficient to cover expenditure, the difference is the savings requirement to be met through transformation projects in order to balance the budget.

- 2.3 The budget proposals being put forward include revised forecasts of the expected cost of inflation following a detailed review of inflation across all services at an individual budget line level. Inflation indices have been updated using the latest available forecasts and applied to the appropriate budget lines. Inflation can be broadly split into pay, which accounts for inflationary costs applied to employee salary budgets, and non-pay which covers a range of budgets, such as energy, waste, etc. as well as a standard level of inflation based on government Consumer Price Index (CPI) forecasts. All inflationary uplifts require robust justification and as such general inflation was assumed to be 0%. Key inflation indices applied to budgets are outlined in the following table:

<b>Inflation Range</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Standard non-pay inflation	1.7%	2.2%	2.0%	2.0%	2.0%
Other non-pay inflation (average of multiple rates)	2.8%	1.9%	1.9%	2.1%	2.0%
Pay (admin band)	1.0%	1.0%	1.0%	1.0%	1.0%
Pay (management band)	0.0%	1.0%	1.0%	1.0%	1.0%
Employer pension contribution (average of admin and management band)	3.2%	2.8%	1.9%	2.7%	2.7%

- 2.4 Forecast inflation, based on the above indices, is as follows:

<b>Service Block</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Children, Families and Adults	2,251	2,915	2,619	2,747	2,770
Economy, Transport and Environment (ETE)	795	875	840	867	832
ETE (Waste Private Finance Initiative)	856	811	881	888	903
Public Health	14	24	22	22	21
Corporate and Managed Services	398	353	383	446	482
LGSS Operational	93	282	240	274	267
<b>Total</b>	<b>4,407</b>	<b>5,260</b>	<b>4,985</b>	<b>5,244</b>	<b>5,275</b>

- 2.5 A review of demographic pressures facing the Council has been undertaken. The term demography is used to describe all anticipated demand changes arising from increased numbers (e.g. as a result of an ageing population, or due to increased road kilometres) and increased complexity (e.g. more intensive packages of care as clients age). All services are required to absorb the financial pressure of the general increase in population, estimated to be

1.4% in 2017-18. The remaining demographic pressures, above the 1.4%, are calculated as:

<b>Service Block</b>	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>	<b>2019-20 £'000</b>	<b>2020-21 £'000</b>	<b>2021-22 £'000</b>
Children, Families and Adults	6,741	6,937	6,812	7,299	7,347
Economy, Transport and Environment (ETE)	195	200	206	211	217
Public Health	0	0	0	0	0
Corporate and Managed Services	23	24	25	25	25
<b>Total</b>	<b>6,959</b>	<b>7,161</b>	<b>7,043</b>	<b>7,535</b>	<b>7,589</b>

- 2.6 The Council is facing some cost pressures that cannot be absorbed within the base funding of services. Some of the pressures relate to costs that are associated with the introduction of new legislation and others as a direct result of contractual commitments. These costs are included within the revenue tables considered by service committees alongside other savings proposals and priorities:

<b>Service Block / Description</b>	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>	<b>2019-20 £'000</b>	<b>2020-21 £'000</b>	<b>2021-22 £'000</b>
CFA: Fair Cost of Care and Placement Costs	0	0	1,500	2,500	0
CFA: Impact of National Living Wage on Contracts	3,269	3,509	3,500	3,277	0
CFA: Local Housing Allowance limits - impact on supported accommodation	0	0	412	595	199
CFA: Children's Social Care Establishment	355	0	0	0	0
CFA: Independent Review Officers and Child Protection Chairs	261	0	0	0	0
CFA: Children Innovation and Development Service	289	50	0	0	0
CFA: Multi Systemic Therapy (MST)	368	63	0	0	0
ETE: Libraries to serve new developments	0	0	0	49	0
ETE: Reinstatement of funding for non-statutory concessionary fares	125	0	0	0	0
CS: Apprenticeship Levy	500	0	0	0	0
CS: Demography	3,405	3,389	3,469	3,535	3,589
CS: Contract mitigation	0	1,500	500	0	0
CS: Renewable energy - Soham	183	4	5	4	5
CS: Increased Revenue Costs for Wide Area Network upgrades	63	0	0	0	0
CS: Increased Revenue Costs for Wide Area Network upgrades in Libraries	123	0	0	0	0
CS: Corporate Office IT Assets	300	0	0	0	0
Professional and Management Pay Structure - combined	441	0	0	0	0
Impact of National Living Wage on CCC employee costs (combined)	4	18	74	174	174
<b>Total</b>	<b>9,686</b>	<b>8,533</b>	<b>9,460</b>	<b>10,134</b>	<b>3,967</b>

- 2.7 The Council recognises that effective transformation often requires up-front investment and has considered both existing and new investment proposals that we fund through additional savings during the development of this Business Plan. To this end a Transformation Fund has been created, through a revision to the calculation of the Council's minimum revenue provision (MRP). The table below outlines investments by service. Note that these figures are absolute.

Transformation Workstream	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Adults Services	146	541	245	0	0	0
Finance & budget review	0	87	0	0	0	0
Customer & communities	100	0	0	0	0	0
Assets, estates & facilities management	46	51	22	0	0	0
Commissioning	363	929	366	27	0	0
Workforce planning & development	0	536	0	0	0	0
<b>Total</b>	<b>655</b>	<b>2,144</b>	<b>633</b>	<b>27</b>	<b>0</b>	<b>0</b>
<b>Cumulative</b>	<b>655</b>	<b>2,799</b>	<b>3,432</b>	<b>3,459</b>	<b>3,459</b>	<b>3,459</b>

### 3. SUMMARY OF THE DRAFT REVENUE BUDGET

- 3.1 In order to balance the budget in light of the cost increases set out in the previous section and reduced Government funding, savings or additional income of £29.0m are required for 2017-18, and a total of £99m across the full five years of the Business Plan. The following table shows the total amount necessary for each of the next five years, separating Public Health in 2017-18 as it is ring-fenced:

Service Block	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Council	-28,374	-21,159	-17,242	-19,075	-11,997
Public Health	-606	-	-	-	-
<b>Total</b>	<b>-28,980</b>	<b>-21,159</b>	<b>-17,242</b>	<b>-19,075</b>	<b>-11,997</b>

- 3.2 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. Estimates are given below where possible.

	2017-18 £'000	Risk
Vacancy Savings	1,000	Services are required to meet a target each year for staffing savings resulting through turnover of staff, for example through holding vacancies. As organisational changes are implemented, the ability/capacity to deliver this saving on an on-going basis will be reduced.
Dedicated Schools Grant funding	4,300	This potential pressure is the result of a consultation on national funding reforms.
Business rates revaluation	-	The Business Rates re-valuation is due to take effect from 1st April 2017, which could see significant rises in business rate liabilities

		in some areas and for some types of property.
Pension triennial review	-	The pension fund is being re-valued in 2016-17, with consultation documents due in November. Updates to assumptions following this will be incorporated during the development of the Business Plan.
Housing	-	A comprehensive 10-year pipeline of development projects has now been identified and a capital funding request has therefore been included in the Draft Business Plan. The figures are still being refined however, with the initial projections expected to be confirmed during Autumn 2016. Due to the nature of the schemes the revenue impact could be significant.
<b>Total</b>	<b>5,300</b>	

- 3.3 In some cases services have planned to increase locally generated income instead of cutting expenditure. For the purpose of balancing the budget these two approaches have the same effect and are treated in the same way.
- 3.4 This report forms part of the process set out in the Medium Term Financial Strategy whereby the Council updates, alters and refines its revenue proposals in line with new savings targets. New proposals are developed by services to meet any additional savings requirement and all existing schemes are reviewed and updated before being presented to service committees for further review during November and December.
- 3.5 Delivering the level of savings required to balance the budget becomes increasingly difficult each year. Work is still underway to explore any alternative savings that could mitigate the impact of our reducing budgets on our front line services, and Business Planning proposals are still being developed to deliver the following:

Service Block	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Council	-6,104	-3,749	-8,919	-11,785	-11,268
Public Health	-103	0	0	0	0
<b>Total</b>	<b>-6,207</b>	<b>-3,749</b>	<b>-8,919</b>	<b>-11,785</b>	<b>-11,268</b>

- 3.6 The level of savings required is based on a 2% increase in Council Tax, through levying the Adults Social Care precept in all years it is available (up to and including 2019-20), but a 0% general Council Tax increase. This assumption is built into the MTFS which was discussed by GPC in July. For each 1% more or less that Council Tax is changed, the level of savings required will change by approximately +/-£2.5m.
- 3.7 There is currently a limit on the increase of Council Tax of 2% and above, where approval must be sought in a local referendum. It is estimated that the cost of holding such a referendum would be around £100k, rising to as much as £350k should the public reject the proposed tax increase (as new bills would need to be issued). The MTFS assumes that the 2% and above limit on increases will remain in place for all five years.
- 3.8 Following October and November service committees, GPC will review the overall programme in December, before recommending the programme in

January as part of the overarching Business Plan for Full Council to consider in February.

#### **4. OVERVIEW OF CORPORATE, LGSS MANAGED AND CROSS-COUNCIL DRAFT REVENUE PROGRAMME**

- 4.1 General Purposes Committee has led the redesign of the business planning process as detailed above (Section 1 of this report) and as a result for the first time will be considering at this point in the process cross-council draft proposals, as well as proposals relating to Corporate and LGSS Managed Services.
- 4.2 **Appendix A** of this report outlines the draft proposals that have been developed so far in the process, and other key financial information. Key lines within the table are:
- 4.3 **Council-wide demography (C/R4.007) and Contact Centre demography (C/R 3.001).** As per the agreement of General Purposes Committee at its meeting on 20 September 2016, this year the Council is taking a new approach to funding the impact of population growth on its services. Funding to meet the demands of general population growth, expected to be 1.4%, will be held centrally by GPC and provided to Services Committees as and when actual demography impact is felt and when the Service Committees request funding.
- 4.4 However, services that demonstrate they will experience an increase in demand above and beyond the 1.4% general population growth will receive additional demography funding. This is the case for the Contact Centre which is impacted in a rise in the number of older people in Cambridgeshire above 1.4%, whom tend to use Contact Centre services more than the wider population.
- 4.5 **Apprenticeship Levy (C/R4.005).** As of next financial year the Government's Apprenticeship Levy will come into force. This requires that large employers such as the Council pay 0.5% of their salary budget into a pool that will fund apprenticeship schemes nationwide. The expected cost of this for the Council is £500k. The Council is developing plans to increase apprenticeship opportunities across its services and therefore hopes to access some of the nationwide pool which it is contributing to.
- 4.6 **Investments** in section five of the table refer largely to investments that have either been approved by GPC as part of the Transformation Fund, or are in the Pipeline and hoped to be approved later in the year. All investments are shown here to provide GPC with oversight of the entire Transformation Fund, although many of the savings related to these investments are shown within the Service Committee finance tables which they are "owned" by. The savings that are probably most pertinent to General Purposes Committee are outlined below.
- 4.7 **Organisational Structure Review (C/R6.102).** As part of the Transformation Programme the Council is exploring further ways that its officer structures can be reviewing in order to achieve savings and facilitate transformation. The savings referenced in this table are the overall targets for the Council, above and beyond the savings achieved through the Corporate Capacity Review. As specific proposals come forward for structure reviews, any resulting savings



will be applied to Service Committee budgets and the overall target remaining in these corporate tables will reduce accordingly.

- 4.8 **Citizen First, Digital First (C/R6.104 and C/R6.105).** General Purposes Committee has approved an Outline Business Case for this work at its meeting of 26 July 2016. This new approach to service redesign has been developed through the Transformation Programme. It involves the investment in a range of technology solutions that will enable us to ensure our digital presence is engaging and easy to use, and that we redesign our internal processes to be more efficient and more customer-focussed. At a recent workshop GPC Members were taken through an example of this work in action, redesigning the process of applying for and processing Blue Badges. A Community Impact Assessment for Citizen First, Digital First is included in Appendix X of this report. There are two budget lines relating to this saving, the first of which (C/R6.104) represents the savings which go towards the repayment of the borrowing costs associated with the capital funding which this project requires, and the second line (C/R6.105) which represents the remaining (net) savings that are achieved which contribute towards the Council's budget challenge.
- 4.9 **Total Transport (C/R6.110)** is an initiative to better understand the transport needs of communities and to use that knowledge to inform smarter commissioning of transport. This saving (and investment C/R5.102) relate specifically to a proposal around smarter commissioning of home to school transport using real-time data collected through smartcard technology. This data will inform proposals that will look to increase the efficiency of school transport in alignment with local needs and circumstances.

## 5. FEES AND CHARGES

- 5.1 General Purposes Committee is responsible for setting the fees and charges which relate to Corporate and LGSS Managed Services. The only charges which fall within these areas are those that relate to Blue Badges.
- 5.2 As part of last year's business planning process GPC undertook an extensive public consultation to determine the impact of charging the statutory maximum for Blue Badges (£10 for new applications and £10 for replacements). As a result these maximum charges apply this financial year and it is recommended that GPC confirm these charges will apply for the financial year beginning 1 April 2017.

## 6. NEXT STEPS

November	Service Committees will review draft proposals again, for recommendation to General Purposes Committee
December	General Purposes Committee will consider the whole draft Business Plan for the first time
January	General Purposes Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

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

### **7.1 Developing the local economy for the benefit of all**

The Council's business planning process, which is represented in this report, is the core way the organisation plans to meet its corporate priorities with the resources available in the coming five years.

### **7.2 Helping people live healthy and independent lives**

The Council's business planning process, which is represented in this report, is the core way the organisation plans to meet its corporate priorities with the resources available in the coming five years.

### **7.3 Supporting and protecting vulnerable people**

The Council's business planning process, which is represented in this report, is the core way the organisation plans to meet its corporate priorities with the resources available in the coming five years.

## **8. SIGNIFICANT IMPLICATIONS**

- 8.1 Report authors should evaluate significant implications using the questions detailed in the table below. Each specific implication must be signed off by the relevant Team within the Council before the report is submitted to Democratic Services.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Chris Malyon
<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>	Yes – which are set out in Community Impact Assessments included in Appendix B.  Dan Thorp
<b>Have any engagement and communication implications been cleared by Communications?</b>	No Name of Officer:
<b>Are there any Localism and Local Member involvement issues?</b>	No N/A
<b>Have any Public Health implications been cleared by Public Health</b>	No Name of Officer:

Source Documents	Location
None	N/A