

BUSINESS PLANNING PROPOSALS FOR 2021-26 – OPENING UPDATE AND OVERVIEW

To: Commercial and Investment committee

Meeting Date: 16 October 2020

From: Amanda Askham: Director of Improvement and
Development
Chris Malyon, Chief Finance Officer

Electoral division(s): All

Forward Plan ref: Not applicable Key decision: No

Outcome: The committee is asked to consider:

- the current business and budgetary planning position and estimates for 2021-2026
- 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: Committee is asked to:

- a) Note the overview and context provided for the 2021-22 to 2025-26 Business Plan.
- b) Note the impact of COVID-19 on the Council's financial planning

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1. Overview

- 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 priority outcomes we want for people.
 - 1.1.1 On the 11 February 2020, Full Council agreed the Business Plan for 2020-2021 which reflected a positive financial position. The Council was almost in a position of setting a balanced budget not just for 2020-2021 but also for the following financial year. A savings requirement of less than £5m for 2021-2022, given the level of the Council's gross operating budget, was very achievable.
- 1.2 With the rise of COVID-19, the Council has taken a central role in coordinating the response of public services to try and manage the complex public health and economic consequences of this pandemic. The scale of these economic challenges is unprecedented and a significant increase in new (and changing) demand for services together with a reduction in income has meant that the Council's financial position is now much less positive.
 - 1.2.1 Support provided from Government to manage the immediate impact of COVID-19 has been welcomed and to-date has covered the additional short term financial implications of the pandemic (see section 3.3.1 for details). The on-going challenges the Council face are significant - including; maintaining crucial frontline services in times that are uncertain, recovering the organisation from the effects of the pandemic and taking the opportunity to "build back better" - and have not, as yet, been reflected in the financial settlement for the next financial year which could have a disastrous impact on the Council's ability to deliver services to our citizens.
- 1.3 Predicting the on-going implications and financial consequences of COVID-19 is challenging and has necessitated the use of a different process (and underlying assumptions) in the development of the Business Plan for 2021-2022 and beyond. Our financial forecasts have been developed using a number of different scenarios, the process of which is described further below, which quantify (as far as possible) the financial implications on the Council of the changing national and local conditions.
- 1.4 Notwithstanding the current challenges, the Council continues to undertake financial planning of its revenue budget over a five year period which creates links with its longer term financial modelling and planning for growth. It remains important to ensure that any changes to resource allocation / service provision is made in consideration of the Council's priorities. If, due to a lack of any additional support from Government, reductions in service provision need to be made then ensuring the Council mitigates the impact on key priority areas becomes even more important.
 - 1.4.1 Our priorities are based around putting communities at the heart of everything we do; a good quality of life for our citizens; protecting and caring for our most vulnerable; making Cambridgeshire a clean green place to live and ensuring children have a good start in life and an education that enables them to achieve their potential. To ensure we deliver on our priorities, the focus will continue to be on getting the maximum possible value for residents from every pound of public money we spend, and responding effectively and efficiently to changing needs and new opportunities.

1.4.2 All service committees will receive details of their relevant revenue business planning proposals in December, at which point they will be asked to endorse proposals to January General Purposes Committee as part of the consideration for the overall Business Plan. These savings proposals are currently being developed and will each have a robust implementation plan in place and allow as much mitigation as possible against the impact of current financial challenges. Increasingly the emerging proposals reflect joint proposals between different directorate areas and more creative joined up thinking that recognise children live in families and families live in communities, so some proposals will go before multiple Committees to ensure appropriate oversight from all perspectives

1.5 Within the current context, the scope for traditional efficiencies has diminished, therefore the development of the Business Plan is focused on a range of more fundamental changes to the way we work. Some of the key themes driving the current thinking are;

- Economic recovery – we know that the impact of the measures to reduce the spread of COVID-19 will impact the economic recovery substantially. The Office for Budget Responsibility is forecasting at least a 10% drop in GDP in the UK in 2020. This will impact employment and household income levels for many people across Cambridgeshire. The stress and anxiety caused by worrying about money, or not having enough money to maintain the right housing or buy basic necessities or afford basic utilities, is an important factor that affects demand for many of our services. Economic recovery is therefore at the heart of improving outcomes for people and managing demand for Council services.
- Demand Management – this is fundamentally about supporting people to remain as healthy and as independent as possible, for as long as possible, which is a significant priority as demand increases as a result of COVID-19. It is about working with people and communities to help them help themselves or the person they care for or their community e.g. access to advice and information about local support, asset building in communities and access to assistive technology. We saw communities rise to the challenges of the pandemic and support networks appearing to gather around those who needed it. We must build on this and look at how we further support these networks and groups to continue, and where public services are undisputedly needed, it is about ensuring support is made available early so that people's needs don't escalate to the point where they need to rely heavily on public sector support in the long term.
- Cambridgeshire Local – In support of the need to manage demand and enable people to remain living in their own homes in their local communities and delay the need for more specialist services, continued investment in our Think Communities approach is paramount. Harnessing the capacity within our local district and parish councils, the voluntary, community and faith sectors, volunteers and local place based health, County Council and blue light services will enable us to build place based support services wrapped around our vulnerable people and communities; which will reduce or delay the need for more specialist expensive services and build resilient and sustainable communities where people feel proud to live.

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 the attached Table 3, accounting for the forecasts of inflation, scenarios, demand pressures and service pressures, such as new legislative requirements that have resource implications, as well as savings and investments.
- 2.2 Previously, the process of building the budget began 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 (demand) and proposed investments. Due to the significant uncertainties surrounding the impact of COVID-19 on service provision, we have elected to model three possible budget scenarios based on the level of disruption caused by COVID-19. These are referred to as 'A', 'B' and 'C' scenarios reflecting an increasing level of impact. These scenarios will consider the potential impacts on both demand for service, income generation, environmental changes as well as direct impacts on citizens and existing service users. We are working on mitigation responses to these scenarios but it is important that we account for the full cost impacts of these in our planning as we build the budget.
- 2.2.1 The uncertainty of the current environment means that we are working to some assumptions on how different scenarios may play out. As our proposals try to account for this, in many instances they become less certain. Some proposals will deliver more or less than anticipated, equally some may encounter issues and delays, (particularly in response to a changing picture locally and nationally) others might be accelerated if early results are promising. We have adapted our approach to business planning in order to manage these risks, specifically;
- Taking a managed approach to risk – with clarity for members about which proposals have high confidence and certainty and which represent a more uncertain impact
 - Developing a budget strategy that brings together thinking from across the organisation on our recovery from the pandemic, and ensures we have a coherent plan to make the budget sustainable.
 - Undertaking an exercise of prioritisation to understand the areas we could achieve further efficiencies if our worst case scenario position is realised.
- 2.2.2 Should services have pressures, our traditional approach would be to manage these within that service where possible, if necessary being met through the achievement of additional savings or income generation. However, given the potential impact arising from the delivery of services in this current environment, the scale of the financial challenges across the board will require a different approach. The Council will unfortunately have to consider significant, and potentially drastic actions including (but not limited to); reducing service levels, disposal of assets, stripping out of provisions within the balance sheet in order to balance next year's budget if additional Government funding is not forthcoming.

- 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 and waste, 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 is assumed to be 0%.
- 2.4 Although general price inflation is running at near record low levels nationally, the Council is seeing substantial inflationary cost increases in a number of areas, most significantly impacting the Adult Social Care market. Factors such as the rising national living wage, with resulting implications for national insurance and pension payments, as well as a constrained local supply of care placements and challenges in recruiting and retaining care workers, have resulted in high price inflation. There is a strategy in place to contain inflation by moving towards more block purchasing, however a number of existing block bed contracts are due for retender in 2021/22 so average prices will move closer to current market rates as these contracts are renewed. Other services for which costs are expected to increase above general levels of inflation include Coroners (3.6%), Public Transport (3.2%) and Home to School Transport (3.2%). Key inflation indices applied to budgets are outlined in the following table:

Inflation Range	2021-22	2022-23	2023-24	2024-25	2025-26
Non-pay inflation (average of multiple rates) where applicable	2.4%	2.2%	1.9%	2.0%	2.0%
Pay (admin band)	2.75%	2.75%	2.0%	2.0%	2.0%
Pay (management band)	2.0%	2.0%	2.0%	2.0%	2.0%

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

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
People and Communities (P&C)	8,388	6,760	5,416	5,516	5,617
Place and Economy (P&E)	888	1,502	2,257	2,471	2,576
Commercial and Investments (C&I)	213	145	149	174	205
Public Health	47	34	34	34	34
Corporate and Managed Services	-124*	221	224	225	224
LGSS Operational	306	236	238	239	239
Total	9,718	8,898	8,318	8,659	8,895

*Includes removal of corporate provision for nationally set Local Government pay award. Staff-related inflationary pressures have instead been provided for within service budgets.

- 2.5.1 The inflationary pressures in the above table and all figures set out in the subsequent sections of this report are provided on an incremental basis.

Positive figures indicate an increase on the budget required in the previous year or a reduction in income. Negative figures indicate a reduction on the budget required in the previous year or an increase in income. The figures show the impacts of each proposal on the budget gaps for the relevant financial years and are set out in detail for each Directorate in the finance tables provided in Appendix 1.

- 2.6 In addition, a review of demand pressures facing the Council has been undertaken. The term demand 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 or increased need arising from COVID-19). We have included the impact of scenario A being realised to give a more realistic view of demand pressures. It should be noted that this is the lowest impact scenario. Should the current trajectory continue, for instance, we could move to scenario B reflecting a further increase in demand. The demand pressures calculated are:

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
People and Communities (P&C) - Base	12,278	13,579	14,526	14,795	14,757
People and Communities (P&C) – Scenario A	3,427	-802	-459	-345	-273
Place & Economy (P&E) - Base	142	271	298	268	240
Place & Economy (P&E) – Scenario A	638	-	-	-	-
Total	16,485	13,048	14,365	14,718	14,724

- 2.6.1 In 2021-22 the Council expects to experience a minimum of £4m additional demand pressures as a result of COVID-19. These pressures are expected to reduce in the subsequent years of the Business Plan as the acute impacts of COVID-19 subside, however the Council is likely to see continued impacts throughout the period of the Business Plan with the residual pressure reducing to £2.2m by 2025-26.
- 2.6.2 It is recognised that service costs are driven by the number of service users, level of need, as well as cost (and method) of delivery of the support. Where appropriate this will be outlined in greater detail within the Directorate specific reports.
- 2.7 The scenario modelling undertaken has also considered the impacts of COVID-19 on the Council's income streams, including sales, fees and charges, commercial income and precept income. The figures below reflect the anticipated losses in scenario A, however for 'business rates modelling' a scenario B has been assumed due to the severity of the national picture and uncertainty surrounding expected reforms to the business rates system.

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
People and Communities (P&C)	662	-483	-179	-	-
Place & Economy (P&E)	3,113	-1,557	-1,556	-	-
Commercial & Investment (C&I)	2,083	-482	60	82	6

Council tax	2,865	1,741	121	-1,115	-1,743
Business rates	1,258	-533	5	-212	-298
Total	9,981	-1,314	-1,549	-1,245	-2,035

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

Service Block / Description	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
New Pressures Arising in 21-22					
P&C: Sleep-in Carers	400				
P&C: Deprivation of Liberty Safeguards	45				
P&C: Personal Protective Equipment (in house)	1,000				
P&C: Home to School Transport - Special	800				
P&C: Home to School Transport - Mainstream	200				
C&I: Spokes Building Operating Costs	115				
C&I: Shire Hall Car Park Income	126				
CS: IT – Continued Remote Working	420	-420			
CS: IT – New Connections	102				
Subtotal – New Pressures	3,208	-420	-	-	-
Existing Pressures Brought Forward					
P&C: Impact of National Living Wage on Contracts	4,040	4,625	4,184	3,372	3,372
P&C: Potential Impact of Changing Schools Funding Formula	1,500				
P&C: Libraries to serve new developments	49		50	50	
P&C: Independent reviewing officers (numbers of children)	-85				
P&C: Coroner Service	-37				
P&E: Minerals and Waste Local Plan	-54				
P&E: Guided Busway Defects		-1,300			
C&I: Renewable energy – Soham	5	40	6	6	
C&I: East Barnwell Community Centre	100				
C&I: LGSS Law dividend expectation			-96		
C&I: St Ives Smart Energy Grid - operating costs		39	1	1	1
C&I: Babraham Smart Energy Grid - operating costs		45	2	3	
C&I: Trumpington Smart Energy Grid - operating costs			63	2	

Service Block / Description	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
C&I: Stanground Closed Landfill Site - operating costs		120	3	3	3
C&I: Woodston Closed Landfill Site - operating costs		48	1	2	
C&I: North Angle Solar Farm, Soham - operating costs		499	14	15	15
C&I: Babbage House dilapidation costs	-190				
CS: Repatriation of LGSS Services	750				
Subtotal – Existing Pressures	6,078	4,116	4,228	3,454	3,391
Total	9,286	3,696	4,228	3,454	3,391

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 uncertain Government funding, savings, additional income or other sources amounting to **at least** £32.8m are required for 2021-22, and a total of £75.7m across the full five years of the Business Plan. The following table provides a summary of the movements in the budget gap since the publication of the 2020-21 Business Plan:

Updated items	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Opening budget gap per 2020-21 Business Plan	4,247	7,574	10,834	11,650	8,780
Inflation update	1,585	2,037	1,720	1,880	2,115
New pressures	3,208	-420	0	0	0
Changes to existing pressures	1,768	-610	566	-246	-296
Baseline demand update	943	860	1337	1,853	1,787
Scenario (A) demand pressures	4,065	-802	-459	-345	-273
Scenario (A) income pressures	9,981	-1,314	-1,549	-1,245	-2,035
New Investments	3,987	-120	-120	0	0
Impaired savings	5,316	-834	-28	2	-112
New savings	-1,074	-467	-122	-50	0
Financing Adjustments	-1,230	1,286	6	-9	24
Revised budget gap (Scenario A)	32,796	7,190	12,185	13,490	9,990

The Scenario A budget gap of £32.8m assumes a relatively swift recovery following the initial impacts of the pandemic on service delivery and is predicated on the following general assumptions:

- A low likelihood of a second peak requiring a further national lockdown
- Test and tracing is relatively successful in containing the spread of the virus
- A vaccine is available within 12 months
- A soft, open lockdown, with social distancing eased over summer 2020-21
- Demand does not return to pre-COVID levels due to economic and social impacts

- 3.1.1 Given the recent increase in the infection rate it is quite possible that the impact will be in excess of the Scenario A model. It is also quite likely that elements of the various scenarios may arise meaning that the actual position is a hybrid of the options modelled. Scenarios B and C assume further peaks of the virus leading to periods of significant disruption on a national scale. The total savings projected in each scenario are as follows:

Scenario	2021-22 Savings Requirement £'000	5 Year Savings Requirement £'000 (2021-22 – 2025-26)
A	32,796	75,651
B	50,269	84,071
C	82,167	114,281

None of the scenarios assume any additional ongoing Government support in response to the pandemic in 2021/22, either through grant funding or compensation for foregone fees and charges.

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

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Total Saving Requirement	32,796	16,425	15,312	14,302	10,097
Identified Savings	-	-1,702	-153	-	-
Identified additional Income Generation	-	-7,533	-2,974	-812	-107
Residual Savings to be identified	32,796	7,190	12,185	13,490	9,990

- 3.2.1 Given the scale of impact from COVID-19 it is believed that the actual position could fall somewhere between the scenarios A and B. For the purpose of setting a target to focus on it is felt prudent to assume that the gap for 21/22 will be in the region of £40m.

- 3.3 The actions currently being undertaken to close the gap include:

- Reviewing all the existing proposals to identify any which could be pushed further – in particular where additional investment could unlock additional savings, including reviewing all strategies.
- Reviewing all income generation opportunities.
- Identifying, through benchmarking, any areas across the organisation we could potentially look to find additional efficiencies whilst ensuring outcomes are maintained.
- Reviewing the full list of in-year and 2021-22 pressures – particularly in line with the scenarios to see if there are any opportunities to prevent assumed increases in demand being realised.
- Being clear on areas which we wish to invest in.

- 3.3.1 In addition, the Council has worked closely with local MPs in campaigning for a fairer funding deal for Cambridgeshire. We argued long and hard that given

how much the Cambridgeshire economy was supporting the Treasury that a new approach to business rates that enabled councils to retain a greater element of the local tax take would help to underwrite the costs of supporting that growth. The implementation of both the CSR and the localization of business rates have been deferred on many occasions. With the pandemic and the uncertainty over the national position we cannot expect this position to change in the short term. However, as referenced in section 1.2.1 above, it is important to recognise that the Government have used one off interventions of additional finance in Adult Social Care (winter pressures settlement) and Highways (Roads Fund) to negate some of the growing pressure on Councils.

3.3.2 However, we will continue to campaign for additional resources. The focus of this will now need to take a slightly different approach. Whilst all the issues of growth and fairer funding still remain, the challenge is now more focused on simply being able to deliver basic service levels. Without some short term assistance from the Government, over and above the funding that has been provided to deal with the immediate impact of the pandemic (see above), the Council will be facing an unprecedented financial challenge which will unfortunately involve reductions to services upon which many of our residents have come to rely. We will of course do all we can to seek further support from the Government and will use all channels that we have at our disposal – including:

- Local M.P's (already regularly briefed)
- County Council Network
- Society of County Treasurers
- MHCLG officer communications

3.4 There are also a number of financing options available to the Council to contribute towards closing the gap for 2021-2022:

- Additional central Government funding *may* be forthcoming in response to the pandemic and previously announced funding (such as Roads Fund and support for Social Care) rolled forwards.
- Around £1.5m is available next year following an earlier change in how the Council accounts for the minimum revenue provision. These funds have previously been allocated into the Transformation Fund reserve, and decrease each year in value. This is available to the Council for a further three years before this becomes a pressure on the General Fund.
- Up to £1.5m may be available through deployment of existing grants, subject to local decision making about Public Health and Schools grant priorities.
- Funds could be re-allocated on a one-off basis from reserves. Whilst this would contribute to reducing the pressure for the 2021-2022 financial year, the pressure would be delayed until the next financial year as the option to use this funding could not be used again. As such, it is not considered that the General Fund Reserve could be reduced. Similarly, a decision could be taken to utilise the resources within the Transformation Fund, in full or in part, but this would also reduce the Council's ability to respond to any future national or local challenges and could ultimately put delivery of services at risk

- There is an option to increase the planned levels of council tax, further details are set out in section 3.6 below
- As a last resort in order to balance next year's budget the Council might have to utilise any reserves or provisions held on its balance sheet that are not a contractual commitment. This will leave the Council exposed as it would include potentially using the General Reserve resulting in little or no security against any unforeseen circumstances in 2021-2022. If this approach was adopted a clear plan would need to be in place to ensure that these provisions could be replenished in order to ensure the Council could meet future liabilities.

3.5 Through the scenarios we have identified a number of additional risks and assumptions with potential impacts on the numbers above and accompanying tables. These will be monitored closely and updated as the Business Plan is developed to ensure that any financial impacts are accurately reflected in Council budgets:

- The National Joint Council pay scales have not been confirmed for 2021-22 onwards and it is possible that the agreed uplifts will be greater than those modelled.
- The result of schools funding reforms, in particular the control of the Dedicated Schools Grant (DSG) shifting further toward individual schools. Potential additional funding from Government, and the local situation on the deficit held within the high needs block, is still under discussion. Changes in regulations mean that the Council is not permitted to support the deficit in the DSG from the General Fund, however DfE consideration of requests for cash flow support has been paused during the pandemic. Meanwhile, the deficit in the high needs block continues to rise, and authorities across the country continue to call for a significant increase in funding to this area to meet rising needs.
- Movement in current year pressures is being picked up via the scenario modelling work. We are putting monitoring measures in place so we can put in place mitigations before trigger points are met. Work is ongoing to manage our in-year pressures downwards however any change to the out-turn position of the Council will impact the savings requirement in 2021-2022. This is particularly relevant to demand led budgets such as children in care or adult social care provision.
- The inflationary cost increases set out above assume that inflation on the cost of bed-based care within Adults & Older People's Services will continue to be higher than general inflation in 2021-22.

3.6 The level of savings required is based on a 2% increase in the Adults Social Care precept and a 0% increase in Council Tax. It is likely, therefore, that the Council will be presented with the option to increase Council Tax by not less than a further 1.99% in 2021-22. The value of a 1.99% increase in the Council Tax equates to additional revenue of £6.1m.

3.6.1 The Government has not yet confirmed that Local Authorities will be granted the continued flexibility to levy the Adult Social Care precept in 2021-22 or announced the Council Tax limitation regulations for 2021-22. Local Authorities

were permitted to increase general Council Tax by a maximum of 2.99% in 2018-19 and 2019-20 and 1.99% in 2020-21 without the requirement for approval from residents through a positive vote in a local referendum. Given the financial impacts of the pandemic and precedent set in previous years, it is possible that Government could elect to set a higher referendum threshold for 2021-22. It is estimated that the cost of holding a referendum for increases deemed to be excessive would be around £100k, rising to as much as £500k should the public reject the proposed tax increase (as new bills would need to be issued).

- 3.6.2 Were there no Council Tax limitations and the Council was free to raise local revenue to meet the potential budget gap of £40m it would need to raise the Council Tax by a further 13% to cover this sum. The total Council Tax increase required would therefore be 15% and as such would be unrealistic to pursue.

4. Business planning context for C&I committee

Current Context

- 4.1 The Council is operating within a new context of a global pandemic, which has added a significant financial pressure to the local authority. The impact of COVID-19 on commercial income generation and activity has been significant. However, due to the diverse nature of our portfolio that impact is lower than experienced by other authorities with commercial income strategies.

4.2 **Property**

Due to the local nature and diverse sectors of our commercial property tenants, our portfolio remains stable with only our investments in Cromwell Leisure Park and Brunswick House having an impairment to our income expectations. The remainder of our commercial property portfolios have navigated through the challenges of the pandemic to date, through the provision of rental deferrals and strong tenant relationship management. Strategies are in place to bring income back to pre-COVID levels as quickly as possible, however much of the success of these approaches will be reliant on the strength and speed that the economy recovers.

The Cambs 2020 programme has been impacted by contractor delays and unforeseen unavailability due to the impact of COVID-19. A delay to the new Hub is resulting in associated additional costs of up to £400k; this increase is reflected in the capital expenditure forecasts of the scheme.

4.3 **Economic Recovery**

As such, a significant part of the activity in 2021/22 will be to support Cambridgeshire's businesses and communities in its economic recovery. Using a range of intelligence and the detailed 'Impact of COVID-19 Needs Assessment' report, a CCC focused approach and action plan is being developed to be shared in November. This will focus on the interventions and support to help address economic hardship and enable our communities to be work ready and productive. We are engaging well with our system partners and their strategies and priorities so that a full responsive recovery approach can be gained for our businesses and communities. This will include influencing key areas such as the Industrial Strategy and building in approaches to enable a green economic recovery.

4.4 Energy

The programme of Energy investment continues in the next period. The current Contract for Difference arrangement we have in operation has withstood the COVID-19 and economic challenge very well indeed with no impairment. Investment business cases and potential future projects will be assessed via a new Energy Masterplan with a commercial framework to ensure standards are known and met from the outset.

4.5 Procurement

Identifying efficiencies in contract management and procurement has been challenging given the impact of COVID-19 on supply chains. We have had to use the powers available to us to ensure we protect our supplier base and the quality of service to end users, including giving support to suppliers (particularly those in adult social care) and other contractual relief as appropriate. This work will continue to be a key part of activity going forward and there are a number of measures being put in place so services have the right tools, expertise and governance to ensure we can successfully navigate through these challenging periods (such as a more strategic approach to procurement allocations, improved governance boards etc.).

4.6 Commercial investments

Looking forward into 2021/22 we will be continuing to ensure that strategies we have in place to protect income are successful, and that we adapt to the needs of our tenants as the impact of the pandemic shifts. The current situation is being reflected in the volatility with the financial markets. We will continue to explore how we can make better use of the cash available to us, ensuring that any future investments complement our existing portfolio and deliver attractive returns with an acceptable risk budget. We expect a strategy of making strong investment decisions, protecting our money whilst generating higher returns, will form a significant part of the way we can replace lost revenues going forward.

5. Overview of C&I committee's draft Revenue Programme

5.1 **Baseline Budget Increases – Inflation and legislative pressures**

- 5.1.1 As can be seen in Section 2.5, inflation is increasing across the Council with expected increases of £213k within the C&I portfolio. This is mainly made up of pay inflation and inflation on utilities and building maintenance, with most indices used ranging from between 1% and 3%.

5.2 **Additional Investment/Pressures**

- 5.2.1 There have been no changes to the pressures since last year with the exception of £115k relating to the operational costs of the spokes buildings (see Table in 2.8). This relates to additional Business Rate costs over and above those originally forecast for Bernard Sunley and Eastfield House. However, these costs will be off-set by the savings being delivered through Cambs 2020 programme in 2021/22.

6. Overview of C&I committee's draft Revenue Programme – Savings and Income Generation

6.1 Impact on Income Generation

6.1.1 The pandemic has had a significant impact on the delivery of savings and additional income planned for 2020/21. In many cases, the necessary work to deliver those savings or increases in income will continue in the second half of the year or into 2021/22. In some cases, however, the planned saving or additional income will take longer to recover. For C&I Committee, the savings that either need to be temporary or permanently reversed, fully or in part, are:

SAVINGS / ADDITIONAL INCOME AREA	DESCRIPTION	AMOUNT 2021/22
Cromwell Leisure (F/R.7.133)	Cromwell Leisure consists of a cinema unit and three restaurant units. This scenario forecasts that in the current climate the two restaurant units remain empty in 2021/22. Carter Jonas will market these units with the expectation that they will be re-let in 2022/23. 100% rental income would be received in 2023/24.	£205k (£4k permanent impairment)
Income from County Farms (F/R.7.134)	An additional income target from the County Farms Estate was included in the 2020/21 Business Plan: <ul style="list-style-type: none"> - £250k for 2021/22 - £175k for 2022/23. Specifically, this was to identify buildings for development which could be let at a higher value. This scenario forecasts a reduction in income from any new investments (50% of the year 1 and year 2 original targets, a partial recovery in year 3 and full recovery in year 4) and a small decline (£80k) in existing income in years 1 and 2, due to COVID-19.	£205k (no permanent impairment)
Pooled Property Fund Investment (F/R.7.135)	The Pooled Property Fund Investment (CCLA) is expected to start recovery in late 2020/21, but with the risk of further challenges ahead, a forecast of 5% income reduction on the £420k originally budgeted is likely in 2021/22.	£21k (no permanent impairment)
Multi-Class Credit (F/R.7.136)	The impact of a stronger than expected recovery since COVID-19 on fund assets, and the Council's requirements for a high level of Environment, Social and Governance (ESG) criteria, have resulted in updated forecasts for this asset with an overall reduction in the value of the returns from 5.7% to 2.9%. By 2022/23, a permanent impairment of £260k is forecast.	£580k (£260k permanent impairment)
Brunswick House (F/R.7.137)	Brunswick House has 251 direct let student beds. At present bookings for the current academic year	£423k

	<p>have reached 185 ie 74%. Given the current teaching methods proposed this is slightly better than we might have expected. In order to make our offer more attractive we have had to offer more inducements this year than in previous years – this includes offering more short term/flexible rental terms. Not unsurprisingly there has been a drop in international student numbers but we are expecting these to return for the 2022/23 academic year with occupancy on site returning to somewhere close to 100%. However, it is likely that a more flexible approach will be required in order to ensure occupancy levels return and therefore a permanent impairment of £235k is proposed over the life of the business plan.</p>	(£235k impairment for life of business plan)
Commercial Income and Contract Efficiencies (F/R.7.138)	<p>Additional income of £500k for years 1 and 2, and £750k for years 3 and 4 is expected across the Commercial Strategy (£2.5m in total).</p> <p>The current adopted scenario forecasts that the 2021/22 £500k target will not be met, 50% of the 2022/23 £500k target will be met and 2/3rds of the 2023/24 and 2024/25 £750k targets will be met.</p> <p>This will mean by 2024/25 we will achieve a £1.25m of additional income, however there will be an impairment of a further £1.25m, compared to the original commercial income plans based on a significant programme of investment.</p> <p>Some active analysis is underway to ascertain whether further diversification can occur late in the 2020/21 financial year to have a positive impact on the income targets in order to reduce the permanent impairment.</p> <p>Savings expected from renegotiation of contracts are £249k per year; this scenario forecasts £100k deliverable in 2021/22, £199k deliverable in 2022/23 and £249k in 2022-23. This will be wholly dependent on the economic response to COVID-19 and the ability of the supply chain to actively engage and support contractual savings.</p>	<p>£500k</p> <p>(£1.25m impairment for life of business plans)</p> <p>£149k</p> <p>No permanent impairment</p>

6.2 Income Impairment Profile

C&I Impairment Profile	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Cromwell Leisure	£205	-£171	-£30	-	-
Income from County Farms	£205	£87	-£117	-£175	-
Pooled Property Fund Investment	£21	-£21	-	-	-

Multi-Class Credit	£580	-£320	-	-	-
Brunswick House	£423	-£208	£7	£7	£6
Commercial Income	£500	£250	£250	£250	-
Contract Efficiencies	£149	-£99	-£50	-	-
Total Impairments	£2,083	-£482	£60	£82	£6

- 6.2.1 Much of the work of the team between now and throughout 2021/22 will be to focus on protecting income levels and putting in place strategies and activities that will bring income back to expected levels and beyond as quickly as possible. Whilst these activities will be undertaken using the best level of intelligence available to us, much of the ability to recover lost income will be dependent on the speed and strength of the economic recovery. This is why supporting the economic recovery in Cambridgeshire will be a focus of our work going forward, not just to allow for our commercial investments to recover, but to ensure our businesses, suppliers and residents thrive once again.
- 6.2.2 The base budget for 2021/22 is proposing an impairment of £500k for additional income across the commercial strategy. There are a number of opportunities that are being reviewed at present to understand if income generation can be profiled into 2021/22. Further money has been identified that could be invested in 2021/22 that would likely generate income of around £800k within an acceptable risk profile (providing some flexibility to liquidity would be permissible). This could meet the commercial strategy savings of £500k as well as off-setting some lost income from other areas, providing markets perform well enough. Further commercial activities will be made in future years that could contribute to off-setting permanent impairments.
- 6.2.3 This work is ongoing and business cases will be developed for new savings/income generating proposals as part of the business planning process. Updated proposals will be presented to Committee again in December, at which point business cases and the associated equality impact assessments will be finalised for the Committee to endorse.
- 6.2.4 It is important to note that much of the activity taking place in 2021/22 will be focused on supporting the organisation's recovery. We will continue to work with the Energy Investment Unit, Education, Adult Social Care and our income generating services to help them make the right decisions as they implement measures to help them recover from this crisis.

7 Longer term transformation to create a sustainable service model

- 7.1 This programme of work includes innovative approaches that will improve outcomes whilst continuing to deliver a further level of efficiency and significant savings.
- 7.2 A Transformation resource was established in 2016 to enable investment in longer term initiatives, identifying opportunities where better outcomes can be delivered at reduced cost and demand for services can be reduced. To date, savings of £26m have been released as a result of services using this resource.

8. Next steps

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

December	Business cases go to committees for consideration
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

9. Alignment with Corporate Priorities

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

9.2 **Thriving places for people to live**

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

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, whilst also responding to the changing challenges of the pandemic.

9.4 **Net zero carbon emissions for Cambridgeshire by 2050**

The budget is reviewed at each stage of development to assess the carbon implications of any new investments or savings initiatives. Additionally, the Council is committed to reviewing the sufficiency of climate mitigation funds included in the Business Plan on an annual basis to deliver the Climate Change and Environment Strategy.

10. Significant Implications

10.1 **Resource Implications**

The proposals set out the response to the financial context described in section 4 and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget is described in the financial tables of the business plan, attached as an appendix. 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.

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 citizens.

10.4 **Equality and Diversity Implications**

As the proposals are developed ready for December service committees, they will include, Equality Impact Assessments that will describe the impact of each

proposal, in particular any disproportionate impact on vulnerable, minority and protected groups.

10.5 Engagement and Consultation 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 GPC.

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

We are working closely with Public Health colleagues as part of the operating model to ensure our emerging Business Planning proposals are aligned and support improvement in the health and wellbeing of the population.

Implications

Have the resource implications been cleared by Finance? Yes, officer: Chris Malyon

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes, officer: Gus de Silva

Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law? Yes, officer: Fiona McMillan

Are there any Equality and Diversity implications? Yes, officer: Beatrice Brown

Have any engagement and communication implications been cleared by Communications? Yes, officer: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes, officer: Kelly Allen

Have any Public Health implications been cleared by Public Health? Yes, officer: Liz Robin

Source Document

Appendix 1

Financial summary – Commercial and Investment Table 3