Agenda Item No: 6

Business Planning Proposals for 2023-28 – Current position

To:	Strategy and Resources Committee
Meeting Date:	16 December 2022
From:	Chief Executive & Service Director: Finance & Procurement
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable

Outcome: The committee is asked to consider:

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

Recommendation: It is recommended that the Committee:

a. Note the progress made to date and the next steps required to develop the business plan for 2023 – 2028
b. Note the budget and savings proposals that are within the remit of the Committee as part of consideration of the Council's overall Business Plan
c. Note the changes to the capital programme that are within the remit of the Committee as part of consideration of the Council's overall Business Plan
d. Review and comment on the Strategic Framework
e. Note the draft Medium Term Financial Strategy for 2023/24
f. Note the draft Capital Strategy for 2023/24
g. Note the draft Sustainable Procurement Strategy
h. Agree the proposed capital financing limits for 2023-28, set out in section 10

Officer contact:
Name: Stephen Moir / Tom Kelly
Post: Chief Executive / Service Director: Finance & Procurement
Email: Stephen.Moir@cambridgeshire.gov.uk / Tom.Kelly@cambridgeshire.gov.uk
Tel: 01223 699241

Member contacts:
Names: Cllr Lucy Nethsingha / Cllr Elisa Meschini
Post: Chair/Vice-Chair
Email: lucy.nethsingha@cambridgeshire.gov.uk / elisa.meschini@cambridgeshire.gov.uk
Tel: 01223 706398

1. Overview

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

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

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

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

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

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

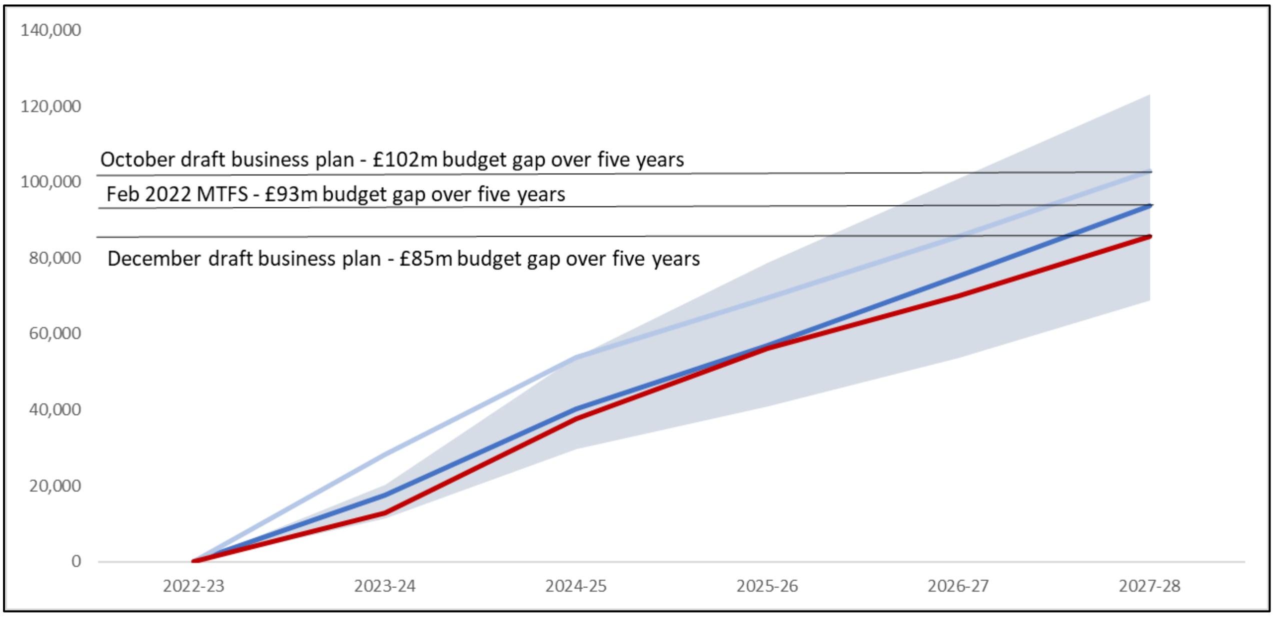
1.6 Since then, work has been ongoing to refine estimates and identify mitigations to reduce the budget gap, including savings and income generation schemes. Despite some further pressures identified, and a continuing challenging inflationary environment, the budget gap for 2023/24 is now estimated as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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

2. Autumn Statement: November 2022

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

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

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

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

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

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

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

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

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

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

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

3. Building the Revenue Budget

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

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

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

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

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

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

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

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

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

4. Capital

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

4.2 The revised draft Capital Programme is as follows:

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

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

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

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

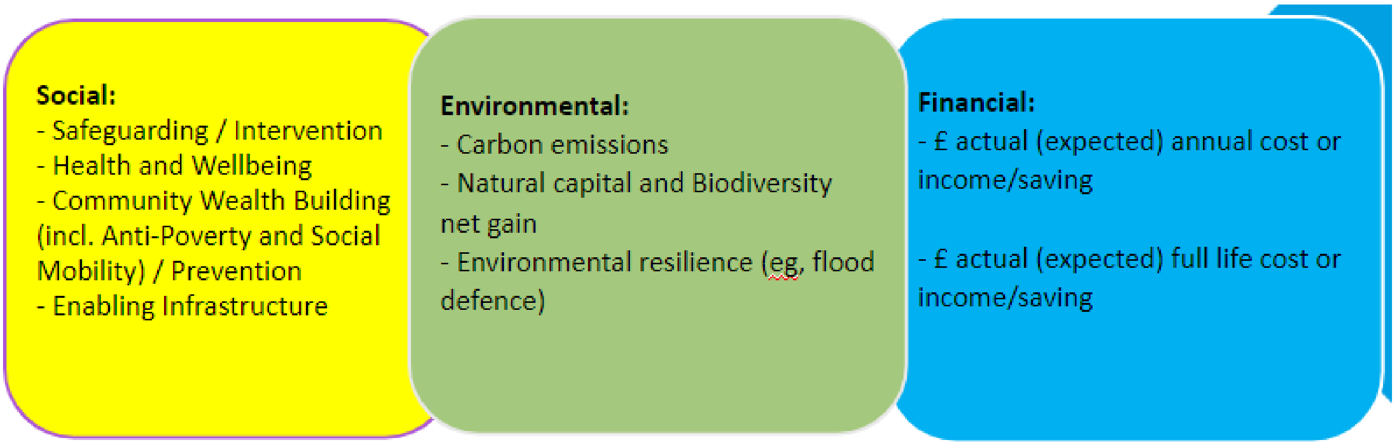
All funding sources above are off-set by an amount included in the capital variation budget, which anticipates a degree of slippage across all programmes and then applies that slippage to individual funding sources.

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

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

5. Triple Bottom Line Approach

5.1 The Triple Bottom Line (TBL) approach has been developed to aid balanced decision making and enable monitoring across social, environmental and financial factors using a scoring matrix ranging from –5 to +5, with a positive score denoting a positive impact in that pillar (i.e. improving social outcomes, contributing to our environmental priorities or addressing our sustainable budget setting). A negative score is a negative impact with 0 being a neutral impact score. This marks a first step in a significant change in approach for the way the Council will approach prioritisation and decision making, placing much greater emphasis on the impact County Council spending can have on our communities and environment.



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

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

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

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

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

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

5.4 The table above shows the scores by committee and by criteria, for new business cases in this draft business plan (both investments and savings). These illustrate that notwithstanding the financial priority, risks and challenges, set out earlier in this report, the portfolio of initiatives through this position plan also promotes positive social and environmental outcomes for our communities. Scoring will be reviewed ahead of the final draft of the Business Plan.

6. Overview of the S&R Committee Draft Revenue Programme

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

6.2 All of the proposals within the remit of the Committee are described in the business planning tables (Appendix 2) and business case summaries (Appendix 3).

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

6.4 The Committee’s proposals include a £3.5m catch-up inflation for the impact of the 2022/23 pay award. Now that the pay award has been confirmed for most staff, this will be allocated to departments in the next draft of the Business Plan.

6.4 The proposals for the Strategy and Resources Committee include:

6.4.1 Council-wide mileage savings – we will permanently apply a saving to mileage budgets across the Council, reflecting new ways of working that emerged during the pandemic and that continue. The ability to join meetings remotely has greatly reduced the amount of travel that staff need to undertake.

6.4.2 Vacancy Factor – a vacancy factor is to be applied to budgets within the services overseen by this Committee. The vacancy factor adds an assumption to the budget that the nature of staff turnover and recruitment means that at any given time there will be vacant roles or roles in the process of being filled. The factor is around 2% of any budgets not funded by income, grants or capital, and reflects good practice in budget setting for any large organisation.

6.4.3 Biodiversity net gains offsets programme – Increasingly developers will need to ensure a biodiversity net gain as a result of their activities. In some circumstances it is not possible or conducive to provide this at the site of the develop. This initiative sees land on the Council’s rural estate put forward as eligible offsite biodiversity land, within the district, for which payment is receivable from the developer.

6.4.4 Reduction in requirement for insurance claims provisions – following an extensive re-procurement in 2022, the overall projected cost of insurance contracts is expected to be lower than the overall budget.

6.4.5 Commercial investment – this proposal is further to the resolution by this Committee in October to continue with this transaction if certain contractual conditions, dating from January 2020 are met satisfactorily.

6.4.6 Lead authority governance – as the lead authority arrangements for transactional services (payroll, finance operations, insurance and business systems) that are shared with Milton Keynes Council, North Northamptonshire Council and West Northamptonshire Council, have matured since first implemented, it is now considered viable to realise efficiency in the performance and governance capacity that supports these services. The saving shown is 25% of the total, shared between all four partners.

6.4.7 External audit pressure – councils have been warned by the national procurer of external audit services for most of local government that the expected fees for external audits will increase by at least 150% from next year. This is to provide more funding into the sector to mitigate challenges that providers of these services have faced, which has manifested in delays in finalising and publishing accounts for a large majority of councils over recent years.

6.4.8 IT Digital service: Capital to Revenue – as more of the Council's IT and digital services are moving to cloud-based technology our ability to capitalise spend on systems, and on staff time implementing these systems, is reduced because the cloud-based system is more like a service than an asset. Over three years, it is proposed to remove the majority of capital funding from this service and replace with revenue, which should provide more flexibility and better value for money over the longer-term.

6.4.9 There is also a saving proposed in the draft business plan within the Strategy & Partnerships directorate. This saving is part of a set of changes proposed within that directorate, with a commensurate investment into the Communities team (within S&P but under remit of another committee). At this stage the detail behind this saving is not available, but it is expected to be deliverable based on preliminary work.

7. Overview of S&R Draft Capital Programme

7.1 The capital programme under the remit of this committee broadly covers:

- Finance & Resources:
    - IT & Digital Services
    - Property maintenance and strategic assets (such as the farms estate)
    - Investment activity and development
- Strategy & Partnerships:
    - Capital receipts funding for transformation and cost minimisation work. This is in line with the flexible use of capital receipts policy set by central government, under which staff time spent on savings or cost avoidance work can be capitalised. This is initially allocated against the Policy Service, but over the course of the year may be allocated to other teams as appropriate.

8. Strategic Framework

8.1 The Strategic Framework forms a central part of the Business Plan and sets the direction for the Council to deliver on its Corporate Strategy and associated Strategies and consists of the following elements:

- The Vision, describing the Council's long-term aim for Cambridgeshire
- The Ambitions which drive and direct our work of the Council to achieve the vision
- The Council's Business Plan which describes how we will allocate resources to deliver these outcomes within the resources we have
- A set of strategies, partnership agreement and action plans to deliver these outcomes within the resources
- Service plans which describe how each of our directorates work to deliver our Business Plan objectives and any transformational change
- The Performance Management Framework which underpins our performance management and allows us to track progress

8.2 The 2023-28 Strategic Framework can be found in Appendix 3 and sets out how we will continue to work towards the vision of 'creating a greener, fairer, more caring

Cambridgeshire', working alongside partners, voluntary sector and communities using a decentralised approach where possible.

9. Medium Term Financial Strategy

9.1 A key component of the Business Plan is the Medium-Term Financial Strategy (MTFS), which sets the financial framework that the Council should follow in developing and setting budget proposals. The MTFS and Business Plan are the responsibility of Full Council and cannot be delegated. This committee recommends the MTFS to Full Council as part of the overall draft business plan for adoption.

9.2 One of the major functions of the MTFS is to set out in summary the Council's projected resources for the next five years. It also sets out the financial picture facing the Council and the Council's strategy for managing its resources, including reserves, effectively in response to the economic climate. The strategy does not set out detailed budgets and individual savings plans, as these are contained elsewhere in the business plan. The MTFS will however provide a guide and a context to aid services in developing their budgets and agrees several corporate methodologies for this process.

9.3 There will be a number of factors that affect the final proposals, such as action taken to close the budget gap, revised funding projections, legislative changes, investments into services or unforeseen service pressures. Budget allocations for services are still being developed, and there remains a budget gap that needs to be closed.

9.4 The MTFS will include narrative around the national and local financial and demographic context. The purpose of this being to provide the reader with an overview of the position the Council is in when developing this strategy. By its nature, this context is more certain earlier in the financial cycle and cannot be meaningfully updated until the outcome of the national budget and funding settlement are known. Parts of the MTFS that are not so dependent on those national settlements can be found in Appendix 4.

9.5 At this stage, the sections of the strategy that can be reviewed are:
- 1: Executive summary
- 6: Revenue strategy: Balancing the budget
- 9: Reserves policy and position
- 10: Risks and sensitivities
- 12: Business plan roles and responsibilities

9.6 The remainder of the MTFS will be presented to this Committee in January before it is presented to Council along with the Business Plan in February. This will include the Council's fees and charges policy, which will be brought to Committee separately.

10. Capital Strategy

10.1 The Council's Capital Strategy is revised each year to ensure it is up to date, fully comprehensive and considers any new statutory or recommended guidance. The capital strategy was substantially re-written last year to reflect updated CIPFA guidance, with this year's update being more modest.

10.2 As all capital schemes have the potential to impact on the revenue position through the cost of borrowing and the ongoing revenue costs or benefits of a scheme, capital programme planning needs to be determined in parallel with the revenue budgeting process.

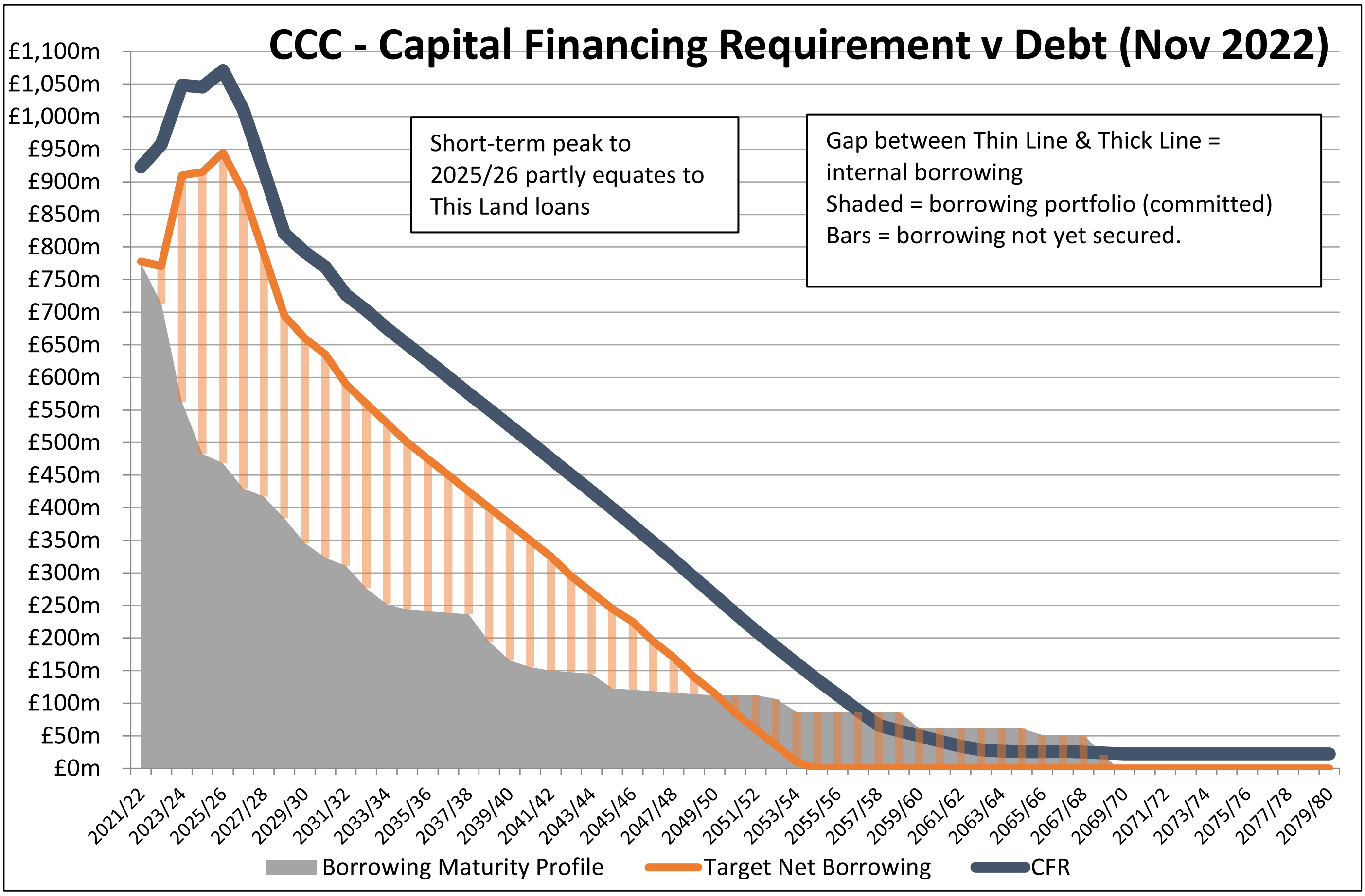
10.3 The Council is required by CIPFA's Prudential Code for Capital Finance in Local Authorities to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to ensure that it achieves this, we are proposing in this paper to agree the advisory limit on the annual financing costs of borrowing over the life of the Plan to ensure that the level of borrowing arising from capital programmes proposed by services committees is prudent. This is an annual process, with refreshed advisory limits produced each year using consistent methodology.

10.4 The table below sets out the proposed advisory limit on capital financing costs, compared against the capital financing costs budget based on capital schemes that are being proposed to committees in December:

Financing Costs	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
2023-24 draft BP (excluding Invest to Save / Earn schemes)	33.2	30.2	37.1	43.5	44.0	43.4
Recommend limit	39.7	40.5	41.3	42.2	43.0	43.9
HEADROOM	**-6.5**	**-10.4**	**-4.2**	**1.3**	**1.0**	**-0.5**
Recommend limit (3 years)	121.5			129.1		
HEADROOM (3 years)	**-21.1**			**1.8**		

10.5 Whilst noting that the impact of invest to save/earn schemes is not included in the above, even though the capital financing costs limit is not breached in the first year of the plan, this Committee still has an obligation to ensure that the overall level of debt remains affordable. The advisory limit is forecast to be breached in later years slightly, which will need to be considered as part of capital programming in future years. The following table and chart show the proportion of net budget (excluding schools) that is forecast to be spent on capital financing.

	2023-24	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Debt charges (including Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	9.6%	11.0%	10.3%	9.8%	9.1%
Debt charges (excluding Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	8.0%	9.0%	8.4%	8.0%	7.4%



10.6 All capital schemes are subject to a rigorous business case process, including review of schemes committed in previous business plans but not yet complete. An appraisal of schemes is undertaken using the business case and reviewed by the officer Capital Programme Board. This process allows schemes across all services to be reviewed in comparison to each other and, if necessary, prioritised in light of the finite resources that the Council has.

11. Sustainable Procurement Strategy

10.1 For the first time as part of consideration of the Business Plan, the Council is proposing to adopt a Sustainable Procurement Strategy (show in draft at Appendix 6). The majority of the Council's expenditure and delivery of the business plan is through procured goods, works and services. We are one of the largest spending organisations in Cambridgeshire and leverage a major role through our purchasing in furthering our vision for a greener, fairer, more caring county.

10.2 The Strategy sets out what steps we will take and how we will measure progress towards key objectives for sustainable procurement:

- We will support the growth of local businesses and the third sector by making procurement spend more accessible.
- We will increase the levels of social value delivered by our suppliers.
- We will contribute to the Council's Net Zero Targets.
- We will deliver best value outcomes through procurement activity.

- We will ensure that our procurement processes are robust, transparent, non-discriminatory and compliant.

12. Next Steps

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

November / December	Draft business cases presented to committees for consideration. Draft versions of Strategic Framework, MTFS, Capital Strategy and Sustainable Procurement Strategy available for Strategy and Resources Committee.
January	Strategy and Resources Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan and must agree a balanced budget for 2023/24.

13. Alignment with corporate priorities

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

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

14. Significant Implications

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

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

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

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

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

14.6 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.

14.7 Public Health Implications
It will be important to secure a better understanding of the impact of COVID-19 upon Public Health outcomes along with other service areas. There is emerging evidence of increases on obesity and smoking along with other key Public Health areas. Over the longer term this will increase demand for preventative and treatment services. Savings made in the Public Health service will need to be realised through the substitution of grant funding against other existing Council services that are eligible under the Public Health Grant.

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

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Stephen Howarth

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

Has the impact on statutory, legal and risk implications been cleared by the Council’s Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

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

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

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

Have any Public Health implications been cleared by Public Health? Yes
Name of Officer: Jyoti Atri

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

15. Source documents

15.1 Source documents

Appendix 1a: Intro to Finance tables
Appendix 1b: Financing & Resourcing Revenue Tables 1-3
Appendix 1c: Strategy & Partnerships Revenue Tables 1-3
Appendix 1d: Finance & Resourcing Capital Tables 4&5
Appendix 1e: Strategy & Partnerships Capital Tables 4&5

Appendix 2: Draft Business Case summaries

Appendix 3: Strategic Framework 2023-2026
Appendix 4: Draft MTFS
Appendix 5: Draft Capital Strategy
Appendix 6: Sustainable Procurement Strategy