Agenda Item No: 4

BUSINESS PLAN 2014-15

To:	**Cabinet**
Date:	**14th January 2014**
From:	**Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**2014/001** *Key decision:* **Yes**

Purpose: **To present the Council's Business Plan covering the period 2014-15 in detail, and 2015-16 through to 2018-19 in outline for:**

- **Cabinet consideration,**
- **Cabinet recommendation (with or without amendment)**
- **to Council for approval.**

Recommendations:

1. Consider the Business Plan, including supporting Budget, Community Impact Assessments, Consultation Responses and other material, in the light of all planning activities undertaken to date.

2. Make a robust response to the provisional settlement in respect of reduced funding provided in relation to the Basic Need Allocation for schools.

3. That a more detailed paper setting out the full consequences of this reduced funding be presented to future Cabinet meetings.

4. Declare as surplus the Castle Court building and site on the Shire Hall campus at Cambridge and delegate authority to the Portfolio Holder for Resources and Performance in consultation with the Chief Finance Officer to agree detailed terms for the disposal on a lease of the property.

5. Identify any final amendments the Cabinet wishes to make to the Business Plan prior to submission to Council.

6. Delegate responsibility for agreeing any further alterations to the Business Plan and Budget to the Leader of the Council, in consultation with the Chief Finance Officer.

7. Recommend to Council the following:

a. That approval is given to the Service/Directorate cash limits as set out in each Service/Directorate table in Section 4 of the Business Plan.

b. That approval is given to a total County Budget Requirement in respect of general expenses applicable to the whole County area of £751,633,000 as set out in Section 3, Table 4.1 of the Business Plan.

c. That approval is given to a recommended County Precept for Council Tax from District Councils of £234,636,698 (to be received in ten equal instalments in accordance with the fall-back provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995), as set out in Section 3, Table 4.1 of the Business Plan.

d. That approval is given to a Council Tax for each Band of property, based on the number of "Band D" equivalent properties notified to the County Council by the District Councils (209,135), as set out in Section 3, Table 4.2 of the Business Plan reflecting a 1.99% increase:

Band	**Ratio**	**Amount (£)**
A	6/9	747.96
B	7/9	872.62
C	8/9	997.28
D	**9/9**	**1,121.94**
E	11/9	1,371.26
F	13/9	1,620.58
G	15/9	1,869.90
H	18/9	2,243.88

e. That approval is given to the Prudential Borrowing, Prudential Indicators as set out in Section 3, Table 6.3 of the Business Plan.

f. That approval is given to the Treasury Management Strategy as set out in brief in Section 3 and comprehensively in Section 8 of the Business Plan.

g. That approval is given to the report of the Chief Finance Officer on the levels of reserves and robustness of the estimates as set out in Section 3 of the Business Plan.

h. That approval be given to capital expenditure in 2014-15 up to £180.4m arising from:

i. Commitments from schemes already approved; and
ii. The consequences of new starts in 2014-15 shown in summary in Section 3, Table 5.3 of the Business Plan.

8. That approval be given to the priorities and opportunities as set out in Sections 1 and 2 of the Business Plan.

9. Authorising the Chief Finance Officer, in consultation with the Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations 7a to 7h to the County Council, so as to take into account any changes deemed appropriate, including updated information on District Council Tax Base and Collection Funds, Business Rates forecasts and Collection Funds and any grant changes.

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1. BACKGROUND

1.1 It is a statutory requirement under the Local Government Finance Act 2003 for the Council to set a balanced budget before 14 March 2014. In doing so, the Council undertakes financial planning covering a five year timescale that creates links with its longer term financial modelling and planning for growth. The budgets set out in this report are firm for 2014-15 given the information the Council has available at this point, but they also suggest likely budget figures for 2015-16 and for the three years after this.

1.2 This paper is designed to take Cabinet through the key issues within the Business Plan prior to formal recommendation by Cabinet for Council decision in February.

2. BUSINESS PLANNING DOCUMENTATION

2.1 The Council has a process of joined up planning that brings together the vision, strategy, priorities, performance level and budget into a single Business Plan. This approach has been commended by the External Auditors and is recorded as national best practice.

2.2 The Business Plan is the product of significant activity by Members supported by Officers between June 2013 and January 2014. The documentation has been further expanded and improved as a result of feedback from Cabinet, Group Leaders, Overview and Scrutiny Committees, and Managers.

2.3 The Council's Overview and Scrutiny Committees considered the draft Business Plan proposals relating to their service area in December. The following Committees have asked for their comments to be presented to Cabinet and are available at appendices (i) to (iii) to this report:

Appendix (i) - Children and Young People
Appendix (ii) - Adults, Wellbeing and Health
Appendix (iii) - Enterprise, Growth and Community Infrastructure

3. VISION AND PRIORITIES

3.1 The introduction by the Leader of the Council, Councillor Martin Curtis, describes the work of the Council over the past year and the organisation's vision for the five years of the Business Plan.

3.2 In spite of the financial challenges that are detailed in the Business Plan, the Council's vision remains "Making Cambridgeshire a great place to call home". To deliver this vision, the Council will continue to focus on three key priorities:

- Developing the local economy for the benefit of all
- Helping people live healthy and independent lives
- Supporting and protecting vulnerable people.

4. STRATEGIC FRAMEWORK

4.1 The Strategic Framework sets out the Council's vision and high level priorities for the Business Plan period 2014-15 to 2018-19. Included within the Strategic Framework is detail around how the organisation intends to achieve its strategic aims, as well as the measures it will use to assess performance. As well as covering the five year period of the Business Plan, the Strategic Framework looks back at what the Council achieved last year and forward at the key issues facing Cambridgeshire in the long term.

5. BUDGET STRATEGY

5.1 Budgetary Context

5.1.1 The UK economy performed more strongly in 2013 than initially expected. Private consumption and housing investment have grown but business investment and net trade have continued to disappoint. Forecasts for GDP growth in 2013 as a whole are up from 0.6 per cent to 1.4 per cent, but this surprise positive growth is considered to be cyclical, reducing the amount of spare capacity in the economy, rather than indicating stronger underlying growth potential that will be sustained in 2014. While consumer confidence, credit conditions and the housing market have improved, productivity and earnings growth have remained weak. Ultimately, productivity-driven growth in real earnings is necessary to sustain the recovery and so an initial slow-down of growth is predicted for 2014-15, followed by a gradual strengthening as productivity picks up.

5.1.2 With economic uncertainty remaining prevalent, the Government is continuing with the programme of austerity which it embarked on in May 2010. The Autumn Statement on the 5 December 2013 set out a fiscally neutral judgement to reflect “the Government’s commitment to deficit reduction”. As a result, the improvement in the fiscal forecast “contributes to returning the public finances to a sustainable position”, with public sector net debt now forecast to fall in 2016-17. As a percentage of GDP, the deficit is forecast to have halved by 2014-15.

5.1.3 Despite the Government’s commitment to reduce the deficit, public sector debt has continued to grow at record levels. The national debt stands at over £1.2 trillion and is forecast to reach £1.8 trillion by 2018. Even with the more promising economic position, continuing to tackle the deficit will put pressure on public sector and local government funding for the foreseeable future.

5.1.4 Within this context, Department Expenditure Limit (DEL) budgets will be reduced by a further £1.1bn in 2014-15 and £1bn in 2015-16, a reduction of 1.1% in each year. However, with the significant cuts already faced by local government, councils have been excluded from this reduction.

5.2 Revenue Budget 2014-15

5.2.1 For 2014-15, Cambridgeshire will receive £537.8m of funding excluding £213.8m grants retained by its schools. The key sources of funding are Council Tax, for which a provisional increase of 1.99% has been assumed and Central Government grants (excluding grants to schools) which see a like for like reduction of 5.4% compared to 2013-14.

5.2.2 There has been the offer of a freeze grant from Government but this is only at 1% which would leave the Council with a lower Council Tax yield over the longer term and put further pressure on the delivery of services.

5.2.3 Total expenditure is £537.8m which incorporates a one off transfer to reserves of £3m. The costs of the Council have risen primarily through inflationary and demand pressures, especially in respect of adult social care.

5.2.4 In order to balance the budget in light of these pressures and reduced Government funding, savings of £38.3m have been required for 2014-15, and a total of £149.1m across the full five years of the Business Plan. In developing the proposed savings there has been a focus on the objectives set out in paragraph 3.2 above.

5.2.5 Whilst the savings proposed by individual directorates are set out in the Finance Tables (Section 4 of the Business Plan) there is one scheme that has, to date, not been included because it has not yet been fully assessed. However, given the prominence to the Council's operations and the impact on staff, it was felt important to highlight it here.

5.2.6 Proposals are currently being developed to market Castle Court in its entirety. No clear view has been adopted at this point of its ongoing use therefore affording the Council the maximum flexibility in future commercial negotiations. The proposal will include the displacement of staff currently occupying the building into existing alternative accommodation, predominantly, but not exclusively, Shire Hall. This requires a significant move on the Council's part to implement a far more agile approach to the way it does business. It will require additional investment in technology and significant cultural change. A detailed business case will be considered by Members in due course.

5.2.7 For further information on the revenue budget, see sub-sections 2 and 3 of the Budget Strategy (Section 3) within the Business Plan.

6. CAPITAL STRATEGY

6.1 Including current commitments, the Council will be spending in excess of £988m on capital investment in the county over the period of the Business Plan. This is in addition to previous spend of £372m on some of these schemes, creating a total capital programme value of £1.3 billion. For 2014-15, the Council's proposed expenditure on its capital programme is £180.4m. This is financed by a combination of the following funding streams:

- Central government and external grants (£61.6m);
- Section 106 and external contributions (£32.1m);
- Prudential borrowing (£82.0m); and
- Capital receipts (£4.7m).

6.2 Additional investment proposals this year include the A14 upgrade (£25m), Housing provision (£18m), King's Dyke Crossing (£14m), Renewable Energy (£10m) and meeting the increased demographic pressure for new schools and children's centres in the latter years of the Business Plan (to reflect increasing the capital programme from five to ten years).

6.3 This year also sees the inclusion of some Invest to Save or Invest to Earn capital schemes; schemes that pay for themselves over the medium term through revenue savings or increased income generation. As well as the Housing Provision and Renewable Energy schemes mentioned above, this also includes two Making Assets Count schemes (Public Property Partnership and Market Towns Project and a Joint Operations Centre), the Central Library scheme, implementing a Central Management System for Streetlighting and Solar Photovoltaics and disposal / relocation of the Huntingdon Highways Depot.

6.4 DfE capital funding allocations published alongside the provisional Local Government Finance Settlement on the 18th December demonstrated a new methodology in calculating Basic Need allocations. Cambridgeshire's allocation for 2014-15 was as anticipated, however the allocation of £4.4m across the period 2015-16 to 2016-17 is £32m less than the Council's current budget estimates for those years. Almost all of this loss relates to funding for demographic pressures and new communities i.e. infrastructure that we have a statutory responsibility to provide and therefore have limited flexibility in reducing costs for these schemes.

6.5 This news is extremely disappointing. The Council is currently evaluating the rationale for this funding change and an update will be given at the meeting. Given the growth that the County is facing it is difficult to understand how this position can be justified. A strong response will be made as part of the consultation process but the Council must start to plan for the worst case scenario.

6.6 Given the impact this change in funding will have on the Council, it is proposed to respond to the Provisional Settlement in the strongest terms. Most upper tier authorities outside of London appear to be in the same position. It is therefore hoped that the strength of concern will force the Government to reconsider this proposal.

6.7 A detailed report will be brought to a future meeting of the Cabinet, setting out a proposed way forward and the financial implications of how this change to funding could be managed.

7. TREASURY MANAGEMENT STRATEGY

7.1 The Council is required to approve Prudential Indicators for 2014-15 to 2018-19. These include external borrowing limits, indicators showing the cost of servicing debt as a percentage of revenue expenditure and the Council's underlying borrowing requirement. Fixed and variable interest rate exposure and the maturity profile of debt are also reported.

7.2 An under borrowed position will be maintained throughout 2014-15. This means that the capital borrowing need has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used to minimise borrowing costs. As a result cash balances are generally low and the level of loan debt is lower than it might otherwise be. However loan debt is expected to rise significantly throughout the Business Plan period as a direct result of capital investment.

7.3 The Council will continue to prioritise the security and liquidity of capital and achieve an investment return that is commensurate with these priorities. A prudent investment strategy is followed and external advice provides a guide on the creditworthiness of institutions. The majority of the Council's investments are in liquid instruments and shorter term deposits with Money Market Funds and high credit quality banks.

8. COMMUNITY IMPACT ASSESSMENTS

8.1 The Equality Duty set out in S149 of the Equality Act requires the Council to consciously think about the following three aims as an integral part of developing policy, making decisions, and providing services:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it
- Foster good relations between people who share a protected characteristic and people who do not share it

8.2 The Council takes very seriously the need to be aware of the impact that our policies, decisions and services have on communities across Cambridgeshire, and the importance of using this information to inform the preparation of the Business Plan. Where relevant, for each of the detailed proposals, services have undertaken a Community Impact Assessment (CIA).

8.3 CIAs have been prepared alongside the development of detailed proposals and are published separately to the Plan. They have been included here as appendix (iv) for reference.

9. BUDGET CONSULTATION

9.1 A number of consultation exercises were carried out as part of the County Council's Business Planning process for 2013. These included:

- A total of 1,124 household interviews on budget setting using the "You Choose" methodology, carried out for the County Council by QA Research.
- An on-line budget setting survey using the "You Choose" methodology completed by 511 people.
- An on-line survey targeted at businesses which received 102 responses, which is a comparatively good response from the busy business community.

- Face to face interviews with 17 business and business organisations such as local Federations of Small Businesses.
- Consultations with the Voluntary and Community Sector. Rather than the County Council holding a single event, Voluntary and Community Sector organisations preferred a programme of meetings run through the year on specific topics.

9.2 The household consultation, using the “You Choose Methodology”, allowed people to indicate what level of Council Tax they would support and what their detailed spending priorities would be. As a starting point, respondents were given a budget that represented maintaining expenditure at current levels with a resulting rise of 17% in council tax. It was clear that respondents found it difficult to identify further cuts to services in addition to those already undertaken and overall they were prepared to see a reduction in budgets allocated to some services but not to others. Taking the results for individual services together across the whole sample, respondents opted to increase the proposed level of Council Tax by 17.25%. This increase was driven by small percentage increases in the budgets for “Children and Young People’s Services” and “Adults’ Services”, which have by far the largest budgets.

9.3 The on-line “You Choose” survey was promoted using traditional and digital means such as press releases and promotional material in libraries and other public buildings, along with promotion through twitter and websites. Although the 511 respondents appeared more willing to make cuts than those in the household consultation, on average they opted to increase the level of Council Tax by 5.0%.

9.4 Issues that businesses and business organisations identified as being important for them included: roads, transport and travel; the ability to access new markets and customers, and; the availability of appropriately skilled employees.

10. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

10.1 The Business Plan’s purpose is to consider and review the Authority’s vision and priorities therefore no additional comments are made here.

11. SIGNIFICANT IMPLICATIONS

11.1 The Business Plan has significant resource and performance implications; and significant statutory, risk and legal implications which are covered in the report and throughout the Plan itself. Equality and diversity implications are covered by the Community Impact Assessments, while engagement and consultation implications are covered in the section on the budget consultation. There are no Public Health implications.

11.2 The 2014/15 draft budget contains 14 proposals that may impact on posts and employees. At this time, 6 of the proposals are ready for consultation to commence and a further 8 proposals are being developed with the intention to commence a second phase of consultation later this month. The Council will ensure that there is a further 45 day consultation period on each of these proposals to make sure that our collective legal obligation is met.

11.3 As we are in the early stages of consulting on these proposals, we do not yet know the impact on current employees in terms of actual job losses. There are potentially 140 full-time equivalent post reductions which could lead to 165 redundancies, although we expect actual redundancies to be much less after redeployment. For indicative purposes we have estimated this as up to 77 employees in total.

Source Documents	**Location**
None	