Agenda Item No:7

COUNCIL'S BUSINESS PLAN AND BUDGET PROPOSALS 2017-22

To:	**County Council**
Date:	**14 February 2017**
From:	**Chris Malyon, Chief Finance Officer**

Purpose:

(a) To advise Council of any amendments and changes made to the Business Plan subsequent to the General Purposes Committee meeting on 24 January 2017.

The amendments are in accordance with the appropriate delegations and do not alter the recommendations by the General Purposes Committee on 24 January 2017.

(b) To advise Council of the General Purposes Committee's consideration and recommendations on the Business Plan.

(c) To consider the Section 25 Statement from the Chief Finance Officer regarding the robustness of the budget proposals and position of the Council's reserves.

Recommendation: **It is recommended that Council:-**

(a) Agree the recommendations proposed by the Chief Finance Officer in order to present a balanced budget, as set out in paragraph 4.1 of this report;

(b) Authorise the Chief Finance Officer, in consultation with the Leader of the Council, to make technical revisions to the Business Plan so as to take into account any changes deemed appropriate resulting from the final Local Government Finance Settlement, as set out in paragraph 2.2 of this report.

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1. CONSIDERATION OF THE BUSINESS PLAN BY GENERAL PURPOSES COMMITTEE

1.1 The Business Plan considered by the General Purposes Committee (GPC) on 24 January 2017 contained as full a view as possible of the levels of funding, costs and reserves available to the Council at that point. The proposals were predicated on two fundamental Council Tax issues that had been approved by Council as part of the Medium Term Financial Strategy in 2016, as follows:-

- The Council would take the opportunity to set an Adult Social Care Precept of 2% for the financial years 2017-18 to 2019-20 inclusive.
- The Council would not increase the County Council's element of general Council Tax.

1.2 Outlined in a report to GPC on 10 January 2017 was the additional flexibility in relation to the Adult Social Care precept afforded through the provisional Local Government Finance Settlement. It was not proposed to take advantage of this opportunity in the Business Plan considered by GPC on 24 January 2017.

1.3 Having considered the report, and a number of amendments, the Committee were unable to reach agreement. The decision summary below details the resolution of the Committee. Resolutions crossed out were not approved:

"It was resolved to

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. Approve the allocation of the SEND Implementation Grant 2017-18 to CFA, to ensure that this funding is used as intended by DfE.

~~3. Agrees that the 2017/8 revenue budget gap, in the sum of £1.4m, be covered by utilising part of the MRP adjustment thereby reducing the sum that would otherwise have been added to the Transformation Fund.~~

4. Recommend to Council the following:

~~a. That approval is given to the Service/Directorate budget allocations as set out in each Service/Directorate table in Section 3 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 £780,393,000 as set out in Section 2 Table 6.3 of the Business Plan.~~

~~c. That approval is given to a recommended County Precept for Council Tax from District Councils of £262,235,777.24, as set out in Section 2, Table 6.3 of the Business Plan (to be received in ten equal instalments~~

~~in accordance with the fall-back provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995).~~

~~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 (220,287), as set out in Section 2, Table 6.4 of the Business Plan reflecting a 2% increase in the County Council element of the Council Tax:~~

~~Band~~	~~Ratio~~	~~Amount (£)~~
~~A~~	~~6/9~~	~~£793.62~~
~~B~~	~~7/9~~	~~£925.89~~
~~C~~	~~8/9~~	~~£1,058.16~~
~~D~~	**~~9/9~~**	**~~£1,190.43~~**
~~E~~	~~11/9~~	~~£1,454.97~~
~~F~~	~~13/9~~	~~£1,719.51~~
~~G~~	~~15/9~~	~~£1,984.05~~
~~H~~	~~18/9~~	~~£2,380.86~~

e. That approval be given to the report of the Chief Finance Officer on the levels of reserves and robustness of the estimates as set out within the Section 25 statement.

f. That approval be given to the Capital Strategy as set out in Section 6 of the Business Plan.

g. That approval be given to capital expenditure in 2017-18 up to £264.9m arising from:

- Commitments from schemes already approved; and
- The consequences of new starts in 2017-18 shown in summary in Section 2, Table 6.9 of the Business Plan.

h. That approval be given to the Treasury Management Strategy as set out in Section 7 of the Business Plan, including:

i. The Council's policy on the making of the Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008

ii. The Affordable Borrowing Limit for 2017-18 as required by the Local Government Act 2003)

iii. The Investment Strategy for 2017-18 as required by the Communities and Local Government (CLG) revised Guidance on Local Government Investments issued in 2010, and the Prudential Indicators as set out in Appendix 3 of Section 7 of the Business Plan.

5. Endorse the priorities and opportunities as set out in the Strategic Framework

~~6. Authorise the Chief Finance Officer, in consultation with the Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations 4a to 4i 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.~~"

1.4 The Business Plan is therefore attached for the consideration of Council. However it does not come with a full recommendation from General Purposes Committee. It is important to remind Members that approval of a balanced budget, via approval of the Business Plan, is a statutory requirement under the Local Government Finance Act 1992 that must be completed 'before 11 March in the financial year preceding that for which it is set'.

2. AMENDMENTS TO THE BUSINESS PLAN SINCE GENERAL PURPOSES COMMITTEE

2.1 Some adjustments have been made to financial data and wording in the Business Plan as a result of receiving later and better information, in particular receipt of Business Rates information from District Councils (the statutory deadline for District Councils to provide Business Rates information is 31 January). All amendments are listed in **Appendix A**.

2.2 The Parliamentary debate on the 17-18 Settlement has been postponed until 20 February 2017, and as such the final Local Government Finance Settlement has not been received in time for inclusion in this report. It is not expected that the Department for Communities and Local Government (DCLG) intend to make revisions, however it is recommended that the Chief Finance Officer, in consultation with the Leader of the Council, is authorised to make technical revisions to the Business Plan so as to take into account any changes deemed appropriate resulting from the final Settlement.

2.3 One of the key changes announced in the Schools Revenue Funding Settlement was transitional arrangements for the end of the Education Services Grant (ESG) in September 2017. The ESG is currently treated as a separate corporate grant in our accounting, but going forward this will be replaced by a combination of transitional grant for 2017-18, a top slice of Dedicated Schools Grant (DSG) funding, and an increase in income from maintained schools. Further work is currently underway to review the duties undertaken by the Local Authority on behalf of maintained schools and academies and, as such, it is proposed to continue to treat the forecast ESG replacement funding as a single corporate grant as in previous years. An update on the sources of funding will be provided to GPC through the Integrated Resources and Performance Report during the 2017-18 financial year.

2.4 At General Purposes Committee on 24 January 2017, there was general support, to provide resources to support the delivery of £120k per annum for the provision of Early Years Community Literacy projects in Wisbech, Huntingdon, North Cambridge and St Neots. The cost of this provision was not included within the budget considered by the committee.

2.5 In addition, further analysis has been undertaken by officers to ensure the budgets are as accurate as possible. This review has highlighted two areas where the budget provision can be adjusted. The first relates to the provision made for energy inflation. This has been refined to more accurately reflect the actual consumption of units and the rates applicable. The other relates to the inflation applied to PFI contracts. Although not significant, the actual provision made was slightly overstated.

2.6 The revenue impact of the adjustments referred to above are summarised in the table below in order to assist Members in understanding the financial changes that have been made:

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Total £'000
Changes to Corporate Funding:						
Business Rates	822	227	-19	-63	-326	641
Business Rates Compensation Grants	-469	7	-	-	-	-462
Council Tax Collection Funds	-338	338	-	-	-	-
Taxbase forecasts	-	607	-530	-550	-333	-806
Total	**15**	**1,179**	**-549**	**-613**	**-659**	**-627**
Changes to Expenditure:						
Early Years Community Literacy	120	-	-	-	-	-
Energy Inflation	-430	-	-	-	-	-
PFI Inflation	-170	-	-	-	-	-
Total	**-480**	**-**	**-**	**-**	**-**	**-**
Changes to Fees, Charges & Ring-fenced Grants and Reserves:						
Use of reserves – to balance funding changes	-15	-1,179	549	613	659	627
Total	**-15**	**-1,179**	**549**	**613**	**659**	**627**
Net Change	**-480**	**-**	**-**	**-**	**-**	**-**

Note: positive figures equal an increase in expenditure / transfer to reserves / decrease in funding

2.7 The impact of the above results in the following revised gap:

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Savings to find	932	1,531	11,966	13,402	9,857

2.8 Every Member of the Council received a copy of the full draft Business Plan before the GPC meeting. Although there have been some changes to the Plan since then it is not proposed, for cost reasons, to reprint the document or sections of the document again.

2.9 A complete copy of the updated Business Plan, incorporating all changes, will be available on the Council's website once the budget has been finalised.

3. BRIDGING THE BUDGET GAP

3.1 Since we commenced the process of compiling the 2017-18 Business Plan the Council has had a budgetary gap for each financial year of the Plan. Significant work has been undertaken to review all proposals within the Plan and validate projected savings against their deliverability. As a consequence some savings have been scaled back and new savings have been identified. Some proposals, whilst deliverable, have been removed by Service Committees as described in paragraph 2.3 of the Business Plan 2017-18 report that was considered by GPC on 24 January 2017. The proposals are included in **Appendix D** of this report for reference.

3.2 As notified to GPC on 24 January 2017, a budgetary gap of £1.4m remained. Following the changes to expenditure outlined in the table in paragraph 2.6, the budgetary gap is reduced to £932k. The options provided to bridge the gap and balance the budget are accounting/tax raising adjustments which fundamentally do not reduce the operating costs of the Council. These were presented to GPC on 24 January 2017 but no agreement, and therefore no recommendation, was reached. As the Council has a statutory responsibility to set a balanced budget, the Chief Finance Officer has recommended the use of MRP funding as a mechanism for covering this shortfall in 2017-18. Unless additional savings are identified, this approach will have ongoing implications for future years. The impact of this on the MRP funding over the period of the MTFS is shown in the table below:

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Use of MRP Funding	932	932	932	932	932

3.3 Using an element of the Minimum Reserve Provision will address the current budgeting gap for 2017-18, but will result in fewer resources being allocated to the Transformation Fund. A summary of the Transformation Fund is therefore set out below, in order to ensure that the position is clear to all:

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Transformation Fund	20.2	25.2	31.1	36.6	41.4

3.4 The Chief Finance Officer presented General Purposes Committee with a number of options to address the budget gap and these are set out in the table on the next page:

	Opportunity	2017-18 Budget £m	Advantages	Disadvantages
1	Increase ASC precept to 3% for 2017-18 and 2018-19	2.5	Would ensure that the revenue is raised early. Would also provide opportunity for some additional investment.	Would marginally raise less than a 2% increase for each of the next three years. Additional revenue would need to be utilised for the delivery of ASC.
2	Increase general Council Tax by 2%	5.0	Would increase the cash value of future tax and ASC precepts. Would also provide opportunity for some additional investment.	Contrary to the Medium Term Financial Strategy (MTFS) agreed by Council in October 2016.
3	Use of funding released by change in Minimum Revenue Provision (MRP) policy to balance budget deficit	*0.9	Easily deliverable.	Does not improve overall position of the Council's finances (as this is one-off funding each year) and reduces the scope to fund future years' transformation investments.
4	Re-instatement of the deliverable savings removed by service committees (does not include Council decisions)	1.0	Service savings are deliverable	Service committees have stated the proposals are too unpalatable. This option alone would not be sufficient to bridge the gap.
5	Use of the General Reserve	0.9	Easily deliverable.	Does not improve overall position of the Council's finances (as this is one-off funding each year). Short term solution as the sum would need to be replaced in 2018-19. Increased risk given the growing pressures of delivering a balanced outturn.

*The amount of MRP funding / Use of General Reserve shown in options 3 and 5 within this table represents that required to set a balanced budget. Members should note that the total MRP funding amount for 2017-18 not taken to the revenue account is £8.6m, but this reduces every year by around £0.6m.

4. DECISIONS REQUIRED BY COUNCIL

4.1 It was not possible to gain agreement at GPC on the Business Plan proposals and therefore this report does not come to Council with a formal full recommendation from the Committee. However the decisions required remain the same as per any other budget setting process. The decisions sought from Council are therefore:-

a) That approval is given to the Service/Directorate budget allocations as set out in each Service/Directorate table in Section 3 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 £780,393,000 as set out in Section 2 Table 6.3 of the Business Plan.

c) That approval is given to a recommended County Precept for Council Tax from District Councils of £262,235,777.24, as set out in Section 2, Table 6.3 of the Business Plan (to be received in ten equal instalments in accordance with the fall-back provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995).

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 (220,287), as set out in Section 2, Table 6.4 of the Business Plan reflecting a 2% ASC precept increase in the County Council element of the Council Tax:

Band	Ratio	Amount (£)
A	6/9	£793.62
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D	**9/9**	**£1,190.43**
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G	15/9	£1,984.05
H	18/9	£2,380.86

e) 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 within the Section 25 statement (given in **Appendix B**).

f) That approval is given to the Capital Strategy as set out in Section 6 of the Business Plan.

g) That approval be given to capital expenditure in 2017-18 up to £264.9m arising from:

- Commitments from schemes already approved; and
- The consequences of new starts in 2017-18 shown in summary in Section 2, Table 6.9 of the Business Plan.

h) That approval is given to the Treasury Management Strategy as set out in Section 7 of the Business Plan, including:
   i. The Council's policy on the making of the Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008
   ii. The Affordable Borrowing Limit for 2017-18 as required by the Local Government Act 2003)

iii. The Investment Strategy for 2017-18 as required by the Communities and Local Government (CLG) revised Guidance on Local Government Investments issued in 2010, and the Prudential Indicators as set out in Appendix 3 of Section 7 of the Business Plan.

5. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

5.1 The Business Plan's purpose is to consider and review the Council's vision and priorities and therefore no additional comments are made here.

6. SIGNIFICANT IMPLICATIONS

6.1 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. Public Health implications are covered within the detail of the Plan.

Source Documents
General Purposes Committee Business Plan Report of 24 January 2017 https://cmis.cambridgeshire.gov.uk/ccc_live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/186/Committee/2/Default.aspx

Appendix A

Changes to the draft Business Plan since the meeting of GPC on 24 January

Note: Page numbers refer to the compiled Business Plan documentation provided for the GPC meeting on 24 January (563 pages in total)

Page	**Explanation of Amendment**

Section 1 – Strategic Framework

10	Addition of the following sentence at the end of the third paragraph in the left hand column under the heading 'This plan requires a radical change in the expectations of our residents and communities': *"However, we will continue work with communities to help them identify ways to support themselves more."*

Section 2 – Medium-Term Financial Strategy

26	Total funding estimate in the 5th paragraph updated to £568m to reflect: • £23m income from the Combined Authority, • revised business rates forecasts, consisting mainly of favourable movements on forecast collection fund balances from the districts (changes to collection fund balances only have a single year effect) but unfavourable business rates yield projections (primarily due to revaluation), • an updated forecast of business rates top up, • revised forecasts for S31 grants from the districts, • updated taxbase forecasts from the districts, • updated RPI forecasts from the Office for Budgetary Responsibility The like-for-like reduction in government funding has been updated to 9.2%. Figure 4.1 has been updated to reflect changes in forecasts, specifically in 2017-18: • Government Grants = £84m • Business Rates/Top-up = £62m
27	First paragraph now reads: *"As is evident from Figure 4.1, the Council will continue to face a challenging funding environment over the medium term. Despite significant increases in projected fees and charges, primarily due to housing provision, the Council will only see an increase in overall gross budget (excluding schools) of 1.3% to 2019-20.*

	The parameters used in our modelling of incoming resources are set out below along with the assumptions we have applied." Table 4.1 has been updated to reflect: • updated RPI forecasts, in the parameters for both Business rates and Top-Up: *"National RPI inflation (3.2% in 2017-18 as per OBR forecasts)"* • updated taxbase forecasts from South Cambridgeshire, in the parameters for General Council Tax: *"Occupied Cambridgeshire housing stock (1.2% - 1.5% annual increase, as per District Council forecasts)"*
29	The total demographic cost increase as a percentage of the revised base budget in table 4.3 has been revised to 1.5% for 2018-19.
31	The reference to savings required over the medium term now reads *"We need to find £99m savings"* and figure 4.2 has been updated accordingly. The second paragraph now begins *"Achieving these £99m of savings …"* to make it consistent with figure 4.2.
32	Table 4.4 has been updated to take into account changes to business rates forecasts and government grant forecasts, with changes balanced to reserves to maintain the overall budget gap over the medium term. The budget gap for 2018-19 has decreased by £1,412k. This is a correction to the treatment of use of MRP funding to balance the 2017-18 budget. The note below the table has been removed.
39	Table 6.1 has been updated to take account of changes to 2017-18 outlined below (Table 6.3, p44). Other financial years have been updated to reflect changes to Business Rates and taxbase forecasts from the Districts, and RPI inflation (as outlined in changes to p26).
40	The last sentence of the second paragraph now reads: *"The overall change in government funding when specific grants are included is a reduction of 9.2%."* Table 6.2 has been updated to take account of changed outlined below (Table 6.3, p44)
44	Table 6.3 has been updated as follows: • Change in reserves has been updated to balance other changes

	• Business Rates plus Top-Up has decreased by £834k to reflect updated forecasts of rates income and collection fund balances from the Districts, and top-up forecasts • Unringfenced Grant increased by £481k as a result of a change in the expected level of Business Rates Compensation Grants • Surplus/Deficit on collection fund has increased by £337k
45	Table 6.5 has been updated to account for the revised grant forecasts detailed above. 'Other' has increased by £481k.
46	Net movement on reserves in table 6.7 have been updated to reflect the balancing of late changes to funding forecasts to reserves.
53	Table 8.1 has been updated to reflect changes to forecast reserves as a result of late changes to funding forecasts, and a correction to the treatment of MRP funding to balance the 2017-18 budget. By 2021-22, the forecast earmarked reserve balance is £48.9m and the forecast Transformation Fund balance is £41.4m.
54	Two new risks have been added to table 8.2: • Business Rates payable by the Council following revaluation. The description reads: *"Impact of revaluation on Business Rates payable."* • Costs resulting from increases in demand for services, in particular children's services. The description reads: *"Unprecedented increases in demand for services."* The entry of 'Unidentified risks' has been removed.

Section 3 – Finance Tables

140	BP reference for 'Investment in 'No Wrong Door' approach' changed to C/R.5.404
131 - 132	An updated narrative for Corporate and Customer Services has been included and is given in Appendix C of this report for reference.
171 - 172	An overview of the services provided by Assets & Investments has now been included and is given in Appendix C of this report for reference.

Appendix B

Local Government Act 2003: Section 25 Statement by the Chief Finance Officer

1. Introduction

1.1. The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget, and precept, the Chief Finance Officer must report to it on the following matters:

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

1.2. The Council must have due regard to the report when making decisions on the budget and precept. Last year this commentary was uncoupled from the Business Plan; this year, given that the Business Plan comes to Council without a recommendation from General Purposes Committee, the Chief Finance Officer feels that it is still appropriate to set out his Section 25 Statement separately, and in addition, to the comments contained within the Business Plan.

1.3. In expressing his opinion, the Chief Finance Officer has considered the financial management arrangements that are in place, the level of reserves that the Council is carrying, the budget assumptions that have been built in to the Business Plan, the overall fiscal and economic environment and, as a result, the overall financial risks facing the County Council.

2. Revenue Support Grant

2.1. A key element of the level of resources available to the Council to fund services is through the grant that it receives from Government known as Revenue Support Grant (RSG). This funding stream does, however, continue to diminish and therefore has less impact on the Council's financial standing. However changes to this funding source can still have material impact on the Business Planning process. Given the continuing fiscal strategy that is core to the Government's management of the economy, the Business Plan has already assumed a significant reduction in RSG.

2.2. The provisional Local Government Finance Settlement was published in December 2016 and indicated that the Council's medium term financial projections, which always assumed that RSG was to be phased out within the period of the Medium Term Financial Strategy, are still valid. Although there is no certainty over the Government's projections as the Council rejected the multi-year settlement offer, the Council is still forecasted to have a negative adjustment on Business Rates top-up of £7m in 2019-20. This is, in effect, negative RSG.

2.3. The provisional grant settlement confirmed the second year of a two-year transitional grant for those authorities most adversely affected by the redistribution methodology for RSG. However, there has been no extension announced to address negative RSG in later years.

3. Other Pressures

3.1. In addition to reducing RSG, other pressures need to be funded within the Business Planning process. These include demography, inflation, and service pressures. The following is a summary of all pressures that have been built into the financial projections within the 2017-18 revenue budget:-

- Inflation - £3.9m
- Demography - £10.4m
- CFA service pressures (excluding NLW) - £4.7m
- ETE service pressures - £1.1m
- CST pressures - £1.0m
- Loss of Revenue Support Grant - £18.0m
- National Living Wage - £2.7m

4. Adult Social Care

4.1. The Government continues to recognise the pressures being faced by those councils with social care responsibilities, providing them with the opportunity to frontload the Adult Social Care (ASC) precept. This permits councils to increase the levy to 3% of the Council Tax for the area over the next two years; however, the total increase may be no more than 6% over the next three years. For Cambridgeshire this would equate to additional Council Tax revenue of £2.6m for the 2017-18 financial year (i.e. in addition to that budgeted within the MTFS).

4.2. For the purposes of the Business Plan presented to Council for consideration it has been assumed that the ASC precept will not be frontloaded and therefore will remain at 2%.

4.3. Also announced in the provisional settlement was the ASC Support Grant consisting of funding recouped from the New Homes Bonus changes and allocated on the basis of the adult social care relative needs formula. This is a one-off grant and its purpose is to provide additional funding in 2017-18 until local authorities feel the benefit of the larger sums from the Improved Better Care Fund in later years. The allocation for Cambridgeshire is £2.3m.

5. Savings

5.1 The Council has successfully delivered significant efficiency savings and budget reductions over the last five financial years as follows:

- 2016-17 £40.934m
- 2015-16 £29.797m

- 2014-15 £38.224m
- 2013-14 £34.927m
- 2012-13 £42.212m

5.2 Delivery of further savings therefore becomes increasingly challenging and, as a result, a more radical and deeper transformation is required to meet future savings targets. The Council has made significant progress in moving to a model of transformation but there is still significant work to be done to transform the Council and fully establish an outcome-based Business Planning process. Further significant investments will be required to facilitate the transition to the new approach to the way the Council delivers services to the communities that it serves.

5.3 Although the proposals in the Business Plan result in a balanced budget for 2017-18, delivering the savings proposed and meeting the financial challenges beyond the current year cannot be understated.

6. Robustness of Proposals

6.1 Although the Council is considering a balanced set of proposals for 2017-18, delivering a balanced outturn is far more challenging. As the Council develops more radical and deeper transformation of service delivery to meet these financial challenges, the proposals by their nature contain greater risks.

6.2 There are a number of major risks that the Council will face in order to deliver an outturn that closely aligns to the budget, including:-

- The savings and additional income included in the plan are overly optimistic
- Managing demand is not effective
- Interest rates and inflation levels increase
- Lack of the right skills and capacity to deliver the transformation required
- Lack of strong leadership and ownership to deliver the transformation required
- A significant change in political representation in May that leads to potential delays in the programme

6.3 Members have seen an evolution in the reporting of proposals that are contained in the Business Plan. A more rigorous approach continues to be developed at both an officer and Member level. Therefore, whilst there are still significant risks associated with the delivery of these proposals, they are better understood.

6.4 In addition to the extra rigor in developing the Plan's proposals, additional mechanisms have been put in place to regularly track and monitor progress. These were fully implemented for 2016-17 and have provided transparency and confidence that risks are being proactively managed across the Council.

6.5 Delivery of the Business Plan and associated savings proposals is the collective responsibility of the Council's Strategic Management Team (SMT). In order to reduce the risk of non-delivery, SMT introduced a "savings tracker" process which ensures regular review of the delivery of the savings in the Plan. This process will continue in 2017-18 and SMT will take actions should delivery of any saving become unlikely.

6.6 In addition to this, a significant amount of work has been undertaken during the current financial year to re-align budgets to more accurately reflect the actual demand for services. This has resulted in some significant movement in budgets between adults' and children's services, for example. It has also led to some re-assessments of a number of the savings proposals that were included within the base budget for the year that, in hindsight, were overly optimistic. As a consequence of this re-baselining there is more confidence in the deliverability of the financial plans as set out in the 2017-18 Business Plan.

7. Transforming the Council

7.1 In response to the on-going pressures set out in the MTFS, and being mindful of the need to remain focused on long-term financial resilience whilst maintaining efficient and effective service delivery, the Council has committed to a programme of transformation. Any such programme of this nature will naturally contain delivery risks. The Council holds a General Reserve that is sufficient to cover the day–to-day financial risk of the Council and therefore has limited ability to draw on this to mitigate non-delivery of transformation.

7.2 Following approval in February 2016 to change the way in which the Council defrays its debt, the Transformation Fund was established. This created a revenue resource that could facilitate the change that is required in the Council's operating costs. It is therefore imperative that this resource is used wisely and acts as a catalyst to bring the Council into a more financially sustainable position for the future. The Business Plan, as currently drafted, does enable further contributions to the Transformation Fund. This is, however, a diminishing contribution and within the next 10 years will lead to additional revenue charges that will need to be funded from within the budget.

8. Reserve Levels

8.1 The Council's key reserve is the General Reserve. This is held to mitigate against any in-year pressures beyond those that have been built into the Business Plan. This includes new pressures and covers the risks associated with delivering the Business Plan savings. The Council agreed a policy four years ago that this should be held at 3% of operating costs; this currently equates to a figure of £16.3m.

8.2 In previous years, were the Council to get into financial difficulties in-year there was always the ability to draw upon substantial departmental reserves which at one point were well in excess of £10m. GPC agreed a change to the policy of having departmental reserves and these reserves will be fully expunged by the end of the current financial year. Departmental reserves are therefore not available to support the Council were it to get into any financial difficulties.

8.3 When the Council agreed to increase the General Reserve to 3% of expenditure, it did so against the backcloth of a risk assessment that reviewed key areas of spend and the likelihood of significant budget variations within those areas. The risks associated with delivery have not diminished and therefore it is the Chief Finance Officer's opinion that the level of the General Reserve should remain at 3%. As a consequence, any known draw on this Reserve that takes it below this threshold should be balanced with a contribution from within the base budget for the following financial year.

9. Conclusions

9.1 Having set out in this report the risks and issues contained within the Business Plan, the Chief Finance Officer is of the opinion that the proposals for 2017-18 are relatively robust. This statement does, however, highlight that there are a number of risks associated with their delivery. As a number of the key proposals in the Business Plan are predicated on the ability of directorates to manage demand-led services, significant reliance is being placed on interventions. This is a high-risk area for the Council and their delivery will require focus and robust oversight. The Council has, however, put in place mechanisms to ensure appropriate focus and attention is maintained on these areas throughout the year.

9.2 The Chief Finance Officer also believes that the General Reserve should be held at 3% in light of the risks in delivery that have been highlighted in this report.

9.3 The Chief Finance Officer's major concern is the long term sustainability of the Council. There is already a budget deficit in 2018-19 that is predicated on a 2% ASC precept increase. With pressures that invariably will arise in-year, this challenge will only increase. The position beyond 2018-19 clearly identifies a significant financial challenge for which no clear plans exist to mitigate it. Although there has been a lot of discussion around the localisation of Business Rates, and how the County will benefit from the contribution that it makes in the national economy, the Government has consistently maintained that this will be fiscally neutral. Reliance on this as being the single solution to the Council's financial challenges is therefore inadvisable. Other proposals will therefore need to be developed over the next 12 months that provide greater clarity on the next stages of the Council's transformation.

Corporate and Customer Services

Services to be provided

The Corporate and Customer Services Directorate comprises the following service areas.

Business Intelligence - bringing together information management and governance, to ensure we have the right information stored in the right way; research about our population and economy, so we understand the circumstances and needs of our population; and analysis of our service activity, so we understand what is happening in our services and where we are making the most difference.

Communications and Information - leading on press and media engagement; communications and marketing activity; the provision of information and advice; and internal communications and staff engagement.

IT and Digital Service - ensuring that we exploit, and drive best value, from our Council wide business systems; providing data for management and statutory reporting; and ensuring our future business requirements are reflected in our IT and Digital product development plans.

Customer Services - providing information and advice to customers contacting the Council; signposting people to other services and service providers; and supporting the fulfilment of transactions such as applying for or renewing a Blue Badge or a concessionary bus pass.

Emergency Planning - in partnership with other public sector agencies ensuring that the County and the Council is prepared to respond to emergencies, such as severe weather, that may affect our citizens; and ensuring that services across the Council have plans in place for the continuation of service delivery in the light of an emergency or an incident that affects our business as usual activity.

Community Development – in partnership with others within and beyond the Council this team works to actively engage communities in making sense of issues which affect their lives supporting them in setting goals for improvements and responding to problems through empowerment and active participation thereby enabling communities and individuals to do more for themselves. Specific activity supports a number of our statutory functions and includes facilitating the development of community led youth activity, green space management, local museums and safe neighbourhood schemes; the volunteer led library service for house bound people; and the development of activity such as Time Banks and Time Credits to facilitate people’s engagement in their local communities. The outcomes of this work are wide ranging with a focus on supporting the Council’s early help and prevention activity and enabling people to become or remain independent.

LGSS Managed Services - LGSS Managed Services are those services that are managed by LGSS on behalf of CCC. The full responsibility for the costs, strategy and service levels remain with the Council but the administration of the activities rests with LGSS. The services include Insurance, Information Technology and the Cambridgeshire Public Service Network

Transformation of the Council to deliver outcomes

Transformation team and transformation fund – The resources which have been made available to drive our transformation programme are shown within the corporate finance tables. This includes resources relating to the transformation team that sits with the Finance and Resources Directorate, as well as bids to the transformation fund.

Citizen First, Digital First – is a programme of activity to help us transform how we interact with people by taking a consistent approach to how we use those places where people come to us for support and assistance, be those physical locations, such as the emerging network of Community Hubs; virtual locations, such as our website; or our members of staff, such as those in the contact centre. Taking this approach will mean that people will be able to get the right answer to their query, at the right time, at the right place.

Organisational Structure – The Council has undertaken a corporate review to ensure that it has strong, responsive and integrated corporate services to meet the significant financial and service challenges that we face.
The budget movements connected with the first phase of this review are reflected in these budget tables for 2017/18. The second phase of this corporate review has focused on IT and Digital services within the Council, Community Engagement and Workforce development. These budgets are drawn from a range of places across the Council. The movement of these budgets will take place as a virement within the 2017/18 year. We will continue to work to ensure that the Council's structures are as efficient and effective as possible to meet the needs of our communities as part of an ongoing programme of organisational redesign.

Assets and Investments

Services to be provided

This includes the management of all of the Council's property and assets including the County farms estate, County offices, and operational buildings such as libraries, children's centres and highways depots.

The County Farms Estate includes 14,000 hectares of tenanted farmland. In running the farms estate, we ensure business opportunities are maximised and environmental objectives are met.

Effective use of the Council's property portfolio will play a key role in the delivery of significant revenue savings within the period of the business plan. Programmes underway to ensure this outcome include:

- Property Rationalisation
- Housing Development
- Community Resilience
- Commercial Acquisition
- Older Persons' Accommodation Strategy

Transformation of the Council to deliver outcomes

CCC is a major land owner in Cambridgeshire, which provides an asset capable of generating both revenue and capital returns. The latter affords opportunities, over time, to promote land for new housing development and to realise significant enhancements in capital land value.

Housing Development Vehicle – under the Property Portfolio Development Programme, CCC has established a Housing and Investment Company which can purchase and develop housing for market sale and/or letting. This will deliver income to the Council but also provide much needed housing within the County.

Property Rationalisation - The Council is investing in technology to create agile working environments across the county. This is enabling the Council to reduce the number of properties that it holds to deliver services. These properties are then released for other operational purposes, for change of use thereby creating revenue generating opportunities, or for considering as community asset transfers.

Commercialisation – Given the financial pressures faced by the Council, adopting a more commercial focus in the use of its assets is increasingly important in order to protect front line services.

Appendix D

Proposals which were rejected by Service Committees during the development of the Business Plan

	2017-18 £000
B/R.6.106 – Remove Transport & Infrastructure Policy & Funding services that are not self-funding	20
B/R.6.107 – Remove Transport & Infrastructure Policy & Funding services that are not self-funding	30
B/R.6.104 – Reduction in Passenger Transport support	694
B/R.6.105 – Reduce staff following reduction in provision of passenger transport services	90
B/R.6.210 – Reduce Community Resilience and Development delivery work	85
B/R.6.215 – Reduce service levels in Archives	75
B/R.6.214 – Remove community grants	15
Total	**1,009**