

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

To: **Assets and Investments Committee**

Meeting Date: **21 October 2016**

From: **Chris Malyon, Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **This report provides the Committee with an overview of the draft Business Plan Revenue Proposals for Assets and Investments that are within the remit of Assets and Investments Committee.**

Recommendation: **a) It is requested that the Committee note the overview and context provided for the 2017/18 to 2021/22 Business Plan revenue proposals for the Service.**

b) It is requested that the Committee comment on the draft revenue savings proposals that are within the remit of the Assets and Investments Committee for 2017/18 to 2021/22.

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1. OVERVIEW

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

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

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

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

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

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

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

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

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

2. BUILDING THE REVENUE BUDGET

- 2.1 Changes to the previous year's budget are put forward as individual proposals for consideration by committees, General Purposes Committee and ultimately Full Council. Proposals are classified according to their type, as outlined in Appendix B, accounting for the forecasts of inflation, demography, and service pressures, such as new legislative requirements that have resource implications, as well as savings.
- 2.2 The process of building the budget begins by identifying the cost of providing a similar level of service to the previous year. The previous year's budget is adjusted for the Council's best forecasts of the cost of inflation, the cost of changes in the number and level of need of service users (demography) and proposed investments. Should services have pressures, these are expected to be managed within that service where possible, if necessary being met

through the achievement of additional savings or income. If it is not possible, particularly if the pressure is caused by legislative change, pressures are funded corporately, as agreed at GPC in July. It should be noted, however, that there are no additional resources and therefore this results in an increase in the level of savings that are required to be found across all Council Services. The total expenditure level is compared to the available funding and where this is insufficient to cover expenditure, the difference is the savings requirement to be met through transformation projects in order to balance the budget.

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

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

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

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

- 2.5 A review of demographic pressures facing the Council has been undertaken. The term demography is used to describe all anticipated demand changes arising from increased numbers (e.g. as a result of an ageing population, or due to increased road kilometres) and increased complexity (e.g. more intensive packages of care as clients age). All services are required to absorb the financial pressure of the general increase in population, estimated to be 1.4% in 2017-18. The remaining demographic pressures calculated are:

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

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

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

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

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

3. SUMMARY OF THE DRAFT REVENUE BUDGET

- 3.1 In order to balance the budget in light of the cost increases set out in the previous section and reduced Government funding, savings or additional income of £30.8m are required for 2017-18, and a total of £99m across the full five years of the Business Plan. The following table shows the total amount necessary for each of the next five years, separating Public Health in 2017-18 as it is ring-fenced:

Service Block	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Council	-28,019	-21,159	-17,242	-19,075	-11,997
Public Health	-961	-	-	-	-
Total	-28,980	-21,159	-17,242	-19,075	-11,997

- 3.2 There are also a number of risks which are not included in the numbers above, or accompanying tables. These will be incorporated (as required) as the Business Plan is developed. Estimates are given below where possible.

	2017-18 £'000	Risk
Vacancy Savings	1,000	Services are required to meet a target each year for staffing savings resulting through turnover of staff, for example through holding vacancies. As organisational changes are implemented, the ability/capacity to deliver this saving on an on-going basis will be reduced.
Dedicated Schools Grant funding	4,300	This potential pressure is the result of a consultation on national funding reforms.

Business rates revaluation	-	The Business Rates re-valuation is due to take effect from 1st April 2017, which could see significant rises in business rate liabilities in some areas and for some types of property.
Pension triennial review	-	The pension fund is being re-valued in 2016-17, with consultation documents due in November. Updates to assumptions following this will be incorporated during the development of the Business Plan.
Housing	-	A comprehensive 10-year pipeline of development projects has now been identified and a capital funding request has therefore been included in the Draft Business Plan. The figures are still being refined however, with the initial projections expected to be confirmed during Autumn 2016. Due to the nature of the schemes the revenue impact could be significant.
Total	5,300	

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

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

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

bills would need to be issued). The MTFS assumes that the 2% and above limit on increases will remain in place for all five years.

- 3.8 Following October and November service committees, GPC will review the overall programme in December, before recommending the programme in January as part of the overarching Business Plan for Full Council to consider in February.

4. OVERVIEW OF ASSETS AND INVESTMENTS DRAFT REVENUE PROGRAMME

- 4.1 All of the proposals except for F/R.7.109 Telecommunications hosting policy were previously detailed within the Corporate and Managed Services tables in the 2016-17 Business plan. Full list of proposals are shown in appendix A.
- 4.2 The only new or changed proposal F/R.7.109 Telecommunications hosting policy is expected to be achievable with an investment of £30k in 2016-17 from the transformation fund. To achieve this saving will require a review of the Council's mobile telecommunications equipment policy. This will include exploring opportunities to generate revenue income from hosting telecommunications equipment on Council land and property assets and actively promoting better mobile coverage across the county.
- 4.3 These proposals are draft at this stage, and are subject to further development, and that Full Council in February 2017 is the point at which proposals become the Council's Business Plan.

5. NEXT STEPS

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

6. ALIGNMENT WITH CORPORATE PRIORITIES

6.1 Developing the local economy for the benefit of all

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

6.2 Helping people live healthy and independent lives

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

6.3 Supporting and protecting vulnerable people

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

7. SIGNIFICANT IMPLICATIONS

7.1 The following bullet points set out details of significant implications identified by officers:

- Resource Implications - There are no significant implications within this category.
- Statutory, Legal and Risk - There are no significant implications within this category.
- Equality and Diversity - There are no significant implications within this category.
- Engagement and Communications - There are no significant implications within this category.
- Localism and Member Involvement - There are no significant implications within this category.
- Public Health - There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Sarah Heywood
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Lynne Owen
Are there any Equality and Diversity implications?	Yes Name of Officer: Dan Thorp
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Mark Miller
Are there any Localism and Local Member involvement issues?	Yes Name of Officer: Dan Thorp
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Tess Campbell

Source Documents	Location
Transformation Programme	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/182/Committee/2/Default.aspx
Demography Update	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/183/Committee/2/Default.aspx