

**SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING
PROPOSALS FOR 2016/17 TO 2020/21**

To: Highways and Community Infrastructure Committee

Meeting Date: 3rd November 2015

From: Graham Hughes - Executive Director - Economy,
Transport and Environment
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 the Economy, Transport and Environment Service and specifically, the elements of that budget that are within the remit of the Highways and Community Infrastructure Committee.

Recommendation: Committee are requested to:

- a) Note the overview and context provided for the 2016/17 to 2020/21 Business Plan revenue proposals for the Service.
- b) Comment on the draft revenue savings proposals that are within the remit of the Highways and Community Infrastructure Committee for 2016/17 to 2020/21, and endorse them for the General Purposes Committee as part of consideration of the Council's overall Business Plan.
- c) Consider the proposed approach to demography and inflation for those Economy, Transport and Environment services that are within the remit of the Highways and Community Infrastructure Committee for 2016/17 and endorse the recommendations.
- d) Consider the proposed fees and charges for those Economy, Transport and Environment services that are within the remit of the Highways and Community Infrastructure Committee for 2016/17.

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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. This means that despite the way in which we have been able to stimulate local economic growth, and the improving national economy, the financial forecast for the Council continues to present huge challenges.
- 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 £73m in the last two years and are on course to save a further £30m this year (2015/16). 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. The choices are stark and unpalatable but very difficult decisions will need to be made as the Council has a statutory responsibility to set a balanced budget each year, as well as a duty to provide the best possible services for Cambridgeshire's communities. It is the Chief Finance Officer's statutory role to provide a statement on the robustness of the budget proposals when they are considered by Council in February.
- 1.3 This year the Council has adopted an outcome-led approach to Business Planning. This is defined and described through the draft Strategic Framework that was approved by the General Purposes Committee on 20 October this year. <http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/AgendaItem.aspx?agendaItemID=12221>
- 1.4 The Strategic Framework sets out the outcomes that the Council will work towards achieving, and the ways of working the Council will adopt, in the face of prolonged and difficult budget pressures. It is not a solution to austerity in itself, but instead it is the approach the Council has taken to best tackle the huge challenges it faces.
- 1.5 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.
- 1.6 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.
- 1.7 The Council issues cash limits for the period covered by the Business Plan (rolling five years) in order to provide clear guidance on the level of resources that services are likely to have available to deliver services over that period. To maintain stability for services and committees as they build their budgets we will endeavor to minimise variation in cash limits during the remainder of the process unless there is a material change in the budget gap.

- 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, 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 and the cost of changes in the number and level of need of service users (demography). Proposed investments are then added and the total expenditure level is compared to the available funding. Where funding is insufficient to cover expenditure, the difference is apportioned across services as a savings requirement in order to balance the budget. Should services have pressures, these are expected to be managed within that service, if necessary being met through the achievement of additional savings or income.
- 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. Key inflation indices applied to budgets are outlined in the following table:

Table 1

Inflation Range	2016-17	2017-18	2018-19	2019-20	2020-21
Standard non-pay inflation	1.2%	1.7%	1.8%	1.9%	2.0%
Other non-pay inflation (average of multiple rates)	3.4%	1.9%	2.3%	2.4%	2.4%
Pay (admin band)	2.0%	2.0%	2.0%	2.0%	2.0%
Pay (management band)	2.0%	2.0%	2.0%	2.0%	2.0%
Employer pension contribution (average of admin and management band)	5.5%	-0.5%	3.5%	2.9%	2.8%

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

Table 2

Service Block	2016-17	2017-18	2018-19	2019-20	2020-21
Children, Families and Adults	4,741	4,843	5,444	5,655	6,045
Economy, Transport and Environment (ETE)	769	816	953	927	927
ETE (Waste Private Finance Initiative)	803	778	831	846	872
Public Health	272	372	405	416	430
Corporate and Managed Services	374	286	342	353	358
Total	7,261	7,264	8,207	8,411	8,841

- 2.5 A review of demographic pressures facing the Council has been undertaken by the Research Group in conjunction with services and the Finance team. 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 managed by the Council) and increased complexity (e.g. more intensive packages of care as clients age). The demographic pressures calculated by the Research Group are:

Table 3

Service Block	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Children, Families and Adults	9,404	9,798	9,913	10,301	10,438
Economy, Transport and Environment (ETE)	266	466	474	486	544
Public Health	159	325	289	291	263
Corporate and Managed Services	24	23	24	25	25
Total	9,853	10,612	10,700	11,103	11,270

- 2.6 The Council is facing some cost pressures that cannot be absorbed within the base funding of services. These were reported to General Purposes Committee (GPC) in September who agreed that services should meet the cost of their own pressures. 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:

Table 4

Service Block / Description	2016- 17 £'000	2017- 18 £'000	2018- 19 £'000	2019- 20 £'000	2020- 21 £'000
CFA: Unaccompanied Asylum Seeking Children	125	-	-	-	-
CFA: Fair Cost of Care & Placement Costs	-	-	-	1,500	2,500
CFA: Home to School Transport (mainstream)	980	-	-	-	-
CFA: Home to School Transport (LAC & Special)	1,200	-	-	-	-
CFA: Learning Disability Partnership	1,892	-	-	-	-
CFA: Single-tier State Pension	1,409	-	-	-	-
CFA: Adoption	570	-	-	-	-
ETE: Single-tier State Pension	331	-	-	-	-
ETE: Annual subscription to the LEP	50	-	-	-	-
CS: Single-tier State Pension	63	-	-	-	-
CS: Insurance Fund	278	-	-	-	-
CS: Children's Centre Business Rates	145	-	-	-	-
CS: Renewable Energy - Soham	-	183	4	5	4
LGSS: Single-tier State Pension	210	-	-	-	-
PH: Single-tier State Pension	34	-	-	-	-
Total	7,287	183	4	1,505	2,504

- 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. The table below outlines investments by service. Note that negative figures indicate the removal of an investment from a previous year.

Table 5

Service Block	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Children, Families and Adults	1,220	-174	-	-	-
Economy, Transport and Environment	-726	13	-	-	-
Corporate and Managed Services	312	2	132	159	-
Total	806	-159	132	159	0

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 £40.7m are required for 2016-17, and a total of £118m across the full five years of the Business Plan. The following table shows the total amount necessary for each of the next five years, split by service block.

Table 6

Service Block	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Children, Families and Adults	-30,788	-22,075	-16,499	-13,112	-8,048
Economy, Transport and Environment	-6,593	-3,573	-2,856	-2,041	-982
Public Health	-511	0	-755	-912	-562
Corporate and Managed Services	-1857	-1746	-319	-869	-430
LGSS Operational	-971	-571	-803	-708	-351
Total	-40,720	-27,965	-21,232	-17,642	-10,373

- 3.2 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.
- 3.3 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.
- 3.4 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:

Table 7

Service Block	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Children, Families and Adults	0	0	0	0	0
Economy, Transport and Environment	-406	-1,064	-2,391	-2,041	-982
Public Health	0	0	-755	-912	-562
Corporate and Managed Services	0	0	-285	-827	0
LGSS Operational	0	0	0	0	0
Total	-406	-1,064	-3,431	-3,780	-1,544

- 3.5 The level of savings required is based on an expected 1.99% increase in Council Tax each year. This assumption was built into the MTFS which was agreed by full council. For each 1% more or less that Council Tax is changed, the level of savings required will change by approximately +/-£2.4m.
- 3.6 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 Council tax increases will be no more than the cap of 1.99% per annum and that this will remain in place for 5 years.
- 3.7 Following 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 ECONOMY, TRANSPORT AND ENVIRONMENT

- 4.1 ETE, as the focus for the Council's place based services, provides a very wide and diverse range of services to the people and businesses of Cambridgeshire. Much of what is provided by the Directorate is experienced by residents on a daily basis.
- 4.2 A broad overview of the services provided by the Directorate includes highway maintenance and improvement, the delivery of all major transport infrastructure schemes, the management of a series of major contracts such as highways and street lighting, tackling rogue and other illegal trading and providing business advice, delivery of non-commercial superfast broadband services, waste disposal, libraries and cultural services, planning, s106 negotiation, economic development, floods and water management, adult learning and skills, development of transport policy, funding bids, cycling, commissioning of community transport, operation of the Busway and the park

and ride sites, and management of home to school, special needs and adults transport.

- 4.3 To improve efficiency, ETE has undergone a major transformation over the last three years. As a result, the delivery of services has changed significantly and in some cases, we have withdrawn from providing certain services. As part of this process, the number of managers and service areas within ETE has been reduced significantly in order to focus resources on front line service delivery.
- 4.4 Over the time of these reductions, however, the actual amount of work within the Directorate has increased due to the particular nature of the services we provide. For example, the bulk of the Greater Cambridge City Deal work is undertaken by ETE and new programmes like Cycle City Ambition Grant have added to workload, as has the additional investment through the Council's £90m investment in highway maintenance. So essentially, although revenue budgets have decreased, more work is being undertaken with significantly reduced senior manager and delivery capacity. This has been a necessary change and further opportunities for rationalisation are always being considered. However, it needs to be recognised that this does mean that further and sustained budget reductions make it inevitable that significant reductions in services will occur.

5. ETE PROPOSED SAVINGS

- 5.1 As noted above, the Council has this year undertaken its Business planning on the basis of a new Operating Model. However, in the transition to this new approach, individual Directorates still have savings targets for which proposals need to be identified. The savings target for ETE in 2016/17 is £6,593k.
- 5.2 Further significant savings will also be required in subsequent years and the impact of the Autumn Spending Review may have a further effect on these figures. The current expected savings requirement for the next five years is shown in Table 8 which means that the total reduction in ETE budget over the current planning period is likely to be a minimum of £16m.

Table 8 – Five Year Savings Requirements

ETE's Current Cash Limits	
Year	£k
2016/17	-6,593
2017/18	-3,573
2018/19	-2,856
2019/20	-2,041
2020/21	-982
Total	16,045

- 5.3 The gross ETE budget for the current year (2015/16) is £89m. However, a significant amount of the gross budget is income or tied up in major contracts and fixed payments that, at least in the short term, cannot be varied. These include the Directorate's two PFI contracts and concessionary bus pass payments which are an entitlement and cannot be varied. Table 9 shows that

even including income, the 'in scope' budget from which the five year savings can be made is £40m and without that income, the figure is just £14m. Although overall budget levels may change over the five year period for a variety of reasons, the key point to note here is that given the makeup of the ETE budget, the level of savings required will inevitably lead to significant service reductions.

Table 9 – Available Budget for Savings

	(£m)
Total ETE Budget	89
Waste PFI	-35
Street lighting PFI	-8
Concessionary fares	-6
Income	-26
Remainder	14

- 5.4 To highlight this point, Table 10 shows the breakdown of funding within each of the service areas that make up ETE. This shows that a number of services are already either wholly or substantially self-funding and therefore it will be difficult to make savings to meet the requirements of the Business Plan from those areas. The service areas with the most significant available revenue budgets, and from which the majority of the savings proposals that follow have been identified, are those that provide the most sensitive and visible services to the people of Cambridgeshire.

Table 10 – Budgets for ETE Services

Service Area	Gross 2015/16 budget (£k)	Net 2015/16 budget (£k)
Adult Learning and Skills	3,934	290
Assets and Commissioning including Waste and Street Lighting	45,598	36,116
Community & Cultural Services	7,160	4,991
Connecting Cambridgeshire	536	0
Growth & Economy	2,903	1,581
Local Infrastructure & Street Management	14,998	9,401
Major Infrastructure Delivery	1,051	0
Passenger Transport including concessionary fares	12,102	7,907
Policy and Business Development	647	473
Supporting Businesses and Communities	5,898	1,349
Transport and Infrastructure Policy and Funding	666	110
Directors	453	453
Making Assets Count	89	0
Total	96,035	62,671

Note that the gross budget in table 10 includes capital recharges

- 5.5 In order to generate the savings proposals for Member consideration, officers have scrutinised individual budgets, the services they are providing and whether there are any statutory requirements for those individual services
- 5.6 Appendix 1 contains the product of this work. This shows the Business Plan efficiency, income and savings proposals for ETE for the planning period 2016/17 to 2020/21. The items under the stewardship of the Highways and Community Infrastructure Committee are shown without shading and those in E&E are shown with shading. The contents of Appendix 1 are only officer proposals at this stage, for Committee consideration. Following Committee discussions, Business Plan proposals will be recommended to General Purposes Committee and the final decision on the Business Plan will be made by Full Council in February.
- 5.7 The table contains a range of proposals where efficiency can be increased without reduction in service provided. It also contains proposals for significant amounts of additional income that can be raised from the services that are provided. Fees and charges are a very important source of income to the Council, enabling important services to be sustained and provided. As the overall cost of service provision reduces, the proportion of costs that are recovered through fees and charges is likely to grow. Indeed to sustain the delivery of some services in the future this revenue is likely to be essential.
- 5.8 All ETE fees and charges are contained in a single schedule that is updated throughout the year. It is reviewed annually as part of the Business Planning process to take account of increases in inflation. The schedule is at Appendix 2.
- 5.9 For business planning purposes in addition to the specific additional income proposals, all fees and charges, where possible, are increased in line with the Council's standard inflation rate, which this year has been set at 1.2%. There are exceptions to this as follows:
- 1) Statutory fees that are currently set at their legal maximum.
 - 2) Fees where a full review of the charge is scheduled to be undertaken between November 2015 and April 2016. In these cases, inflation will be taken into account but other factors such as legislative frameworks, demand and market rates will also be considered.
 - 3) Small charges, for example library charges, where the payment method would need to be changed in order to accept the new charge.
- 5.10 There are some minor additional elements of capitalisation proposed where activities currently funded from the revenue budget will in the future be funded by capital. This additional capitalisation is considered appropriate but having scrutinised budgets fully, officers advise that there are no further significant opportunities to capitalise budgets.
- 5.11 Even with greater efficiency, additional income and capitalisation, significant reductions in spending on front line services will be necessary in the following years. Most of the proposals contained in the table will be unpopular and there is a risk that some may not be possible to deliver or will take longer to deliver than planned. This will place further pressure on the ETE revenue

budget and may lead to the requirement for alternative, further proposals to come forward

- 5.12 To assess the impact of proposals and to guide Members in their decision making, Community Impact Assessments (CIAs) have been completed for all 2016/17 proposals where applying the relevance test demonstrated there could be an impact on one of the protected characteristics. The set of CIAs is included at Appendix 3 and it is important that members consider these in conjunction with the details of the savings proposals as decisions start to be made on the business plan. Members will note that many of these CIAs show significant negative implications on our communities.
- 5.13 Even with these significant efficiency, income, capitalisations and savings proposals, the ETE proposed budget still has £406k of unallocated savings for 2016/17 and significantly larger amounts for subsequent years. The proposed savings have been generated by assessing deliverability of changes bearing in mind where there are minimum statutory or reasonable levels of service required. Therefore, dependant on Member views in relation to these budget proposals, further savings could be identified, but these would cut even deeper into essential services and may push some services below a statutory minimum level of service. Member views on how best to identify the additional savings required are sought. However, given the nature of the ETE budget described above, should these additional savings be required, they almost certainly will need to come from further reductions in the major spending areas such as highways maintenance, libraries and passenger transport.

6. NEXT STEPS

- 6.1 The proposals contained in this paper are only the first formal stage in developing the Council's Business Plan. The timetable for this stage is as follows:

November - February	Ongoing work to develop budget plan and deliver savings proposals.
January	General Purposes Committee review draft Business Plan for 2016/17.
February	Draft Business Plan for 2016/17 discussed by Full Council.
March	Publication of final CCC Business Plan for 2015/16. Ongoing work to deliver savings proposals.

- 6.2 Subject to the views of Members at this Committee and the Economy and Environment Committee, further development of the proposals contained here will be undertaken as part of the development of the Council's Business Plan.

7. ALIGNMENT WITH CORPORATE PRIORITIES

7.1 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. If services are cut then the impact on communities across Cambridgeshire could be severe. Further details are contained in the CIAs that are being considered at the meeting.

7.2 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. If services are cut then the impact on communities across Cambridgeshire could be severe. Further details are contained in the CIAs that are being considered at the meeting.

7.3 Supporting and protecting vulnerable people

The services discussed in this report play a significant role in enabling the Council to achieve this priority. If services are cut then the impact on communities across Cambridgeshire could be severe. Further details are contained in the CIAs that are being considered at the meeting.

8. SIGNIFICANT IMPLICATIONS

8.1 Resource Implications

There are significant resource implications associated with the proposals set out in the current Business Plan and that we are considering for future years. Our proposals seek to ensure that we are using the most effective use of available resources across the range of ETE services. The implications of the proposals will be considered throughout the Business Planning process and the Committee will be fully informed of progress.

8.2 Statutory, Risk and Legal Implications

The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget.

8.3 Equality and Diversity Implications

The size of the financial challenge means that services will need to continue to seek to improve their effectiveness, but the level and range of services that can be provided is generally reducing. The scale of the savings requires a fundamental review and change of service provision that will lead to very different way of working across ETE Services compared to current arrangements. Further details are contained in the CIAs that are being considered at the meeting.

8.4 Engagement and Consultation Implications

Our Business Planning proposals are informed by our knowledge of what communities want and need. They will also be informed by the County Council public consultation on the Business Plan and will be discussed with a wide range of partners throughout the process (some of which has begun already). Community Impact Assessments (CIAs) on those 2016/17 proposals where they are needed are being considered at the meeting.

8.5 Localism and Local Member Involvement

The proposals set out in this report are predicated on empowering communities (both geographical and of interest) to do more for themselves, as we shift our focus from meeting the needs of individuals to supporting communities and families. As the proposals develop, we will have detailed conversations with Members about the impact of the proposals on their localities. Communities will have varying degrees of capacity to address these issues and this will require further consideration. As part of this we will have detailed conversations with members about the implications of these proposals for specific localities.

8.6 Public Health Implications

A number of the proposals within this report will have potential implications for public health. We are working closely with Public Health colleagues to ensure our emerging Business Planning proposals are aligned.

Source Documents	Location
The 2015/16 Business Plan	http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2015_to_2016