

BUSINESS PLAN UPDATE

To: General Purposes Committee

Date: 6 January 2015

From: Director: Customer Service & Transformation /
Chief Finance Officer

Electoral division(s): All

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

Purpose:

Recommendation: The General Purposes Committee is requested to:

- a) note the update on the Local Government Finance Settlement and the Council's grant allocation for 2015-16 (Section 2 refers)
- b) confirm whether it wishes to include a budget of £774k for the Cambridgeshire Local Assistance Scheme within Children, Families and Adults (CFA) in 2015-16, to be funded from reserves (paragraph 2.16 refers)
- c) note and endorse the use of the £2.5m funding proposed by Service Committees (section 3 refers)
- d) note and endorse the updates provided around revenue and capital proposals (Section 4 paragraphs 4.1 - 4.5 refers)
- e) confirm the approach for allocating the additional Local Highways Maintenance Capital Block Funding. (paragraph 4.6 refers)
- f) that approval be given to the Treasury Management Strategy 2015-16 (included as an appendix to this report) for final approval by Council.

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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. This report for the General Purposes Committee (GPC) provides the latest position on the Council's Business Planning Process. This includes an update on the Local Government Finance Settlement for 2015-16, details of how Service Committees propose to use the £2.5m delegated to them at the December meeting of GPC, and a summary of any other changes to Business Plan proposals since the December meeting of GPC.

2. IMPLICATIONS OF THE 2015-16 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 2.1 On 18 December 2014, the Local Government Minister Kris Hopkins announced the publication of the provisional 2015-16 settlement in an oral statement to Parliament.

Funding Overview

- 2.2 The headline position for the Council is a 3.5% reduction in Government revenue funding (excluding grants to schools) in 2015-16. This comparison incorporates larger cuts to general funding which are offset by increases in grants targeted to particular areas such as Adult Social Care and Public Health, most of which come with additional responsibilities.
- 2.3 A like for like comparison of funding would include an adjustment of -£9.8m in 2015-16 to account for new responsibilities, taking the percentage change in the Council's government funding to -8.7%. Note that this comparison is only of government grants and ignores other sources of funding that impact the Council's budget, such as Council Tax.

Funding Source	2014-15 £'000	2015-16 £'000
Business Rates plus Top-up	57,927	58,716
Revenue Support Grant	72,017	53,154
Other Unringfenced Grants	12,960	11,644
Better Care Funding	10,652	13,148
Other Ringfenced Grants	34,098	44,342
Government Revenue Funding (excluding schools)	187,654	181,004
Difference		-6,650
Percentage cut		-3.5%
Adjustment for new responsibilities in 2015-16		-9,752
Percentage cut on a like for like basis		-8.7%

- 2.4 The Council will see a reduction of £18.9m in Revenue Support Grant, its main government grant, to £53.2m in 2015-16. We are due to receive £4.9m additional grant to fund new burdens associated with the Care Act. We are also budgeting to receive an additional £3.7m in Public Health grant to fund new responsibilities from the transfer of the Healthy Child Programme to local authorities. (This transfer was noted in the announcement of the Council's £22.155m Public Health grant for 2015-16, but the amount of funding has not yet been announced. Details of our allocation are expected later in the year as the Programme is due to transfer in October 2015.)
- 2.5 Government's change in "Spending Power" for Cambridgeshire is an increase of 1.5%. This sits in stark contrast to the percentage cut figures in the previous paragraphs. The

main reasons for the difference between the +1.5% Spending Power and like for like cut in government funding of -8.7% are:

- Spending Power attempts to account for Council Tax. This adds 1.1% to the figure.
- The Better Care Fund is pooled with Health and the figure used in the Spending Power calculation is for the entire pooled budget. The Council's share of the increase in the Better Care Fund is only £4.8m, compared to the overall increase of £18.1m. This adds 7.7% to the figure.
- The Spending Power calculation does not make any allowance for changes in responsibilities. £2.5m of the increase in grant funding included within the calculation is to fund new responsibilities. Note that this figure is less than the £9.8m quoted in paragraph 2.3 as the Spending Power calculation does not include the, as yet to be announced, £3.7m new responsibilities for Public Health relating to the Health Child Programme and the new responsibilities around the Care Act are already accounted for. This adds 1.4% to the figure.

- 2.6 The Spending Power concept also fails to convey the pressures the Council is facing from inflation (£9.7m in 15-16) and demography (£9.6m in 15-16).

Council Tax

- 2.7 The Council Tax Referendum Threshold was confirmed as 2.0%. A proposed Council Tax rise above this level would require the Council to hold a local referendum.
- 2.8 The Council Tax Freeze Offer was confirmed as a grant equivalent to a 1% increase in Council Tax for authorities that choose to freeze their Council Tax. The indicative grant amount for Cambridgeshire would be £2.594m. The grant has only been announced for 2015-16 as funding for 2016-17 onwards will be subject to the next spending review following the general election.
- 2.9 Compared to the current 1.99% increase modelled in the Business Plan, the net effect on the budget of accepting the Freeze Offer would be a pressure of £2.2m in 2015-16. Assuming the grant is only payable in 2015-16, that pressure would rise by £2.8m in 2016-17 to £4.9m. In subsequent years the pressure would continue to rise by a small amount due to growth in the tax-base raising less Council Tax income than it would have based on a 1.99% increase in 2015-16. Note that figures below are shown in the recurring format, i.e., as the change on the previous year.

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Impact of 0% increase in 2015-16 compared to a 1.99% increase	4,762	161	171	170	178
1% Freeze Grant in 2015-16	-2,594	2,594	-	-	-
Net Impact	2,168	2,755	171	170	178

Impact on the Business Plan

- 2.10 The Department for Communities and Local Government (DCLG) has made a number of minor changes to the calculation of the 2015-16 settlement, which reduce the Council's Revenue Support Grant (RSG) allocation by £36k in 2015-16 and affects the forecast for future years. The main change being that the New Homes Bonus holdback has been reduced from £1.0bn to £950m, reflecting the lower than anticipated cost of the grant to Government in 2015-16.
- 2.11 The Provisional Settlement also announced a number of other grant allocations. The majority of these were as expected, but the following grants differ from the forecasts on which the Business Plan was based prior to the Provisional Settlement:

- The Council's Business Rates Compensation Grant allocations are £18k more than previously estimated.
- The Council's Returned New Homes Bonus Top-slice allocation is £304k less than previously anticipated as a consequence of DCLG's decision to reduce the amount top-sliced nationally.
- The unringfenced Local Reform and Community Voices Grant is £107k less than previously anticipated.
- The ringfenced Social Care in Prisons Grant is £15k less than previously announced. This grant has been allocated to Children Families and Adults (CFA) and therefore the corresponding budget will be reduced to balance.
- The ringfenced Care Act New Burdens Funding is £197k more than initial estimates. This grant has been allocated to CFA and therefore the corresponding budget will be increased to balance.

2.12 The table below outlines the financial impact of the above changes for the Council. Note that figures are shown in the recurring format, i.e., as the change on the previous year.

Description	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Revenue Support Grant	36	12	11	-58	-2
Business Rates Compensation Grants	-18	18	-	-	-
Returned New Homes Bonus Topslice Grant	304	-304	-	-	-
Local Reform and Community Voices Grant	107	-	-	-	-
Social Care in Prisons Grant	15	-	-	-	-
Corresponding adjustment to budget for Social Care in Prisons	-15	-	-	-	-
Care Act New Burdens Funding	-197	197	-	-	-
Corresponding adjustment to budget for Care Act New Burdens	197	-197	-	-	-
Total Impact on Budget	429	-274	11	-58	-2

2.13 The net impact of the Provisional Settlement on the Council's budget for 2015-16 is a shortfall of £429k. This, and the impact on future years, will be balanced from reserves, maintaining the stability of service's cash limits at this stage in the Business Planning Process.

Local Welfare Provision

- 2.14 The Provisional Settlement notionally identifies £129.6m funding, at a national level, from within Revenue Support Grant for Local Welfare Provision. This is presentational and does not represent new funding. The funding is un-hypothecated because it falls within RSG. The Council's notional allocation is £774k.
- 2.15 The draft Business Plan does not currently contain any budget for Local Welfare Provision. The Cambridgeshire Local Assistance Scheme budget is £1,027k in 2014-15. The draft Business Plan includes the removal of this budget in 2015-16 alongside the removal of the grant funding, noting that alternative options on future operation and funding of the scheme are being explored.
- 2.16 With the inclusion of notional funding for Local Welfare Provision in the Settlement, GPC is asked to confirm whether it wishes to include a budget of £774k for the Cambridgeshire Local Assistance Scheme in 2015-16 and fund the budget from the Council's reserves.

3 UPDATE ON SERVICE COMMITTEE PROPOSED USE OF £2.5M

- 3.1 Earlier in the business planning cycle GPC agreed the retention of £2.5m of revenue funding to be used pending proposals. This was intended as a resource to enable GPC to respond to the emerging pressures during a significantly challenging budget setting process.
- 3.2 At the last meeting of GPC on 2nd December the Committee discussed and decided that this sum be delegated so that particular Service Committees make proposals for how this resource is allocated.
- 3.3 Following this GPC decision the Adults, Children's, Highways & Community Infrastructure Committees have met and agreed upon the following proposals for use of the funding. The Economy and Environment Committee will consider the following proposals when it meets on 13th January.

Reference	Title	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
A/R.6.109	Learning Disability packages	+280	-	-	-	-
A/R.6.121	Physical Disability packages	+40	-	-	-	-
A/R.6.203	Management of new demand at point of first contact and referral	+400	-	-	-	-
A/R.6.207	Continuing Health Care in community on discharge from hospital and longstanding placements	+200	-	-	-	-
A/R.6.211	Achieve efficiencies through reablement	+80	-	-	-	-
A/R.6.214	Older People Mental Health care package governance and authorisation process restructure.	+150	-	-	-	-
A/R.6.405	Looked After Children Savings	+400	-	-	-	-
A/R.6.503	Recommissioning of Early Help - Strategic Management, Locality Teams and Business Support	+90	-	-	-	-
A/R.6.504	Recommissioning of Early Help - Youth Support Services	+100	-	-	-	-
A/R.6.601	Home to School Transport (Mainstream): Policy	+200	-	-	-	-
A/R.6.608	Early Years and Place Planning	+60	-	-	-	-
Total CFA		+2,000	-	-	-	-
B/R.6.132	Reduce Winter Maintenance Service	+300	-	-	-	-
B/R.6.143	Reduce Community Grants	+15	-	-	-	-
B/R.6.127	Reduce Energy costs of Streetlights	+56	-50	-	-	-
B/R.6.156	Capitalise road patching repairs	+129	-129	-	-	-
B/R.6.209	Cut additional support for Fenland Learning centres	-	+179	-	-	-
Total ETE		+500	-	-	-	-

Note that each of the above lines describes a reduction to, or removal of, an existing savings proposal.

- 3.4 These proposed ways to allocate the £2.5m will now be integrated into the draft Business Plan. The entire draft Business Plan will be reported to GPC at its next meeting on 27 January, when GPC will be asked to recommend it to Full Council. Full Council will then consider the draft Business Plan on 17 February.

4 UPDATE ON BUSINESS PLAN PROPOSALS

Revenue

4.1 There have been some minor amendments to the draft revenue proposals since they were considered by GPC on 2nd December. The changes are summarised below, with the detail set out in the following table.

- Updated Special Educational Needs and Disability Implementation Grant allocation and corresponding budget (+£25k) [A/R.1.011, A/R.7.207, A/R.8.012].
- Transfer of Cambridgeshire Catering Services finance support from LGSS Operational to CFA (£104k) [A/R.1.013, D/R.1.001].
- Reclassification of savings proposals as increased income [A/R.6.608, A/R.6.610, A/R.7.103].
- Added to reflect City Deal revenue costs funded by New Homes Bonus [B/R.5.010].
- Updated to reflect required savings for the year [C/R.6.903].
- Disaggregation and rephrasing of Operational Reduction savings following review by LGSS Management Board [D/R.4.002, D/R.6.001, D/R.6.101, D/R.6.201, D/R.6.301, D/R.6.401, D/R.6.501, D/R.6.503, D/R.8.001].
- Added budget for Counter Fraud Initiative funded by new grant received by LGSS [D/R.1.002, D/R.7.202, D/R.8.005].
- Updated debt charges to reflect current capital programme. In addition, long-term borrowing expectations have been updated [F/R.5.001].

Reference	Title	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
A/R.1.011	Special Educational Needs and Disability (SEND) Implementation Grant	+25	-25	-	-	-
A/R.1.013	Transfer of budget from LGSS to Catering and Cleaning Service (CCS)	+104	-	-	-	-
A/R.6.608	Early Years and Place Planning	+30	-	-	-	-
A/R.6.610	Review traded units and traded activity	+29	-	-	-	-
A/R.7.103	Increased surplus from trading activity in the Learning Directorate	-59	-	-	-	-
A/R.7.207	Special Educational Needs and Disability (SEND) Implementation Grant	-25	+25	-	-	-
A/R.8.012	Special Educational Needs and Disability (SEND) Implementation Grant	+25	-	-	-	-
B/R.5.010	City Deal revenue costs	-	+389	+568	+666	+685
C/R.6.903	Rationalisation of Property Portfolio	-	-	+149	-	-
D/R.1.001	Base Adjustments	-104	-	-	-	-
D/R.1.002	Increased expenditure funded by ring-fenced grant	+190	-190	-	-	-
D/R.4.002	Service Realignment	+135	-	-	-	-
D/R.6.001	Service Assurance savings & efficiencies	-53	-53	-53	-	-
D/R.6.101	Finance savings & efficiencies	-174	-177	-177	-	-
D/R.6.201	People, Transformation & Transactions savings & efficiencies	-80	-80	-80	-	-

D/R.6.301	Law, Property & Governance savings & efficiencies	-106	-106	-106	-	-
D/R.6.401	IT savings & efficiencies	-37	-37	-37	-	-
D/R.6.501	Operational Reductions	+419	+492	+932	+688	-
D/R.6.503	Cross-cutting Contracts Review	-104	-125	-125	-	-
D/R.7.202	Counter Fraud Initiative Grant	-190	+190	-	-	-
D/R.8.001	Cash Limit Funding	-	+345	-	-	-
D/R.8.005	Counter Fraud Initiative Grant	-190	-	-	-	-
F/R.5.001	Revenue impact of Capital decisions	-907	+202	+198	+537	-669

Capital

4.2 Several amendments have been made to the draft capital programme since it was last reviewed by GPC on 2nd December. These changes are summarised below with the detail set out in the following table:

- Rephasing for Bearscroft Primary, St Neots Loves Farm Primary, Burwell Primary, Hauxton Primary, Cambridge City Secondary, Littleport Secondary, Early Years Basic Need Provision, Strategic Investments, Technology Initiatives and Enhanced Frontline;
- Increase in cost for Isle of Ely Primary due to land acquisition/access problems (£2.1m, funded by borrowing) plus rephasing (£0.4m);
- New scheme name for Holme Primary – however, this has simply been split out from the School Condition, Maintenance & Suitability scheme which therefore has a corresponding decrease in cost;
- Increase in cost for the Southern Fringe Secondary due to a 9 month planning delay, caused by land contamination issues. Inflation on materials and labour have also therefore forced up costs since the original tender price (£1.5m, funded by borrowing). In addition, £0.3m of rephasing;
- New scheme for Looked After Children ICT (funded by borrowing);
- New scheme to reflect the Disabled Facilities Grant (100% grant funded);
- New scheme for new CFA Management Information system (funded by borrowing);
- Increase in scope or rephasing for Safety Schemes, Delivery Strategy Aims scheme and rephasing of Traffic Signal replacement scheme as a result of changes to S106 funding;
- Removal of Northstowe scheme as the developer is now seeking funding elsewhere (previously funded by borrowing).

Reference	Title	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
A/C.01.005	Bearscroft	+100	-	-	-	-	-
A/C.02.001	Isle of Ely Primary	+900	+1,354	+238	-	-	-
A/C.02.009	St Neots Loves Farm	+120	-	-	-	-	-
A/C.02.019	Burwell - additional 90 places.	+300	+350	-630	-20	-	-
A/C.03.001	Hauxton	+230	-	-	-	-	-
A/C.03.003	Holme - Conditions	+600	+600	-	-	-	-
A/C.04.001	Southern Fringe, Cambridge	+1,800	-	-	-	-	-
A/C.04.005	Cambridge City - 4 Form Entry additional Capacity	+600	+2,900	+12,500	+400	-13,000	-3,400
A/C.05.004	Littleport	-1,000	-1,900	+2,845	+355	-	-
A/C.10.001	School Condition, Maintenance & Suitability	-600	-600	-	-	-	-
A/C.15.002	Early Years Basic Need Provision	+25	-200	-200	-	-	-
A/C.15.005	ICT For Looked After Children	+88	-	-	-	-	-

	(LAC)						
A/C.16.004	Strategic investments	-69	-	-	-	-	-
A/C.16.005	Technology Initiatives	-	-30	-50	-	-	-
A/C.16.006	Enhanced Frontline	+108	-	-	-	-	-
A/C.16.008	Disabilities Facilities Grant	+1,923	-	-	-	-	-
A/C.17.001	CFA Management Information System IT Infrastructure	+2,500	+1,250	+1,250	-	-	-
Total CFA change since December		+7,625	+3,724	+15,953	+735	-13,000	-3,400
B/C.1.012	Safety schemes	+32	-	-	-	-	-
B/C.1.019	Delivering Strategy Aims	+255	-	-	-	-	-
B/C.2.005	Traffic signal replacement	+30	-30	-	-	-	-
B/C.4.005	Northstowe	-	-5,000	-5,000	-5,000	-	-
Total ETE change since December		+317	-5,030	-5,000	-5,000	-	-

- 4.3 As a consequence of the above amendments there has been an impact on borrowing levels included within the draft Capital Programme, resulting in the following change to the level of revenue debt charges:

Financing Costs	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
2014-15 agreed BP	39,227	43,577	44,382	44,870	-
2015-16 draft BP as per December GPC capital programme	36,443	41,154	42,535	42,601	42,744
2015-16 draft BP as per current capital programme	35,536	40,449	42,028	42,631	42,105
Change since December	-907	-705	-507	+30	-639

Note that the change in debt charges included as line F/R.5.001 of the table in paragraph 4.1 are shown in a recurring format (i.e., as the change on the previous year), which is why they differ from the final line in the above table.

- 4.4 In addition to the changes set out above, the Council's allocation of Local Highways Maintenance Capital Block Funding from 2015-16 to 2020-21 has now been announced. In recent years the Council has received an annual grant of £10,144k and initial assumptions were based on a continuation of this level of funding. However, as a result of Department for Transport (DfT) using a revised funding model, aimed at ensuring highway authorities are embedding an asset management approach, Cambridgeshire's actual allocation is higher than expected, as set out in the table below.

Local Highways Maintenance Capital Block Funding	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Expectation as per December GPC	10,144	10,144	10,144	10,144	10,144	10,144
Actual allocation	15,008	13,758	13,342	12,076	12,076	12,076
Change since December	+4,864	+3,614	+3,198	+1,932	+1,932	+1,932

Note that allocations for 2018-19 to 2020-21 are indicative.

- 4.5 It should be noted however, that although this is an increase on previous initial allocations, the revised model has resulted in the removal of Central Government's contingency pot for highways maintenance. To provide some context, in 2014-15 we received £3,541k in allocations from this contingency fund (£1,933k for pothole repairs, £568k to repair severe weather damage, which were passed onto Economy, Transport and Environment (ETE) increasing its capital budget, and £1,040k as an additional allocation which was used to reduce prudential borrowing funding our £90m committed spend on highways maintenance). Therefore, from 2015-16 the Council will need to absorb any pressures that might arise in year.

- 4.6 There are a number of approaches that GPC could adopt to allocate this funding. However, given the stage the Council is at within the Business Planning process it is appropriate to focus on the three most straightforward options. These options are:
- To allocate all the additional grant to spend on carriageway & footway maintenance (proposal B/C.2.001). This is the recommended course of action.
 - To allocate all the additional grant to reduce prudential borrowing funding our commitment to spend £90m on highways maintenance (B/C.3.001), with a consequent reduction in financing costs for the Council. This would be a real-terms reduction in spend over previous years.
 - To allocate an additional £2,501k (£1,933k + £568k as above) to spend on carriageway & footway maintenance, with the balance being used to reduce prudential borrowing on our commitment to spend £90m on highways maintenance.
- 4.7 GPC is asked to confirm the approach to allocating the additional grant to be adopted.
- 4.8 The Council is still awaiting funding announcements regarding various capital grants which are expected to be made during December and January, plus the ongoing nature of the capital programme inevitably means that circumstances are continually changing. Therefore Services will continue to make updates for any significant changes in the lead up to the January GPC meeting at which the Business Plan is considered.

5. ALIGNMENT WITH CORPORATE PRIORITIES

This report gives an overview of the Business Planning Process which itself is the documents that sets out how the Council will meet the corporate priorities.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

This report outlines the overall resource position for the Council over the business planning cycle 2015-20.

6.2 Statutory, Risk and Legal Implications

Business planning proposals will inevitably carry statutory, risk and legal implications. These are addressed alongside each proposal where appropriate, and also in more detail at service committee meetings.

6.3 Equality and Diversity Implications

Community Impact Assessments have been completed for the proposals considered in the Business Planning Process.

6.4 Engagement and Consultation Implications

Significant consultation has been taken out as part of the Business Planning Process.

6.5 Localism and Local Member Involvement

Business Planning Proposals have been developed with significant Member involvement and consideration of the implications for localism.

6.6 Public Health Implications

These are dealt with specifically in the proposals relating to the Health Committee, and where there are implications for work of other Committees these are highlighted.

Source Documents	Location
The County Council 2014-15 Business Plan	http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015