

**ASSETS AND INVESTMENT COMMITTEE REVIEW OF DRAFT REVENUE AND CAPITAL BUSINESS PLANNING PROPOSALS FOR 2017/18 TO 2021/22**

**To:** Assets and Investments Committee

**Meeting Date:** 16 December 2016

**From:** Chris Malyon, Deputy Chief Executive & 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 and capital proposals for Assets and Investment that are within the remit of the Assets and Investment 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, updated since the last report to the Committee in October.
- b) It is requested that the Committee comment on the draft revenue savings proposals that are within the remit of the Assets and Investment Committee for 2017/18 to 2021/22, and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan
- c) It is requested that the Committee comments on the changes to the capital programme that are within the remit of the Assets and Investment and endorse them.

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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 continues to reduce whilst our costs continue to rise. Those increases are driven by inflationary and demographic pressures. As the fastest growing county in the country the pressures of demography are far greater in this county than elsewhere.
- 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.
- 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:

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. 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		$Y1 - A = B$
<b>Transformation Programme</b>		
“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		D

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 main cause of uncertainty is the upcoming Comprehensive Spending Review and Local Government Finance Settlement. General Purposes Committee resolved not to accept the multi-year grant settlement that was being offered by the Government and therefore this uncertainty will be an annual event.

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.

## 2. FINANCIAL OVERVIEW

2.1 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 £33.6m are required for 2017-18, and a total of £99m across the full five years of the Business Plan. The level of savings required do change each year as cost projections are updated to reflect the latest information available including the latest service pressures that have been identified. 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	-33,002	-19,440	-16,892	-18,495	-10,583
Public Health	-606	-	-	-	-
<b>Total</b>	<b>-33,608</b>	<b>-19,440</b>	<b>-16,892</b>	<b>-18,495</b>	<b>-10,583</b>

- 2.2 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
Dedicated Schools Grant funding	4,300	This potential pressure is the result of a consultation on national funding reforms and review by Schools Forum.
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.
Local Government Finance Settlement	-	Risk that the Council's funding is lower than budgeted.
<b>Total</b>	<b>4,300</b>	

- 2.3 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.
- 2.4 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:

Service Block	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Council	-	-1,823	-12,224	-12,168	-9,879
Public Health	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-1,823</b>	<b>-12,224</b>	<b>-12,168</b>	<b>-9,879</b>

Note, this assumes the Public Health Grant is un-ring-fenced from 2018-19 onwards.

- 2.5 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.
- 2.6 There is currently a limit on the increase of Council Tax of 2% and above. Should council's wish to increase their council tax above this it can only do so having sought the views of the local electorate 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 council tax limit of 2% and above will remain in place for all five years.

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

### 3. TRANSFORMATION UPDATE

- 3.1 In response to recognising that the traditional method of developing budgets and savings targets through departmental based cash limits was unsustainable in the long term, the Council has agreed a new approach that will result in an outcome focussed method to Business Planning.
- 3.2 As a consequence it was agreed that the Council would establish a fund that would be used to supplement base budgets, ensuring that finance is not seen as a barrier to the level and pace of transformation that can be achieved.
- 3.3 All savings proposals have been aligned with one of the eleven transformation workstreams and £7,387k has been requested from the transformation fund to support the delivery of these savings in 2017-18.

Investments requested:

Transformation Workstream	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Finance & Budget Review	-	133	-46	-87	-	-
Customer & Communities	-	-	-	-	-	-
Assets, Estates & Facilities Management	-	-	-	-	-	-
Commissioning	73	1,412	-1,042	-332	-38	-
Contracts, Commercial & Procurement	-	-	-	-	-	-
Workforce Planning & Development	-	-	-	-	-	-
Adult Services	146	5,442	-4,646	-796	-	-
Children's Services	-	-	-	-	-	-
Economy, Transport & Environment	800	-	-	-	-	-
Corporate & LGSS	-	-	-	-	-	-
Public Health	-	-	-	-	-	-
<b>Total</b>	<b>1,019</b>	<b>7,387</b>	<b>-6,134</b>	<b>-1,215</b>	<b>-38</b>	<b>-</b>
<b>Absolute</b>	<b>1,019</b>	<b>7,387</b>	<b>1,253</b>	<b>38</b>	<b>-</b>	<b>-</b>
<b>Cumulative</b>	<b>1,019</b>	<b>8,406</b>	<b>9,659</b>	<b>9,697</b>	<b>9,697</b>	<b>9,697</b>

Savings aligned to workstreams:

Transformation Workstream	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Finance & Budget Review	-7,381	-5	2,283	-10	-
Customer & Communities	-687	-606	-168	-27	-
Assets, Estates & Facilities Management	-174	-19	-19	-561	2
Commissioning	-8,429	-5,223	-2,506	-2,752	-

Contracts, Commercial & Procurement	-4,717	-3,978	-1,000	-	-
Workforce Planning & Development	-4,589	-3,668	-	-	-
Adult Services	-2,836	-1,457	-1,062	-1,057	-
Children's Services	-2,108	-1,834	-1,414	-1,157	-
Economy, Transport & Environment	-459	-135	-134	-127	-127
Corporate & LGSS	-468	-706	-619	-607	-566
Public Health	-606	-	-	-	-
Changes to fees, charges & ring-fenced grants	-1,154	14	-29	-29	-13
<b>Subtotal</b>	<b>-33,608</b>	<b>-17,617</b>	<b>-4,668</b>	<b>-6,327</b>	<b>-704</b>
Unidentified savings		-1,823	-12,224	-12,168	-9,879
<b>Total</b>	<b>-33,608</b>	<b>-19,440</b>	<b>-16,892</b>	<b>-18,495</b>	<b>-10,583</b>

#### 4. CAPITAL PROGRAMME UPDATE

- 4.1 The draft capital programme was reviewed individually by service committees in September and was subsequently reviewed in its entirety, along with the prioritisation of schemes, by General Purposes Committee in October. No changes were made as a result of these reviews, though work is ongoing to revise and update the programme in light of continuing review by the Capital Programme Board, changes to overall funding or to specific circumstances surrounding individual schemes.
- 4.2 The Council is still awaiting funding announcements regarding various capital grants which are expected to be made during December/January, plus the ongoing nature of the capital programme inevitably means that circumstances are continually changing. Therefore Services will continue to make any necessary updates in the lead up to the January GPC meeting at which the Business Plan is considered.

#### 5. OVERVIEW OF ASSETS AND INVESTMENT DRAFT REVENUE PROGRAMME

- 5.1 A full list of proposals is shown in Appendix A. There are no changes to the proposals previously detailed in the draft Revenue Business Planning Proposals reported to Assets and Investment Committee in October.
- 5.2 These proposals are draft at this stage, and are subject to further development. Full Council in February 2016 is the point at which proposals become the Council's Business Plan.

#### 6. OVERVIEW OF ASSETS AND INVESTMENT DRAFT CAPITAL PROGRAMME

- 6.1 The capital programme is shown in full in Appendix A as part of the finance tables. Since the Capital Programme was presented in September there have been two significant changes to schemes:
1. Scheme F/C.2.113 Equality Act works in Corporate Offices has been removed from the capital programme.

2. Scheme F/C.2.240 Housing schemes, which was previously included in the tables in the September report at net cost, is now shown at gross cost.

## 7. NEXT STEPS

- 7.1 The proposals will be considered alongside those from the other service committees at the General Purposes Committee in early January.

January	General Purposes Committee will review the whole draft Business Plan and review again in late January for recommendation to Full Council
February	Full Council will consider the draft Business Plan

## 8. ALIGNMENT WITH CORPORATE PRIORITIES

Report authors should evaluate the proposal(s) in light of their alignment with the following three Corporate Priorities.

### 8.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

### 8.2 Helping people live healthy and independent lives

There are no significant implications for this priority

### 8.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

## 9. SIGNIFICANT IMPLICATIONS

- 9.1 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 – See Community Impact Assessment in Appendix B.
- 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
<b>Have the resource implications been cleared by Finance?</b>	Yes Chris Malyon
<b>Has the impact on Statutory, Legal</b>	Yes or No

<b>and Risk implications been cleared by LGSS Law?</b>	Name of Legal Officer:
<b>Are there any Equality and Diversity implications?</b>	CIA attached as Appendix B
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes or No Name of Officer:
<b>Are there any Localism and Local Member involvement issues?</b>	Yes or No Name of Officer:
<b>Have any Public Health implications been cleared by Public Health</b>	Yes or No Name of Officer:

<b>Source Documents</b>	<b>Location</b>
None	