

SERVICE COMMITTEE REVIEW OF THE DRAFT 2015-20 REVENUE PROPOSALS

To: General Purposes Committee

Date: 7 October 2014

From: Director: Customer Service & Transformation/
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 Corporate and Managed Services Budgets.

Recommendation: The General Purposes Committee is requested to:

- a) note the overview and context provided for the 2015-20 Revenue Proposals for Corporate and Managed Services Budgets;
- b) comment on the draft proposals for Corporate and Managed Services 2015-20 revenue budgets and endorse their development; and
- c) note that a Business Case and further information on the service pressures for Corporate Services, paragraph 2.7, will be brought before the Committee for consideration at its meeting on 4 November 2014.

Officer contact:	
Name:	Chris Malyon Sue Grace
Post:	Chief Finance Officer, Corporate Director Customer Service & Transformation
Email:	Chris.malyon @cambridgeshire.gov.uk Sue.grace@cambridgeshire.gov.uk
Tel:	01223 699796 /01223 715680

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 seen a number of years of trying to protect frontline services in the midst of reducing Government funding. Looking back we have saved £70m in the last two years and are on course to save a further £31m this year. As a result, we have had to make relatively tough decisions over service levels and charging for services during this time. Over the coming five years those decisions become even more challenging. The Council is now in a position of having to consider what might previously have been considered unthinkable. The choices are stark and unpalatable but these very difficult decisions will need to be made as the Council has a duty to provide the best possible services for Cambridgeshire's communities alongside a statutory responsibility to set a balanced budget each financial year. 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 The Council undertakes financial planning of its revenue budget covering a five year timescale that 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.
- 1.4 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 projections remain fluid and will, therefore, be reviewed as more accurate data becomes available.
- 1.5 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.

2. BUILDING THE REVENUE BUDGET

- 2.1 The Council currently operates an incremental approach to revenue budgeting. 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 A**, accounting for changes to 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). Known pressures and 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.

- 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 CPI forecasts. Key inflation indices applied to budgets are outlined in the following table:

Inflation Range	2015-16	2016-17	2017-18	2018-19	2019-20
Standard non-pay inflation	2.0%	2.0%	2.0%	2.0%	2.0%
Other non-pay inflation (average of multiple rates)	2.8%	3.4%	3.4%	3.4%	3.4%
Pay (admin band)	1.5%	2.0%	2.0%	2.0%	2.0%
Pay (management band)	1.5%	2.0%	2.0%	2.0%	2.0%
Employer pension contribution (average of admin and management band)	8.2%	5.5%	0.0%	3.3%	3.2%

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

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	6,331	6,358	5,705	5,942	5,868
Children, Families and Adults (DSG funded)	351	378	401	400	400
Economy, Transport and Environment	1,106	1,230	1,046	1,080	1,040
Economy, Transport and Environment (Waste PFI)	798	855	892	945	977
Public Health	291	308	312	321	310
Corporate and Managed Services	448	406	368	385	386
LGSS Operational	330	328	222	271	256
Total	9,655	9,863	8,946	9,344	9,237

- 2.5 A review of demographic pressures facing the Council has been undertaken by the Research Group in conjunction with Services and Finance. The term demography is used to include all demand changes arising from increased numbers (e.g., clients services, road kilometres); increased complexity (e.g., more intensive packages of care as clients age); and any adjustment for previous years where demography has been under/overestimated. Forecast demography is as follows:

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	8,973	9,433	9,642	9,617	10,016
Economy, Transport and Environment	534	315	450	523	474
Public Health	76	169	160	159	159
Corporate and Managed Services	13	17	17	17	18
Total	9,596	9,934	10,269	10,316	10,667
Percentage cost increase	2.1%	2.2%	2.3%	2.4%	2.5%

- 2.6 These figures compare with an underlying population growth of around 1.7% per year (a total increase of 9.0% between 2014-15 and 2019-20). The difference is due to faster growth in certain client groups; changes in levels of need and catch up from previous years.
- 2.7 The Council is facing some cost pressures that cannot be absorbed within the base funding of services. These were reported to General Purposes Committee in September who agreed to note the 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 will be included within the revenue tables considered by service committees alongside other savings proposals and priorities:

Service Block / Description	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
CFA: Young Carers – assessments and support	175	-	-	-	-
CFA: Deprivation of Liberty Standards	2,340	-1,540	-	-	-
CFA: Emergency Duty Team	300	-	-	-	-
CFA: Older People Service	3,000	-	-	-	-
ETE: City Deal - Adult Learning Skills	200	-	-	-	-
ETE: Waste PFI	916	336	319	341	-59
CS: Business Planning Support	50	-	-	-	-
CS: Reinstatement of Voluntary Sector Infrastructure Budget	48	-	-	-	-
CS: Exploitation of Digital solutions (<i>investment</i>)	258	-	-258	-	-
Total	7,282	-1,204	61	341	-59

- 2.8 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.

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	-574	-64	-174	-	-
Economy, Transport and Environment	120	274	18	95	-
Corporate and Managed Services	-350	-205	-75	-50	-
Total	-804	5	-231	45	-

Note: The figures for Corporate and Managed Services do not include the proposed Exploitation of Digital solutions investment already shown in paragraph 2.7.

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 of £32.6m are required for 2015-16, and a total of £121.4m across the full five years of the Business Plan. The following table shows the total amount of savings / increased income necessary for each of the next five years, split by service block.

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	-25,904	-25,232	-19,332	-16,309	-7,131
Economy, Transport and Environment	-3,953	-4,881	-3,651	-2,645	-1,280
Public Health	-764	-91	-135	-780	-412
Corporate and Managed Services	-966	-2297	-704	-345	-565
LGSS Operational	-1,043	-744	-1,039	-788	-388
Total	-32,630	-33,245	-24,861	-20,867	-9,776

- 3.2 In some cases services have opted 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 October.
- 3.4 Delivering the level of savings required to balance the budget becomes increasingly difficult each year. At this point in the Business Planning Process proposals are still being developed to deliver the following currently unidentified savings:

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	-5,926	-12,653	-11,123	-15,909	-6,730
Children, Families and Adults (DSG funded)	-	-378	-401	-400	-400
Economy, Transport and Environment	-	-1,011	-621	-2,579	-1,221
Public Health	-	-	-	-	-
Corporate and Managed Services	-	-275	-77	-50	-286
LGSS Operational	-	-	-	-	-388
Total	5,926	14,317	12,222	18,938	9,026

- 3.5 Proposals will be revised to take into account feedback from October service committees and new proposals added to deliver the currently unidentified savings relating to 2015-16. Firm spending plans will be considered by service committees in November. GPC will also review the overall programme in November, before recommending the programme in January as part of the overarching Business Plan for Full Council to consider in February.

4. OVERVIEW OF CORPORATE AND MANAGED SERVICES DRAFT REVENUE PROGRAMME

Summary of proposals – Corporate Services

- 4.1 The savings outlined in **Appendix A** for Corporate Services in 2015/16 total £433k out of a net budget of £5.4m, that is 8% of the net budget.
- 4.2 This follows a number of years of savings within this Directorate the most recent being £625k in 2013/14 and a further £732k in 2014/15.

- 4.3 To meet the savings for 2015/16 inevitably means reductions in staffing as that is where the majority of this budget is spent.
- 4.4 We need to achieve these savings in the most coherent way we can in accordance with our role as the Corporate Directorate. We are already a relatively small team which is why we need to focus what we do only on supporting the delivery of the Council's key areas of work and consider how we can operate in a more integrated way within the Directorate to maximise our effectiveness.
- 4.5 Our Directorate contribution is focused on helping the rest of the Council to achieve efficiencies by:
- Accelerating our focus on **Digital First** as a means of improving services for our customers and reducing costs for the Council;
 - Continuing our delivery of **Smarter Business**, in partnership with our colleagues in LGSS, through the inter-play of rationalising our property estate, developing and exploiting our IT & web/digital infrastructure and supporting the related culture change across our staff to achieve more flexible working;
 - Supporting an emerging cross council approach to tackling key issues such as **managing demand** for high cost services through supporting colleagues and partners to **build community resilience**;
 - Taking a **system wide, whole council approach to service re-design** wherever possible so that we can remove cost whilst improving the customer experience, meeting customer needs at the first point of contact wherever possible;
 - Working primarily to **help people to help themselves**, and to **help people to help each other**, by maximising the availability of advice, information and services through web & digital channels.
- 4.6 We achieve these changes alongside delivering some of the Council's critical corporate functions. These services include research, policy and business intelligence, leading to the transformation of council services; emergency planning and business continuity; customer services; web & digital services; communications & marketing; information governance & management; community engagement; support for council wide business planning, General Purposes Committee, the Civic Offices and the Chief Executive; and responsibility for the client relationship with LGSS.
- 4.7 The £433k saving for 2015/16 will be achieved through a staff re-structure in Corporate Services: Customer Service & Transformation. The approach to the proposed re-structure will be based on ensuring we can continue to deliver these critical services to the Council. We will consider whether we can bring together some of our teams to achieve these savings, to better integrate our support for the Council, and we will consider any areas of overlap that can be addressed whilst minimising the impact on our customers. We intend to begin consultation with the staff affected by these proposals at the earliest opportunity following the October cycle of committee meetings.
- 4.8 As the majority of the revenue budget in Corporate Services is related to staffing it is difficult to plan in any detail how to achieve the savings targets for 2016/17 and beyond and they are predicated on achieving an effective re-structured service in 2015/16. In some teams staff are already approaching the minimal level to be able to deliver an effective service so further cross Council consideration of how best to maintain critical services will required to be able to deliver the Council's budget requirements for 2016/17 and beyond.

- 4.9 **Appendix A** also includes savings against the budget that supports the County Council's grant to Healthwatch, the consumer champion for health and social care services. The management of this grant is placed within Corporate Services so that there is a degree of independence between the administration of the grant and the work Healthwatch do with colleagues in Childrens, Families and Adults on behalf of the recipients of care. The grant supports the Healthwatch core services and the signposting and information it provides for care users. This budget also supports an Independent Complaints Advocacy Service. Future savings, from 2016/17 onwards, will need to be made from both Healthwatch and the Independent Complaints Advocacy Service. Discussions will take place with all involved in these services to ensure that we can minimise the impact of these savings on those who receive support through these services.

Summary of Proposals – Managed Services

- 4.10 The savings and additional income generation proposals outlined in Appendix A for Managed Services in 2015/16 total £472k against a net budget of £9.3m. This equates to a saving percentage of 5%. The relatively low percentage target for 2015/16 reflects the front-loading of £1.9m savings and income generation proposals from Managed Services in the 2014/15 Business Plan.
- 4.11 The Managed Services budget contains many of the fixed costs associated with Cambridgeshire County Council, such as the centrally managed property portfolio, the cost of maintaining IT systems, payment of allowances to Members and the external audit fees' budget. High levels of savings have been applied to these budgets in recent years - £1.9m in 2014/15 and £1.6m in 2013/14. The majority of the non-property related budgets have already been cut to the minimum sustainable level.
- 4.12 Recent Business Plans have included challenging savings targets for the rationalisation of the centrally managed property portfolio. By the start of 2015/16 it is expected that £736k of the savings applied to date will have been delivered, this includes the cessation of the Castle Court running costs. Work is ongoing to deliver the existing £300k target for 2015/16 and it is expected that additional savings, resulting from the disposal of Castle Court, should be available to contribute to the 2016/17 target of £815k.
- 4.13 There are some small efficiencies available against external audit fees (£10k), corporate subscriptions (£15k) and the Effective Property Asset Management budget (£59k) in 2015/16, but no further savings are expected to be available from these areas in future years.
- 4.14 An additional income target of £75k for each of the next three years is being applied to the County Farms budget. The material income proposal in 2016/17 represents the current expected return from the Renewable Energy Soham capital scheme, this will repay the capital investment.

Overview of any changes to proposals in the current Business Plan – Corporate Services

- 4.15 The £371k saving for 2015/16 in the 2014/15 business plan has been revised, following a review of the cash limits, and is now £433k. The previous £371k was split across the Directorate as £216k against Central Services and £155k against Customer Services Delivery Review. As we need to consider the future shape and delivery of the whole Directorate we will be looking at the revised sum of £433k in its entirety looking at how best to deliver this from across the whole team. Every area will be considered and we will need to ensure we have sufficient resource so see us through any transition to our new arrangements.

Overview of any changes to proposals in the current Business Plan – Managed Services

- 4.16 The following changes have been applied to Managed Services proposals carried forward from the 2014/15 Business Plan:
- The rationalisation of property portfolio saving target (ref C/R.6.903) has been increased in 2016/17 from £350k to £815k to reflect expected savings available from the disposal of Castle Court.
 - Income generation proposals relating to Renewable Energy Soham capital scheme (refs. C/R.7.105 & C/R.7.106) have been re-profiled to reflect expected timescales for implementation of the scheme.
- 4.17 The £84k savings shortfall resulting from re-profiling Renewable Energy Soham income proposals will be achieved by the small efficiencies against external audit fees (£10k), corporate subscriptions (£15k) and the Effective Property Asset Management budget (£59k).

Key risks – Corporate Services

- 4.18 There is a risk that we will not be able to achieve the revenue savings through the staff re-structure. Whilst this will be challenging, and very unsettling for staff, at the current time we believe this risk to be low for 2015/16.
- 4.19 The key risk associated with the budget process in 2015/16 for Corporate Services relates to the one of the service pressures identified in paragraph 2.7 of this report 'The Exploitation of Digital Solutions'. The business case associated with this request for investment will be brought before the General Purposes Committee at its meeting on 4 November 2014. If the request for investment is not supported further staff savings, and subsequent reductions to services provided across the Council, will have to be made in relation to the current time limited investment of £258k p.a.
- 4.20 The November General Purposes Committee will also be asked to consider the other Corporate Service' service pressures identified in paragraph 2.7 namely the re-instatement of the Voluntary Sector Infrastructure Budget and the Business Planning Support.

Key risks – Managed Services

- 4.21 Any delay in the disposal of Castle Court will have an impact on the achievability of the rationalisation of property portfolio savings identified in the Business Plan.

Details of any engagement undertaken during development of proposals – Corporate Services

- 4.22 The approach to Corporate Services outlined in this paper, as a response to the pressures facing the Council, has been discussed at an early stage of development with Group Leaders. Public consultation on Business Planning in recent years has highlighted public support for savings in corporate services that enable frontline services to be protected. Results from this year's public consultation will be inputted as these proposals develop.
- 4.23 The approach to staff savings will be informed by informal discussions that have taken place with the management team in Customer Service and Transformation around the

nature of the work we need to do for the Council going forward.

- 4.24 Formal consultation with staff will commence as soon as possible following the October cycle of service committees in accordance with the Council's timescale and process for all staff related savings associated with the 2015/16 business planning process.

Options for meeting unidentified savings – Corporate Services

- 4.25 Given the high proportion of the revenue budget that supports staffing in this Directorate there is no alternative to achieving these savings other than through a staff re-structure.

Options for meeting unidentified savings – Managed Services

- 4.26 Non-property related budgets have been cut to minimum sustainable levels and so the only option for generating future savings is further rationalisation of the centrally managed property portfolio.

5. ALIGNMENT WITH CORPORATE PRIORITIES

- 5.1 The nature of Corporate and Managed Services is that they support the Council to deliver efficient and effective services across all areas of activity. Therefore the proposals have a knock-on impact on the organisation's ability to achieve all corporate priorities:
- Developing the local economy for the benefit of all
 - Helping people live healthy and independent lives
 - Supporting and protecting vulnerable people

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

The whole report sets out details of significant resource implications for Corporate and Managed Services.

6.2 Statutory, Risk and Legal Implications

Key risks are identified in the report above under paragraphs 4.18 – 4.20. As proposals develop implications will be reported to Members.

6.3 Equality and Diversity Implications

A high-level Community Impact Assessment (CIA) is attached as **Appendix B** of this report. This assesses the potential impacts of these proposals at this stage. As the proposals are worked on in more detail, so too will the CIA be developed further.

6.4 Engagement and Consultation Implications

Details are included within the report under paragraphs 4.22 – 4.24.

6.5 Localism and Local Member Involvement

Details are included within the report under paragraph 4.22. Proposals within this paper apply across the whole Council rather than specific localities.

6.6 Public Health Implications

Corporate Services currently provide a wide range of support to the Public Health team within the County Council. There is therefore potential that these proposals will have a knock-on impact of the Council's ability to achieve Public Health priorities. This will be assessed further as details are developed, and will be mitigated in some part by regular communication with Public Health officers.

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