

**COMMERCIAL & INVESTMENT COMMITTEE REVIEW OF DRAFT REVENUE
AND CAPITAL BUSINESS PLANNING PROPOSALS FOR 2019/20 TO 2023/24**

To: **Commercial and Investment Committee**

Meeting Date: **14 December 2018**

From: **Amanda Askham: Director of Improvement & Development**

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 that are within the remit of the Commercial and Investment Committee.**

Recommendation: **Members are asked to:**

- a) note the overview and context provided for the 2019/20 to 2023/24 Business Plan revenue proposals for the Service, updated since the last report to the Committee in October.**
- b) comment on the draft revenue savings proposals that are within the remit of the Commercial and Investment Committee for 2019/20 to 2023/24, and endorse them to the General Purposes Committee (GPC) as part of consideration for the Council's overall Business Plan.**
- c) comment on the changes to the capital programme that are within the remit of the Commercial and Investment and endorse them to the General Purposes Committee (GPC) as part of consideration for the Council's overall Business Plan.**

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1. PURPOSE AND BACKGROUND

- 1.1 The Council's Business Plan sets out how we will spend the resources we have at our disposal to achieve our vision and priorities for Cambridgeshire, and the outcomes we want for people. This paper presents an overview of the proposals being put forward as part of the Council's draft revenue and capital budgets, with a focus on those which are relevant to this Committee. The report forms part of the process set out in the Medium Term Financial Strategy whereby the Council updates, alters and refines its revenue and capital proposals in line with new savings targets.
- 1.2 In developing our plan we are responding to a combination of cost increases and reduced Government funding which mean we have to make our resources work harder than ever before. To balance the budget whilst still delivering for communities we need to identify savings or additional income of £26.3m for 2019-20, and totalling £68.2m across the full five years of the Business Plan.

2. FINANCIAL OVERVIEW UPDATE

- 2.1 In October, Committees received information about emerging draft proposals to respond to this challenge – at that point we had identified 44% of the savings required and the remaining budget gap for 2019/20 was £21.5m. Additional gaps also existed for the later years of the business plan.
- 2.2 Since October, work on the business plan has continued with a focus on;
- Further exploring the existing schemes, refining the business cases and seeking to push schemes further wherever possible
 - Identifying mitigation measures for the identified pressures – aiming to minimise their impact on the savings requirement for the organisation
- 2.3 We are continuing as an authority to explore every avenue to identify further efficiency or to bring in more funding to the local economy and public sector. In particular;
- We continue to drive forward our Fairer Funding Campaign – arguing for Cambridgeshire to receive a higher and fairer allocation of national funding for education, social care and a range of other services
 - We have applied to be a pilot area for the Government's Business Rates Retention Scheme – which would allow us to reinvest the output of local business growth in local public services and infrastructure
 - We are working in partnership with Peterborough City Council on shared services where it will lead to better outcomes for service users
 - We are driving forward the Adults Positive Challenge Programme which is supporting us to develop a new approach in our adult social care model in the face of growing demand
- 2.4 However the number and scale of the pressures on the organisation which are not directly controllable continues to increase. In addition to the ongoing reductions in grant from Government, we continue to see demand for services and in particular the most vulnerable increasing significantly.

- 2.5 Throughout the year Adults Services has seen increased demand for services from both older people and people with learning disabilities, above the level expected when budgets were set. We have been successful through early help in constraining this demand and reducing the proportion of over 85s in service but the level of services required by people is rising, putting pressure on the health and social care system (locally and nationally). This rising demand is pushing up unit costs of care which has put pressure on budgets in the second half of the year. Within the Learning Disability Partnership, demand for services is rising as more people are discharged from inpatient units into the community as part of the Transforming Care agenda, and efforts to constrain costs are taking longer than anticipated. The considerable impact on care budgets of this demand for services continues to be mitigated through funding provided by central government, but demand has continued to rise in the second part of the year.
- 2.6 Within Children's services, numbers of children in care remain at around 100 higher than expected based on the performance of Cambridgeshire's statistical neighbours. These higher than anticipated numbers in care have resulted in continuing overspends in directly related budgets – those associated with placement costs, supervised contact and transport costs. Additionally, the foster placement capacity both in house and externally is very stretched by demand both locally and nationally. The shortfall in appropriate fostering provision is increasing the numbers of children requiring residential placements which cost around four times more than equivalent fostering placements.
- 2.7 There has also been a significant increase in numbers of unaccompanied asylum seeking children (UASC) over the last two months. The council receives fixed government grants to fund accommodation costs and support care leavers however this income has not increased in proportion with the UASC population. Additionally, the majority of recent arrivals have been placed in high cost placements due to the unavailability of lower cost accommodation. Within Children's Services we have seen a 13% increase in pupils with Education, Health and Care Plans (EHCPs) between September 2017 and September 2018 and a 20% increase in pupils attending special schools over the same period. These increases, which are in line with national trends, have caused pressures on all elements of the Special Educational Needs Development (SEND) budget.
- 2.8 The increasing number of pupils with EHCPs has also resulted in an increased pressure on the Home to School Transport – Special budget. We are seeing more pupils with SEND being transported and, due to local provision reaching capacity, pupils are being transported significant distances to access education which results in higher transport costs. An increase in complexity of needs has also contributed to this pressure with more pupils needing specialist equipment or passenger assistants to assist their travel. This is against a backdrop of a challenging transport market with quoted costs for routes being significantly higher than in previous years resulting in pressure on Mainstream and LAC transport as well as Special. These two areas are also seeing growing demand due to continuing increases in LAC numbers and a high volume of in-year admissions to schools outside of catchment area resulting in further budgetary pressures.

2.9 The table below provides a summary of the various material (£100k or greater) changes since October in the overall business planning position for 2019/20. It reflects both the positive impact of the new proposals and transformation agenda and the growing pressures we face as a sector. As shown below, the level of unidentified savings has reduced by £2.2m to £19.3m. Work to identify and work up further ideas to fill the gap is ongoing and the pressures emerging are still under review as we monitor trends and develop mitigating strategies.

Description	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Remaining Unidentified Savings at October Committees	21,505	8,838	3,807	8,078	3,151
Anticipated further savings within People and Communities	121				
Passenger Transport - Remove Discretionary Concessions	260				
Anticipated further savings within Place and Economy	250	250			
Partnership, Projects and Funding team	101				
Subtotal Business Planning Savings removed since October	732	250	-	-	-
Dedicated Schools Grant Contribution to Combined Budgets - decision by schools forum	-1,579	1,579	1,500		
Better Care Fund - Investing to support social care and ease pressures in the health and care system	-1,000	1,000			
Income from energy investment schemes			-5,668	89	201
Subtotal reduction in pressures	-2,579	2,579	-4,168	89	201
Increase in inflationary pressures	341		-155	-155	-155
Underachievement of planned 2018/19 waste contract savings	900				
Citizen First, Digital First - underachievement of planned savings from previous years	182				
Reduced LGSS Law dividend expectation	96		-96		
Microsoft Licensing Costs	240				
Increase in Traded Services to Schools pressure	100				
Increase in Home to School Transport for Special Schools - pressure	725				
Home to School Transport for Looked After Children - increased pressure	275				
Subtotal revised pressures	2,859	-	-251	-155	-155
Smoothing fund applied one-off to Children's Services in 18/19, permanent benefit unwound in 2020-21	-3,413	3,413			

Changes to People and Communities fees, charges and schools income compared to 2018-19	1,048				
Investment into Social Work (in relation to the Adults Positive Challenge programme)			1,000		
Operating costs associated with energy investment projects		39	787	22	26
Revised debt charges forecast [costs of borrowing]	-1,197	664	3,176	2	1,922
Improvement in in-year position and combination of minor adjustments	372	272			
Household waste recycling centre changes	-60				
Changes in external income assumptions [future year assumptions about iBCF and RSG*]		-5,000			
Additional changes to funding forecasts		135	-2	-1	-1
Total of Other Changes to Business Plan Assumptions / Finance Adjustments	-3,250	-477	4,961	23	1,947
Revised Gap at December Committees	19,267	11,190	4,349	8,035	5,144

**Taking account of government announcements and treatment in similar authorities, we have assumed in 2020-21 that £8m of improved BCF previously assumed as ending will now continue, this is partially offset by assuming a £3m worsening in general funding position (such as RSG).*

- 2.10 The following table shows the total level of savings necessary for each of the next five years, the amount of savings attributed from identified savings and the residual gap for which saving or income has still to be found:

	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Total Saving Requirement*	26,322	17,591	11,578	7,690	4,972
Identified Savings	-14,506	-6,903	-1,438	246	-23
Identified additional Income Generation*	7,451	502	-5,791	99	195
Residual Savings to be identified	19,267	11,190	4,349	8,035	5,144

**The Total Saving Requirement and Identified additional Income Generation in 2019-20 have both been reduced by £9m as a result of the closure of Cambridgeshire Catering and Cleaning Services with a net nil impact on the budget gap.*

- 2.11 The following funding options are available to the council to contribute towards closing the gap for 2019/20 and beyond:

Item	2019-20	2020-21	Recurring/ non-recurring	Confirmed/ unconfirmed
Further 1% Council tax increase	-£2.75m		Recurring	Local Decision
Revenue investment of recurring MRP savings	-£6.1m	£0.55m	Recurring but diminishing	Local Decision
Revenue investment of recurring smoothing fund	-£9.1m		Recurring	Local Decision
Subtotal - locally controlled/recurrent	-£17.95m	£0.55m		
Assume negative RSG deferred	-£7.1m		Unclear	Preferred national option
Subtotal – national funding changes	-£7.1m			
Transformation fund closure after current commitments	-£14.0m		Non-recurring	Local decision with conditions
Income from Business Rates Pilot	-£7.67m	£7.67m	Non-recurring	National decision
Subtotal non-recurring funding	-£21.67m	£7.67m		

3 ASSUMPTIONS AND RISKS

- 3.1 In the business planning tables the level of savings required is based on a 3.99% increase in Council Tax in 2019-20, through levying the Adult Social Care precept of 2% and a 1.99% general Council Tax increase. It is unclear whether the Adult Social Care precept will continue after 2019-20, therefore only a general Council Tax increase of 1.99% is included from 2020-21 onwards. For each 1% more or less that Council Tax is changed, the level of savings required will change by approximately +/-£2.75m.
- 3.2 There is currently a limit on the increase of Council Tax to 2.99%, above which approval must be sought from residents through a positive vote in a local referendum. The estimated cost of a referendum in May 2019 would be £742k with further costs incurred if the public reject the proposal as new bills would need to be issued.
- 3.3 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 and the figures can be confirmed:
- Movement in current year pressures – Work is ongoing to manage our in-year pressures downwards however any change to the outturn position of the Council will impact the savings requirement in 2019-20. This is particularly relevant to demand led budgets such as children in care or adult social care provision.
 - Due to the level of reduction in Government grants in later years the Council did not take the multi-year settlement offered as part of the 2015 Spending Review. The settlement included a negative allocation of Revenue Support Grant for the Council in 2019/20. There has been a recent consultation regarding Negative Revenue Support Grant however the outcome will not be known until the provisional Local Government Finance Settlement on 6th December. Our business plan currently makes a prudent assumption of a £7m negative RSG allocation in 2019/20 as proposed in the 2015 Spending Review. The Government's preferred treatment is to eliminate negative RSG using the central share of business rate receipts.

- From 2020/21, local authorities will retain 75% of business rates, the tier split of business rates between Counties and Districts is subject to change, and the funding baselines for local authorities will be reassessed. There is therefore a significant level of uncertainty around the accuracy of our funding assumptions from 2020/21 onwards. The Council's future funding position will remain unclear until Government provides an indicative allocation of business rates in Spring 2019.

4. CAPITAL PROGRAMME UPDATE

- 4.1 The draft capital programme was reviewed individually by service committees in October and was subsequently reviewed in its entirety, along with the prioritisation of schemes, by GPC in November. As a result further work was required on a handful of schemes, as well as further work 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 COMMERCIAL AND INVESTMENT'S DRAFT REVENUE PROGRAMME

- 5.1 All of the proposals within the remit of the Committee, including those which are unaltered since October, are described in the business planning tables (Appendix 1) and business cases (Appendix 2) The October papers are available to view [here](#).
- 5.2 The Committee is asked to comment on these revised proposals, and endorse them to GPC for consideration as part of the Council's development of the Business Plan for the next five years. Although now well developed, the proposals are still draft at this stage and it is only at Full Council in February 2019 that proposals are finalised and become the Council's Business Plan. The following proposals can be found in Appendix 2:
- 5.3 **F/R.6.001 Contract Efficiency (-200k in 2019-20)**
- 5.4 **F/R.6.101 Commercial Investments (-1,000k in 2019-20)**

6. OVERVIEW OF COMMERCIAL & INVESTMENT'S DRAFT CAPITAL PROGRAMME

6.1 The capital programme is shown in full in Appendix 1 as part of the finance tables. Since the Capital Programme was presented in October there have been a number of significant proposed changes to schemes:

6.2 Community Hubs – East Barnwell

Options for the use of this site are being assessed, and an application for planning permission is being made. As a result, the majority of the expenditure on this project will take place in 2019/20 and 2020/21 rather than in 2018/19. This budget has therefore been re-profiled to put £910k budget into 2019/20 and £909k budget into 2020/21. Of this, £130k of the budget in each year will be funded from developer contributions, and the rephased prudential borrowing requirement will be £780k in 2019/20 and £779k in 2020/21.

6.3 Shire Hall Relocation

Project management contractors and architects have started work on this project, so it is now possible to have a more accurate profile of expenditure. The £16,435k that was previously profiled to be spent in 2019/20 has been re-profiled to be spent across the four financial years 2018/19 – 2021/22 in accordance with the payment plans agreed with contractors and other expected expenditure. In addition, the overall cost of the project has increased by £1.7m (funded by prudential borrowing), as a result of adding in Political Group Rooms, increasing the area of land required and the knock-on impact of increased associated budgets for ICT, Furniture, Fittings and Equipment, fees and contingency.

6.4 Commercial Investments

The Business Plan as currently set utilises the capital receipts received from disposal of property to This Land (the Council's wholly owned housing development company) for the acquisition of new commercial property investments. Since the Committee last reviewed draft information in October 2018, a further regular review of budget plans with This Land has taken place; the value of land transferred is estimated based on external valuations, the progress of disposals to This Land and any uplift for overage following grant of planning permission. As a result of this review, the budget for Commercial Investments has reduced by £3,256k due to the amount of capital receipts forecast to be received by This Land decreasing by that amount.

6.5 Smart Energy Grid – St Ives

An application to MHCLG for European Regional Development Funds submitted in March 2017 has moved forward with agreement now reached on state aid. It is anticipated that the Council will move swiftly into a grant agreement with government and mobilise the work towards starting construction during 2019. Therefore the majority of the expenditure will now be in 2019/20. As a result, rephasing has increased the budget for 2019/20 by £3,161k. This is expected to be funded by £1,759k of grant funding, so the prudential borrowing requirement will increase in 2019/20 by £1,402 to fund the remainder of the rephased expenditure.

6.6 **Babraham Smart Energy Grid**

The timescale for this project has been revised, so the majority of the expenditure will now take place in 2020/21 rather than in 2019/20. As a result the 2019/20 budget has been rephased by £10,962k, and the prudential borrowing requirement has also been rephased by that amount.

6.7 **Trumpington Smart Energy Grid**

The timescale for this project has been revised, so the majority of the expenditure will now take place in 2020/21 rather than in 2019/20. As a result the 2019/20 budget has been rephased by £6,648k, and the prudential borrowing requirement has also been rephased by that amount.

6.8 **Stanground Closed Landfill Energy Project**

The timescale for this project has been revised, so the majority of the expenditure will now take place in 2020/21 rather than in 2019/20. As a result the 2019/20 budget has been rephased by £9,087k, and the prudential borrowing requirement has also been rephased by that amount.

6.9 **Woodston Closed Landfill Energy Project**

The timescale for this project has been revised, so the majority of the expenditure will now take place in 2020/21 rather than in 2019/20. As a result the 2019/20 budget has been rephased by £2,066k, and the prudential borrowing requirement has also been rephased by that amount.

7. **NEXT STEPS**

- 7.1 Following December 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.

December	GPC will consider the whole draft Business Plan for the first time Local Government Financial Settlement Published
January	GPC will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

8. **ALIGNMENT WITH CORPORATE PRIORITIES**

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

By maximising income through commercial activities, the council will form close relationships with local businesses which sustain local jobs in and around Cambridgeshire.

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 direct implications for vulnerable people, however the strategy to secure additional income mitigates the need for service reductions – which

could otherwise have an impact on vulnerable groups.

9. SIGNIFICANT IMPLICATIONS

9.1 Resource Implications

The proposals set out the response to the financial context and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget is described in the financial tables of the business plan, attached as an appendix

9.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

9.3 Statutory, Legal and Risk implications

The implications will be set out fully in the business cases associated with each of the proposals

9.4 Equality and Diversity Implications

The Community Impact Assessments describe the impact of each proposal, in particular any disproportionate impact on vulnerable or minority groups.

9.5 Engagement and Consultation Implications

No significant implications

9.6 Localism and Local Member Involvement

No significant implications

9.7 Public Health Implications

No significant implications

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Stephen Howarth
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Paul White
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes Fiona McMillan
Are there any Equality and Diversity implications?	Covered in Impact Assessments Julia Turner
Have any engagement and communication implications been cleared by Communications?	Yes Christine Birchall
Are there any Localism and Local Member involvement issues?	No Julia Turner
Have any Public Health implications been cleared by Public Health	Yes Liz Robin

Source Documents	Location
October 2018 Committee Business Planning Papers	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1002/Committee/31/Default.aspx

Appendix 1a C&I Revenue Table 1
Appendix 1b C&I Revenue Table 2
Appendix 1c C&I Revenue Table 3
Appendix 1d C&I Capital Tables 4 & 5

Appendix 2 C&I Draft business case proposals within the remit of this Committee