

Business Plan Amendment

Conservative Group

Fairer funding and our budget for 2018/19

Let us be clear, at present we receive in Government funding £75m less than an average London Borough and £13.7m less than an average County Council. We are the third lowest funded upper tier Council in the Country. If the outdated and broken funding formula had been rectified by now or if transitional funding was appropriately maintained, we would not need to consider whether to increase Council Tax in Cambridgeshire.

However, a new formula is not in place, so we therefore need to look at our alternatives to balance our budget for next year and produce a prudent but stable five-year financial plan. The first question is how efficient is the Council and whether we can drive further significant savings out that way. Additionally, can we accelerate our ongoing plans for further transformation and efficiencies? Are there more opportunities for commercialisation and investment, bringing in additional income to reduce the burden on Taxation? What are the implications of forthcoming pressures in our demand led services, demography and inflation for not only next year's budget but for the next five years. Our reserves levels are also important to consider as we work on that prudent but stable five-year financial plan. We have since this journey started already saved £176 Million but we now need a plan that deals with the £106 Million in savings we will need to make over the next five years. Almost £42 Million of those savings are in next year's budget alone. We also cannot ignore whether there are service reductions or removals that the public would wish us to consider further? Only when we have exhausted all of these opportunities and considerations will we, as a Conservative run council, consider increasing taxation.

For 2018/19 our Total gross budget excluding schools is £556m. As Conservatives we have worked hard to increase efficiencies and transformation. To evaluate our progress on this we commissioned a well-respected independent external organisation, Grant Thornton, to benchmark us against our statistical neighbours and the Country. We are pleased to reveal work by our administration so far, means the costs of running our services as Net expenditure per head of population is officially evaluated **"Very Low"** [\[link\]](#). There is always room for improvement, but this is clear evidence that we have transformed (as we promised) into a much more efficient council over recent times. Though with the pressures we face we cannot rest on our laurels. We continue to strip out management costs, in the current financial year alone we reduced the costs of central management functions by £4.9m.

Since we introduced the transformation fund we have already invested £8m which will return £40m to reduce the annual cost of services. We also created a £1 Million fund which parishes and local communities can bid for in order to deliver and improve local services. Over the next five years we have plans to invest a further £319 Million in transformation and investments to return £620 Million over the medium to long term. This is on top of the fact that Grant Thornton have already evaluated our income generation per head as **"High"**.

Cambridgeshire is a great place to call home, which is why so many people want to live here. We are the fastest growing County in the country and one of the most valuable to the nation economically. Yet the success of the economy is one of the reasons for driving this growth and why people want to live here. It is that growth that is also placing unprecedented demands on our services. In 2018/19 our changes to demography, pressures and inflation account for an additional £31 Million burden on our already stretched budgets. Next year just in Adult social care, the pressures will be £12.7 Million with only £5.3 Million matched by the 2% Adult Social Care Precept. This structural deficit across the whole organisation and acutely painful in adults and children's services means that £7.7 Million as well as the rest of the savings must be found elsewhere.

It is important to explain why a Council with "demand led" services is significantly different in budget handling to other service delivery organisations. It could be a vulnerable child needs taking into care, or an adult discharged from hospital needs assistance, before being able to move back home, it could be a person with complex disability needs moves into the area; all of these mean you automatically provide that service. But these services have been increasing exponentially compared to population growth. Some correlations are well understood, such as the welcome news life expectancy is increasing, however our ageing population has a greater care need. Others are more difficult to explain and unexpected such as the rise in hospital discharges that we need to deal with. In January 2017 this was 100 a week, currently this has escalated to 150 a week, a 50% increase. Additionally, to increase the capacity in hospitals stays for older people had reduced from 8.1 days in April to 5.6 days in October. This has resulted in older people leaving hospital in higher numbers, more quickly, and obviously in a more fragile state. This is a major service responsibility in our budgets and although this creates difficulties for us we are proud of the way we have been able to assist the NHS in the ever-escalating burden that has been placed on us. We understand the pressures the NHS are under and we continue to use our resources to the absolute maximum to try and help, whilst understanding the repercussions this has on our resources.

In recent times we have kept the General Reserve at 3% of the overall budget, around £16 Million. The level of the General Reserve was established following a risk assessment of the likely impact and probability of individual service overspends in any single financial year. It was set at the lowest prudent level possible however as demand led services account for more than 75% of our budget, just a 5% increase in demand would create a pressure of £10 Million. It is therefore essential that the Council retains the policy to reinstate the General Reserve to this level if it is drawn upon as part of the following years' budget setting process.

There are other considerations such, as the ability to predict accurately inflation which affects contract prices, and Government announcements such as no continuation of the RSG Transition Grant and adult social care support grant, nationally negotiated (but funded locally) Staff pay increases. These items alone amount to £6.3 Million. Whilst we are prepared to continue reserves at just 3% in the five-year term we have significant concerns regarding being able to achieve the £22 Million of revenue savings needed for 2020/2021. Whilst we believe our plans in this budget will see us through next year and 2019/20 we consider it prudent to consider a smoothing reserve be created to put us in the best position to avoid drastic measures in year's three to five of the plan. This will of course change yearly as more up to date information and predictions become available.

In terms of reductions or removal of services, we are proud of our record since taking back control. For example we have refused to re-visit winter gritting, we have increased expenditure by £2 Million on repairing pot – holes, we have plans to increase library provision, our children centre proposals increased expenditure on the front line and focussed on those areas which needed the services the most. There is always more we could do if finances were unlimited, but they are not. What we continue to do is deliver services that the public value and appreciate and are balanced against the effective use of resources; our current plans envisage no further reduction in the front line services that our citizens value most highly.

We have looked at our efficiency where we have proven our costs are **“Very Low”**. We have stretched our plans for commercialisation and investment to return an excess of £301 Million over the medium to longer term. Our reserves are undoubtedly tight, with foreseen difficulties in the medium term. Yet despite all of this and even with planned savings next year of £26 Million and additional income generation of £11.6 Million, we still predict a budget gap of £4.3 Million next year and foreseen difficulties in the medium term. We therefore propose to increase council tax to 2.99% for 2018/19 and set out provisional plans for the medium term that we will revisit yearly to see how and when they can be reduced if possible. This is 1% lower in total taxation than the flexibility afforded by Government. Whilst we cannot confirm final plans by other authorities, Fire, Police, Parishes, The Mayor, we recognise the Adult social care precept at 2% and Council Tax at 2.99% will add to a band D household respectively £23.76 annually (46p weekly) and £35.64 annually (68p weekly).

Our future plans continue to prioritise transformation, commercialisation and automation, to further drive down costs. We also aim to increase income generation to reduce the burden on council tax funding. This has accelerated with our recent creation of the Commercialisation and Investments Committee. We will continue to lobby the Government to accelerate the move to a new funding formula which the expected 75% Business Rates retention will use as their base line figures. Whilst we can already be proud of being the forerunner in the country with our shared back office services, a shared chief executive, an increasing number of shared senior positions and posts with Peterborough, we are continuing to look to bring forward further shared working opportunities; where they drive down costs, increase capacity and resilience and improve outcomes for our residents. The recently formed Communities & Partnerships Committee work is gaining recognition and moving from strength to strength as it signals our commitment to support and work more closely with our communities and residents. We are also working with the Conservative Mayor and the new Combined Authority to deliver those long overdue and vital improvements to our infrastructure. The delivery of 100,000 extra affordable homes and public-sector reform to further improve the lives of the people of Cambridgeshire.

We would like to thank officers for their tireless efforts in driving through the efficiencies and transformation so desperately needed. As a Group we also recognise the work that has been put in by both officers and politicians in bringing the Business Plan proposals to this Committee.

In summary therefore we must act now to protect future services. Reluctantly therefore we are recommending a general council tax increase of 2.99% in addition to the adult social care precept. This clearly demonstrates that:

- We are a council concentrating on delivering for the long term –by being financially stable, not by cutting services
- We are a council that has already delivered many efficiencies and will continue to strive for more but against a backcloth of financial stability
- We are a proven very low cost council but further efficiencies cannot match the speed of future funding requirements
- We are a council that has and will continue to invest in imaginative and innovative schemes by retaining the Transformation Fund to support long term and sustainable transformation
- We are a council that is nationally at the front of public sector reform and intend to maintain that drive
- We are a council that works with our communities and assists our partners such as the NHS when they need it
- We are council that will continue to fight for a funding system that is fair to the residents of Cambridgeshire and doesn't penalise them for being at the forefront of delivering economic growth

Cambridgeshire is a great place to live and this Conservative run council continues to strive to maintain and even improve on that.

Proposed changes to council tax over the Business Plan Period

Although the Council will consider the budget on an annual basis the Medium Term Financial Strategy, and therefore the resource allocations within the Business Plan, are predicated on a rolling five year approach. It is therefore proposed that the MTFS should reflect the following indicative tax proposals at this point for financial planning purposes.

Year	18/19	19/20	20/21	21/22	22/23
ASC precept	2%	2%	2%*	2%*	2%*
Council Tax	2.99%	1.99%	0%	0%	0%
Total	4.99%	3.99%	2%*	2%*	2%*

* The availability of the indicative 2% Adult Social Care increase in 2020-21, and beyond, have not been confirmed by Government. These assumptions will be reviewed annually, updated as required and may directly affect the potential use of the smoothing reserve which is set out below.

Proposed changes to resource allocations

Reflecting the above commentary, the amendments to the resources allocated in the finance tables are as follows:-

Service	Additional Resource Allocation £000 18/19
Creation of a Smoothing Reserve	3,652
Total	3,652

These amendments are permanent changes to the resources allocated within the Business Plan unless otherwise stated.

Revised Overall Funding Position

	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Total £'000
Total Saving Requirement	37,613	26,514	15,779	-1,217	3,989	82,678
Identified Savings	-25,960	-11,427	-590	1,074*	2,539*	-34,364
Identified additional Income Generation	-11,653	-3,129	537*	-207	-19	-14,471
Residual Savings to be identified	-	11,958	15,726	-350	6,509	33,843

*Positive figures represent a reversal of short term savings/investments from previous years

In light of the above the following amendment is proposed to the Recommendations:

6. Business Plan 2018-19 to 2022-23

Amendment from Councillor Steve Count

Additions in bold and deletions shown in strikethrough

Recommendation: It is recommended that the Committee:

1. Considers the Business Plan, including supporting budget, business cases, consultation responses and other material, in light of all the planning activities undertaken to date.
2. Reviews the options set out in Section 4 of this paper to establish a balanced budget position and makes recommendation to Full Council.
3. **Agrees** ~~Reviews~~ the following recommendations to Council:
 - a. That approval is given to the Service/Directorate budget allocations as set out in each Service/Directorate table in Section 3 of the Business Plan **subject to the changes detailed below:**
 - **Set the general council tax precept increase for 2018-19 to 2.99% as per b-d below.**
 - **Balance the 2018-19 budget by use of additional council tax receipts.**
 - **Refresh the Medium Term Financial Strategy to reflect the potential continuation of the adult social care precept beyond 2019-20**
 - **Allocate the additional funds raised from the increase in general council tax beyond those used to balance the 2018-19 budget to a smoothing reserve.**
 - b. That approval ~~be~~ is given to a total county budget requirement **in respect of general expenses applicable to the whole County area of £808,406,000 as set out in Section 2 Table 6.3 of the Business Plan** and precept level.
 - c. That approval ~~be~~ is given to a **recommended County Precept for Council Tax from District Councils of £279,489,859.22, as set out in Section 2, Table 6.3 of the Business Plan (to be received in ten equal instalments in accordance with the fall-back provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995)** ~~for each Band of property, based on the number of "Band D" equivalent properties notified to the County Council by the District Councils (223,622.3) as set out in Section 2, Table 6.4 of the Business Plan.~~

- d. That approval ~~be~~ is given to a **Council Tax for each Band of property, based on the number of “Band D” equivalent properties notified to the County Council by the District Councils (220,287), as set out in Section 2, Table 6.4 of the Business Plan reflecting a 2% ASC precept increase and a 2.99% increase in the Basic Council Tax precept:**

Band	Ratio	Amount (£)
A	6/9	£833.22
B	7/9	£972.09
C	8/9	£1,110.96
D	9/9	£1,249.83
E	11/9	£1,527.57
F	13/9	£1,805.31
G	15/9	£2,083.05
H	18/9	£2,499.66

~~the Capital Strategy as set out in Section 6 of the Business Plan including capital expenditure in 2018-19 up to £254.7m arising from:~~

- ~~• Commitments from schemes already approved;~~
- ~~• The consequences of new starts in 2018-19 shown in summary in Section 2, Table 6.9 of the Business Plan.~~

- e. **That approval be given to the report of the Chief Finance Officer on the levels of reserves and robustness of the estimates as set out within the Section 25 Statement (given in Appendix B).**

- ~~d.f.~~ That approval is given to the Capital Strategy as set out in Section 6 of the Business Plan including capital expenditure in 2018-19 up to £254.7m arising from:

- Commitments from schemes already approved;
- The consequences of new starts in 2018-19 shown in summary in Section 2, Table 6.9 of the Business Plan.

- ~~e.g.~~ That approval is given to the Treasury Management Strategy as set out in Section 7 of the Business Plan, including:

- The Council's policy on the making of the Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local

Authorities (Capital Finance & Accounting)
(England) (Amendment) Regulations 2008

- ii. The Affordable Borrowing Limit for 2018- 19 as required by the Local Government Act 2003)
 - iii. The Investment Strategy for 2018-19 as required by the Communities and Local Government (CLG) revised Guidance on Local Government Investments issued in 2010, and the Prudential Indicators as set out in Appendix 3 of Section 7 of the Business Plan.
4. Endorse the priorities and opportunities as set out in the Strategic Framework.
5. Authorise the Chief Finance Officer, in consultation with the Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations to the County Council, so as to take into account any changes deemed appropriate, including updated information on District Council Tax Base and Collection Funds, Business Rates forecasts and Collection Funds and any grant changes.

CCC BUDGET AMENDMENT 2018-19

POLITICAL PARTY CONSERVATIVES

	2018-19	2019-20	2020-21	2021-22	2022-23
TOTAL ADULT SOCIAL CARE PRECEPT INCREASE	2%	2%	2%*	2%*	2%*
TOTAL GENERAL COUNCIL TAX INCREASE	2.99%	1.99%	0%	0%	0%
BUDGET GAP BEFORE AMENDMENTS	£4,318,000	£11,958,000	£21,835,000	£6,069,000	£13,003,000
ADDITIONAL FUNDING FROM COUNCIL TAX	-£7,969,899	-£5,881,856	-£6,129,277	-£6,419,030	-£6,536,665
DRAW ON MRP FUNDING	-	-	-	-	-
PLANNED USE OF SURPLUS					
CREATION OF A SMOOTHING RESERVE	-£3,651,899	-£5,881,856	-	-	-
FINALISED BUDGET POSITION RECOMMENDED TO COUNCIL	-	£11,958,000	£15,726,343	-£350,030	£6,508,821

* The availability of the indicative 2% Adult Social Care increase in 2020-21, and beyond, have not been confirmed by Government. These assumptions will be reviewed annually, updated as required and may directly affect the potential use of the smoothing reserve which is set out below.