

**SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING
PROPOSALS FOR 2017/18 TO 2021/22**

To: Health Committee

Meeting Date: 6 October 2016

From: Dr Liz Robin, Director of Public Health
Chris Malyon, 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 the Public Health Service that are within the remit of the Health 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.
- b) It is requested that the Committee comment on the draft revenue savings proposals that are within the remit of the Health Committee for 2017/18 to 2021/22.

<i>Officer contact:</i>	
Name:	Dr Liz Robin
Post:	Director of Public Health
Email:	Liz.robin@cambridgeshire.gov.uk
Tel:	01223 703259

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, which are greater than others due to being the fastest growing county in the country.

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.

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.	

1.4 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:

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		$Y1 - A = B$
Transformation Programme		
“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		E

- 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 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. Draft proposals across all Committees will continue to be developed over the next few months to ensure a robust plan and to allow as much mitigation as possible against the impact of these savings. Therefore these proposals may change as they are developed or alternatives found.

2. BUILDING THE REVENUE BUDGET

- 2.1 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 B, accounting for 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, the cost of changes in the number and level of need of service users (demography) and proposed investments. Should services have pressures, these are expected to be managed within that service where possible, if necessary being met through the achievement of additional savings or income. If it is not possible, particularly if the pressure is caused by legislative change, pressures are funded corporately, as agreed at GPC in July. It should be noted, however, that there are no additional resources and therefore this results in an increase in the level of savings that are required to be found across all Council Services. The total expenditure level is compared to the available funding and where this is insufficient to cover expenditure, the difference is the savings requirement to be met through transformation projects 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 Consumer Price Index (CPI) forecasts. All inflationary uplifts require robust justification and as such general inflation was assumed to be 0%. Key inflation indices applied to budgets are outlined in the following table:

Inflation Range	2017-18	2018-19	2019-20	2020-21	2021-22
Standard non-pay inflation	1.7%	2.2%	2.0%	2.0%	2.0%
Other non-pay inflation (average of multiple rates)	2.8%	1.9%	1.9%	2.1%	2.0%
Pay (admin band)	1.0%	1.0%	1.0%	1.0%	1.0%
Pay (management band)	0.0%	1.0%	1.0%	1.0%	1.0%
Employer pension contribution (average of admin and management band)	3.2%	2.8%	1.9%	2.7%	2.7%

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

Service Block	2017-18	2018-19	2019-20	2020-21	2021-22
Children, Families and Adults	2,251	2,915	2,619	2,747	2,770
Economy, Transport and Environment (ETE)	795	875	840	867	832
ETE (Waste Private Finance Initiative)	856	811	881	888	903
Public Health	14	24	22	22	21
Corporate and Managed Services	398	353	383	446	482
LGSS Operational	93	282	240	274	267
Total	4,407	5,260	4,985	5,244	5,275

- 2.5 A review of demographic pressures facing the Council has been undertaken. The term demography is used to describe all anticipated demand changes arising from increased numbers (e.g. as a result of an ageing population, or due to increased road kilometres) and increased complexity (e.g. more intensive packages of care as clients age). All services are required to absorb the financial pressure of the general increase in population, estimated to be 1.4% in 2017-18. The remaining demographic pressures calculated are:

Service Block	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Children, Families and Adults	6,741	6,937	6,812	7,299	7,347
Economy, Transport and Environment (ETE)	195	200	206	211	217
Public Health	0	0	0	0	0
Corporate and Managed Services	23	24	25	25	25
Total	6,959	7,161	7,043	7,535	7,589

- 2.6 The Council is facing some cost pressures that cannot be absorbed within the base funding of services. 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 are included within the revenue tables considered by service committees alongside other savings proposals and priorities:

Service Block / Description	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
CFA: Fair Cost of Care and Placement Costs	0	0	1,500	2,500	0
CFA: Impact of National Living Wage on Contracts	3,269	3,509	3,500	3,277	0
CFA: Local Housing Allowance limits - impact on supported accommodation	0	0	412	595	199
CFA: Children's Social Care Establishment	355	0	0	0	0
CFA: Independent Review Officers and Child Protection Chairs	261	0	0	0	0
CFA: Children Innovation and Development Service	289	50	0	0	0
CFA: Multi Systemic Therapy (MST)	368	63	0	0	0
ETE: Libraries to serve new developments	0	0	0	49	0
ETE: Reinstatement of funding for non-statutory concessionary fares	125	0	0	0	0
CS: Apprenticeship Levy	500	0	0	0	0
CS: Demography	3,405	3,389	3,469	3,535	3,589
CS: Contract mitigation	0	1,500	500	0	0
CS: Renewable energy - Soham	183	4	5	4	5
CS: Increased Revenue Costs for WAN upgrades	63	0	0	0	0
CS: Increased Revenue Costs	123	0	0	0	0

for WAN upgrades in Libraries					
CS: Corporate Office IT Assets	300	0	0	0	0
Professional and Management Pay Structure - combined	441	0	0	0	0
Impact of National Living Wage on CCC employee costs (combined)	4	18	74	174	174
Total	9,686	8,533	9,460	10,134	3,967

- 2.7 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. To this end a Transformation Fund has been created, through a revision to the calculation of the Council's minimum revenue provision (MRP). The table below outlines investments by service. Note that these figures are absolute.

Transformation Workstream	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Adults Services	146	541	245	0	0	0
Finance & budget review	0	87	0	0	0	0
Customer & communities	100	0	0	0	0	0
Assets, estates & facilities management	46	51	22	0	0	0
Commissioning	363	929	366	27	0	0
Workforce planning & development	0	536	0	0	0	0
Total	655	2,144	633	27	0	0
Cumulative	655	2,799	3,432	3,459	3,459	3,459

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 or additional income of £29.0m are required for 2017-18, and a total of £99m across the full five years of the Business Plan. 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	-28,374	-21,159	-17,242	-19,075	-11,997
Public Health	-606	-	-	-	-
Total	-28,980	-21,159	-17,242	-19,075	-11,997

- 3.2 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
Vacancy Savings	1,000	Services are required to meet a target each year for staffing savings resulting through turnover of staff, for example through holding vacancies. As organisational changes are implemented, the ability/capacity to deliver this saving on an on-going basis will be reduced.
Dedicated Schools Grant funding	4,300	This potential pressure is the result of a consultation on national funding reforms.
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.
Pension triennial review	-	The pension fund is being re-valued in 2016-17, with consultation documents due in November. Updates to assumptions following this will be incorporated during the development of the Business Plan.
Housing	-	A comprehensive 10-year pipeline of development projects has now been identified and a capital funding request has therefore been included in the Draft Business Plan. The figures are still being refined however, with the initial projections expected to be confirmed during Autumn 2016. Due to the nature of the schemes the revenue impact could be significant.
Total	5,300	

- 3.3 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.
- 3.4 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 November and December.
- 3.5 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	-6,104	-3,749	-8,919	-11,785	-11,268
Public Health	-103	0	0	0	0
Total	-6,207	-3,749	-8,919	-11,785	-11,268

- 3.6 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.
- 3.7 There is currently a limit on the increase of Council Tax of 2% and above, above which approval must be sought 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 2% and above limit on increases will remain in place for all five years.
- 3.8 Following October and November 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.

4. OVERVIEW OF PUBLIC HEALTH SERVICE DRAFT REVENUE PROGRAMME

Transformation programme

- 4.1 The transformation programme for Public Health Services over the next five years focusses on the following three key themes.
- Improving engagement with communities to support behaviour changes which will improve health in the longer term.
 - Strengthening the role of all three tiers of local government in providing environments and services which support health and wellbeing
 - Maximising efficiency through our commissioning and procurement of services, including working in partnership with other organisations where this can improve outcomes or reduce commissioning costs.

The draft revenue proposals for 2017/18, combined with some internal changes in staff alignment and objectives, reflect the themes of the transformation programme.

Public Health Grant Allocation

- 4.2 The national ring-fenced public health grant allocation for Cambridgeshire reduces from £27,627k in 2016/17 to an indicative allocation of £26,946k in 2017/18, a total 'cash' reduction of £681k. The savings and efficiencies proposed for public health directorate budgets must cover the PH directorate's share of this reduction in PH grant, the costs of inflation and demography, a small reduction in income from other sources, and a small reduction in core Council funding allocated to the directorate, as part of wider corporate savings targets. The total savings requirement for the Public Health Directorate as a result of these factors is £606k.

Changes to the 2016/17 Business Plan

- 4.3 Proposals for savings to be made in 2017/18 were included in the 2016/17 Business Plan. There have been a number of changes since the 2016/17 Business Plan was written, both to the way in which demography and inflation figures are calculated corporately, and to the savings proposals themselves. A summary financial table of changes to the 2016/17 Business Plan is attached as Appendix A and more detail is given in the paragraphs below.

2016/17 Business Plan proposals which remain unchanged

- 4.4 Some savings proposals for 2017/18 were already published in the Council's 2016/17 Business Plan and remain unchanged. These include:

- Reduction in contract value for sexual health and contraceptive services £50k (ref. E/R 6.003)
- Review of exercise referral schemes £30k (ref E/R 6.006)
- Public health programmes team restructure/vacancy management 50k (ref E/R 6.019)
- Public health commissioning – explore joint commissioning with other organisations £50k (ref E/R 6.028)
- Reduction in contract value for age 0-5 public health services £90k (E/R 6.013) It should be noted that this saving has increased further as outlined in para 4.6

More details are provided in Appendix B

- 4.5 In addition, the 2016/17 Business Plan included the following 2017/18 savings proposals for public health grant spent by other County Council directorates.

- Reduction in contract value for drug and alcohol services (£100k) – this is covered in the Children, Families and Adults Executive Directorate 2017/18 revenue programme proposals.
- The public health grant funding for the Fenland Learning Service (£90k), which is a service commissioned by Economy, Transport and Environment Executive Directorate, will be replaced by other corporate funding.

Changes to the 2016/17 Business Plan: Unachievable savings

- 4.6 Some of the public health directorate savings for 2017/18 published in the 2016/17 business plan have since been identified as unachievable. These include:

- Child and adolescent mental health counselling services (£50k): This saving was proposed, in order to explore whether public health grant funding to these voluntary sector services might be replaced by NHS funding. This wasn't feasible, so this saving is no longer proposed.
- Recommissioning of age 0-19 children and young people's public health services (£250k): This savings proposal was based on a redesign of children and young people's health services across services commissioned by Cambridgeshire County Council, Peterborough City Council and the Cambridgeshire & Peterborough Clinical Commissioning

Group. The aim is to create a more 'joined up' service for children and their families, and use our combined resources more efficiently. This work is ongoing, but will not be ready for implementation in 2017/18.

Changes to the 2016/17 Business Plan: Demography, Inflation and Pressures

- 4.7 As noted in paras 2.3-2.5, the approach to both demography and inflation has changed for this 2017/18 business planning round. All demography as a result of general population growth has been removed from the Business Planning process, on the assumption that this will be absorbed with in Services' current budgets (demography previously estimated at £325k for Public Health for 2017-18, now zero). Inflation has been recalculated to use an expected inflation rate of 0% for general inflation (as opposed to those costs linked to specific rates of inflation e.g. in-house staff costs). As a result, the expected 2017/18 inflation for Public Health has reduced from £373k to £14k, plus a £4k pressure for changes to the management pay structure. The £660k saving described in the 2016/17 Business Plan as '(E/R.6.023) No uplift for demography/inflation/pressures for externally provided public health contracts'. has therefore been removed from the 2017/18 Public Health business planning tables.

Changes to the 2016/17 Business Plan: Additional Savings Proposals

- 4.8 The total savings requirement for the public health directorate as outlined in para 4.2 is £606k. Due to some 2017/18 savings identified in the 2016/17 business plan being unachievable, together with some reductions in external income, this leaves an additional £336k of savings for 2017/18 to be found.

Additional proposals identified to date are:

- Cambridgeshire Community Services have agreed to work with us to identify an additional £60k reduction in the contract value for age 0-5 public health services through a capacity review, skill mix and vacancy management (ref E/R.6.012),.
- The demand for on-line Chlamydia screening has reduced, and this is also associated with a reduction in laboratory costs for Chlamydia testing, leading to a saving of £50k (ref E/R 6.026)
- It is proposed that the current Food in Schools public health programme will be recommissioned jointly with Peterborough City Council. The saving from procuring the service jointly across Cambridgeshire and Peterborough is estimated as £25k (ref E/R 6.028)
- A three year Cambridgeshire County Council contract for a voluntary sector Homestart programme ended in September 2016. The public health grant contribution to funding this contract will no longer be required in 2017/18, creating a revenue saving of £98k (ref. E/R 6.031)

More detail is provided in Appendix B

These additional savings proposals currently amount to £233k, which leaves an ongoing gap of £103k.

Work is underway on further savings proposals to meet this £103k gap, with an initial focus on reviewing smoking cessation budgets to identify any

recurrent underspends on payments to GPs and costs of nicotine replacement therapy (ref. E/R 6.025).

Key risks

- 4.9 The savings requirement resulting from reductions in the national public health grant is challenging. Risks are being mitigated by our contracted services working collaboratively with public health commissioners to identify savings, while maintaining key service outcomes.
- 4.10 The picture for 2018/19 and beyond is less clear. Although the further percentage reductions in the national public health grant for 2018/19 and 2019/20 has been announced, there is still national debate about the future of the public health grant ring-fence, and whether in the longer term, public health services should be fully funded from business rates.
- 4.11 Detailed figures for revenue savings going forward in 2018/19 and beyond have not yet been proposed. Since the majority of the public health budget is spent on externally commissioned services, the main part of these savings will need to be identified through recommissioning of large external contracts as outlined in the Council's transformation plans. Work to develop the programme plan for of recommissioning of these contracts is ongoing.

Further developments

- 4.12 All proposals outlined are draft at this stage and subject to further development. Full Council in February 2016 is the point at which proposals become the Council's business plan.

5. NEXT STEPS

November	Service Committees will review draft proposals again, for recommendation to General Purposes Committee
December	General Purposes Committee will consider the whole draft Business Plan for the first time
January	General Purposes Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

6. ALIGNMENT WITH CORPORATE PRIORITIES

6.1 Developing the local economy for the benefit of all

Public health services help to maintain a healthy and productive workforce in the County, which in turn supports the local economy.

6.2 Helping people live healthy and independent lives

Public health services have a key role in helping people to live a healthy lifestyle and stay healthy for longer. The savings proposals identified aim to protect, as far as possible, front line public health services which deliver this outcome.

6.3 Supporting and protecting vulnerable people

Public health services are often in contact with vulnerable people, who require additional support to maintain their health. The savings proposals identified aim to protect, as far as possible, front line public health services which have this role..

7. SIGNIFICANT IMPLICATIONS

7.1 Resource Implications

These savings proposals are focussed on providing best value for money. Resource implications are outlined within the document and accompanying tables.

7.2 Statutory, legal and risk implications

Due to continuation of the public health ring-fence until 2018/19, public health grant spend must continue to meet the grant conditions. Key risks and mitigations are outlined in paragraphs 4.9, 4.10 and 4.11.

7.3 Equality and Diversity

Equality and diversity implications are considered in the Community Impact Assessments (CIAs) provided in Appendix C. Draft CIAs are available for the majority of proposals and the remaining CIAs will be provided to the November Health Committee.

7.4 Engagement and Communications

In addition to the wider engagement and consultation on the County Council's Business Plan, ongoing engagement with service providers, stakeholder organisations, and across Council directorates is taking place during development of these proposals.

7.5 Localism and Local Member Involvement

There are no significant implications.

7.6 Public Health

The impact of each proposal on public health outcomes has been considered as part of the prioritisation process, with the aim of minimising negative impacts.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Clare Andrews
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes : 26 September 2016 Name of Legal Officer: Fiona McMillan
Are there any Equality and Diversity implications?	Yes 27 th September 2016 Name of Officer: Liz Robin
Have any engagement and communication implications been	Yes : 26 September 2016 Name of Officer: Matthew Hall

cleared by Communications?	
Are there any Localism and Local Member involvement issues?	Yes 27 th September 2016 Name of Officer: Liz Robin
Have any Public Health implications been cleared by Public Health	Yes : 26 September 2016 Dr Liz Robin

Source Documents	Location
Transformation Programme	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/182/Committee/2/Default.aspx
Demography Update	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/183/Committee/2/Default.aspx
Cambridgeshire County Council Business Plan 2016/17	http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2016_to_2017