

SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING PROPOSALS FOR 2019-20 TO 2023-24

To: **Commercial and Investment Committee**

Meeting Date: **19 October 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 Proposals for services that are within the remit of the Commercial and Investment Committee.**

Recommendation:

- a) It is requested that the Committee note the overview and context provided for the 2019-20 to 2023-24 Business Plan revenue proposals for the Service.**
- b) It is requested that the Committee comment on the draft revenue proposals that are within the remit of the Commercial and Investment Committee for 2019-20 to 2023-24.**

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1. OVERVIEW

- 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.

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.	

- 1.2 To ensure we deliver this agenda, our focus is always on getting the maximum possible value for residents from every pound of public money we spend and doing things differently to respond to changing needs and new opportunities. The Business Plan therefore sets out how we aim to provide better public services and achieve better results for communities whilst responding to the challenge of reducing resources.
- 1.3 Like all Councils across the country, we are facing a major challenge. Demand is increasing and funding is reducing at a time when the cost of providing services continues to rise significantly due to inflationary and demographic pressures. Through our FairDeal4Cambs campaign we are currently linking with the 39 Shire County areas who make up membership of the County Council's Network and who are raising the issue of historic underfunding of Shire Counties with our MPs and through them with Government. As the fastest growing County in the country this financial challenge is greater in Cambridgeshire than elsewhere. We have already delivered £186m of savings over the last five years and have a strong track record of value for money improvements which protect front line services to the greatest possible extent. However we know that there will be diminishing returns from existing improvement schemes and that the substantial pressure on public finances remains. It is therefore clear that we need to work more closely with local communities to help them help themselves as well as going further and faster in redesigning the way we commission and deliver services.
- 1.4 As such our Business Plan recognises the scale of change needed and proposes a significant programme of change across our services, with our partners and, crucially, with our communities. To support this we have a

dedicated transformation fund, providing the resource needed in the short term to drive the change we need for the future.

- 1.5 As the scope for traditional efficiencies diminishes our plan is increasingly focused on a range of more fundamental changes to the way we work. Some of the key themes driving our thinking are;
- Income and Commercialisation - identifying opportunities to bring in new sources of income which can fund crucial public services without raising taxes significantly and to take a more business-like approach to the way we do things in the council.
 - Strategic Partnerships – acting as ‘one public service’ with our partner organisations in the public sector and forming new and deeper partnerships with communities, the voluntary sector and businesses. The aim being to cut out duplication and make sure every contact with people in Cambridgeshire delivers what they need now and might need in the future.
 - Demand Management – working with people to help them help themselves or the person they care for e.g. access to advice and information about local support and access to assistive technology. Where public services are needed ensuring support is made available early so that people’s needs don’t escalate to the point where they need to rely heavily on public sector support in the long term– this is about supporting people to remain as healthy and independent as possible for as long as possible.
 - Commissioning – ensuring all services that are commissioned to deliver the outcomes people want at the best possible price – getting value for money in every instance.
 - Modernisation – ensuring the organisation is as efficient as possible and as much of the Council’s budget as possible is spent on front line services and not back office functions taking advantage of the latest technologies and most creative and dynamic ways of working to deliver the most value for the least cost.
- 1.6 The Council continues to undertake financial planning of its revenue budget over a five year period 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, with a focus on those which are relevant to this Committee. Increasingly the emerging proposals reflect joint proposals between different directorate areas and more creative joined up thinking that recognise children live in families and families live in communities, so many proposals will go before multiple Committees to ensure appropriate oversight from all perspectives.
- 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 Equally as our proposals become more ambitious and innovative, in many instances they become less certain. Some proposals will deliver more or less than anticipated, equally some may encounter issues and delays and others might be accelerated if early results are promising. To manage this we need to incorporate some changes to our business planning approach, specifically;
- We want to develop proposals which exceed the total savings/income requirement – so that where some schemes fall short they can be mitigated by others and we can manage the whole programme against a bottom-line position
 - We aim to establish a continual flow of new proposals into the change programme – moving away from a fixed cycle to a more dynamic view of new thinking coming in and existing schemes and estimates being refined
 - A managed approach to risk – with clarity for members about which proposals have high confidence and certainty and which represent a more uncertain impact
- 1.9 The Committee is asked to comment on 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.
- 1.10 Committees will receive an update to the revenue business planning proposals in December at which point they will be asked to endorse the proposals to GPC as part of the consideration for the Council's overall Business Plan.

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 the attached Table 3, accounting for the forecasts of inflation, demand pressures 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 (demand) 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 considered corporately. 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/income

requirement to be met through transformational change, and or, savings projects in order to achieve a set of balanced proposals.

- 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	2019-20	2020-21	2021-22	2022-23	2023-24
Standard non-pay inflation	1.8%	1.9%	2.0%	2.0%	2.0%
Other non-pay inflation (average of multiple rates)	3.1%	2.2%	2.5%	2.4%	2.4%
Pay (admin band)	2.0%	1.0%	1.0%	1.0%	1.0%
Pay (management band)	1.0%	1.0%	1.0%	1.0%	1.0%

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

Service Block	2019-20	2020-21	2021-22	2022-23	2023-24
People and Communities (P&C)	3,010	2,692	2,697	2,699	2,699
Economy, Transport and Environment (P&E)	1,107	1,105	1,150	1,190	1,228
P&E (Waste Private Finance Initiative)	101	34	38	39	39
Public Health	16	18	18	19	19
Corporate and Managed Services	403	401	401	401	401
LGSS Operational	137	120	120	120	120
Total	4,774	4,370	4,424	4,468	4,506

- 2.5 A review of demand pressures facing the Council has been undertaken. The term demand 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). The demand pressures calculated are:

Service Block	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
People and Communities (P&C)	8,326	8,847	9,011	10,385	10,621
Economy, Transport and Environment (P&E)	567	344	351	359	366
Total	8,893	9,191	9,362	10,744	10,987

- 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	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
New Pressures Arising in 19-20					
P&C: Looked After Children Placements	2,700				
P&C: Supervised contact (numbers of children)	235	-35			
P&C: Independent reviewing officers (numbers of children)	85		-85		
P&C: New duties – leaving care	390				
P&C: Children's services reduced grant income expectation	295				
P&C: Education Directorate pressure	148				
P&C: Home to School Transport Special	750				
C&I: Closure of Cambridgeshire Catering & Cleaning Services	479				
C&I: Traded services to Schools	250				
Existing Pressures Brought Forward					
P&C: Fair Cost of Care and Placement Costs		1,000	2,000	1,000	
P&C: Impact of National Living Wage on Contracts	2,561	3,367	3,185	2,324	
P&C: Dedicated Schools Grant Contribution to Combined Budgets	3,079				
P&C: Pressures from 18/19 in Adult Social Care	2,000				
P&E: Libraries to serve new developments		49			
P&E: Minerals and Waste Local Plan		-54	-54		
P&E: Archives Centre	78				
P&E: Guided Busway Defects	200	-1,300			
CS: Disaster Recovery facility for critical business	41				

systems					
Impact of Local Government Pay offer on CCC Employee Costs (combined)	409	174	174		
CS: De-capitalisation of rolling laptop refresh	1,100				
C&I: Renewable energy – Soham	5	4	5	40	
Total	14,805	3,205	5,225	3,364	-

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 £33.0m are required for 2019-20, and a total of £62m across the full five years of the Business Plan. 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:

Service Block	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Total Saving Requirement	38,509	7,989	5,368	7,822	3,151
Identified Savings	-14,178	347	-1,438	246	-
Identified additional Income Generation	-2,826	502	-123	10	-
Residual Savings to be identified	21,505	8,838	3,807	8,078	3,151

- 3.2 As the table above shows there is still a significant level of savings or income to be found in order to produce a balanced budget for 2019-20. While actions are being taken to close the funding gap, as detailed below, it must be acknowledged that the proposals already identified are those with the lower risk and impact profiles and the further options being considered are those considered less certain, or with greater impact.
- 3.3 The actions currently being undertaken to close the gap are:
- Reviewing all the existing proposals to identify any which could be pushed further – in particular where additional investment could unlock additional savings
 - Identifying whether any longer-term savings can be brought forward
 - Reviewing the full list of in-year and 2019-20 pressures – developing mitigation plans wherever possible to reduce the impact of pressures on the savings requirement

- Bringing more ideas into the pipeline – this work will continue to be led across service areas - recognising that it is the responsibility of all areas of the Council to keep generating new proposals which help meet this challenge.
- 3.4 There are also a number of risks or assumptions 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:
- The Business Plan includes a combined pressure relating to the increase in the National Living Wage however the apportionment of this pressure between service areas has not been confirmed. Additionally, the size of this pressure is likely to change following an update of establishment information in the Autumn.
 - The result of schools funding reforms, in particular the control of the Dedicated Schools Grant shifting further toward individual schools, is still under discussion and the significant current pressure will be updated as the outcome of this discussion becomes clear.
 - Movement in current year pressures – Work is ongoing to manage our in-year pressures downwards however any change to the out-turn 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 finance settlement in mid-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.
- 3.5 In some cases services have planned to increase income to prevent a reduction in service delivery. For the purpose of balancing the budget these two approaches have the same effect and are treated in the same way.
- 3.6 This 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. New proposals are

developed across Council to meet any additional savings requirement and all existing schemes are reviewed and updated before being presented to service committees for further review during December.

- 3.7 The level of savings required is based on a 1.99% increase in general Council tax and an additional 2% increase through levying the Adults Social Care precept. It should be noted that the Government has only confirmed that ASC precept will be available up to and including 2019-20. For each 1% more or less that Council Tax is changed, the level of savings required will change by approximately +/-£2.5m.
- 3.8 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. This presents the Council with the option to increase Council tax by a further 1%. It is estimated that the cost of holding a referendum for increases above 2.99% would be around £100k, rising to as much as £500k should the public reject the proposed tax increase (as new bills would need to be issued).
- 3.9 Following October, November and 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.

4.0 BUSINESS PLANNING CONTEXT FOR COMMERCIAL AND INVESTMENT COMMITTEE

- 4.1 With the ever decreasing traditional funding for the authority and increasing demand for services, we need to gain more funds and make our current funds and assets work harder to enable the authority to remain sustainable and achieve desired outcomes. Through business planning we work to drive maximum value from the Cambridgeshire pound and ensure we can continue to provide good services to communities despite cost and funding pressures. To deliver this we are committed to;

- investing in our services to transform them, delivering better outcomes and reduced demand
- Investing in commercial opportunities which bring in a good financial return to the council whilst balancing risk and rewards
- making improvements to how we manage our business, our people and our money
- improving how we manage the contracts we have with suppliers and external providers
- developing new and deeper partnerships – bringing benefits for all
- only considering reducing services as a last resort

- 4.2 In the last two years, all Local Authorities in the UK have increased their focus and investment in commercial activity as a response to the challenging financial conditions in the Public Sector. It is anticipated that entrepreneurial

activities will rise to be some 18% of council budgets by 2020 - a sum potentially worth upwards of £27bn across councils in England. The Commercial and Investment Committee in CCC has already highlighted the scope for further commercial returns and is determined to push the commercial agenda with greater ambition. In the budget for 2019/20 and beyond, commercial and income generating proposals will form a significant part of our response to the funding gap – with our ability to create a commercial return underpinning delivery of crucial frontline services.

4.3 Proposals to generate a commercial return are focused on three main areas in 19/20:

- Contract management, market shaping and entrepreneurial procurement;
- Increasing contribution from current service delivery; and
- An ambitious acquisitions and investment strategy.

4.4 A commercial strategy is currently being developed with a view to providing more rigour, direction and support to a commercial approach and activities in Cambridgeshire and will promote the following key enablers:

- A better understanding of how traditional and alternative financial instruments could fund new opportunities – e.g. angel investment, equity funding, social impact investors and micro-creditors
- Growth of commercial acumen across the organisation so that everything we do is considered through a commercial lens.
- Alignment of commercial aspirations to core mission and outcome-based performance so that financial and social value can be considered together.
- A clear view of the council's baseline position, including profit and loss of current commercial activities and what full cost recovery looks like for non-trading statutory services.
- Political support for this refreshed commercial approach including a clear view on risk and reward.
- A robust appraisal framework to prioritise and scrutinise business cases, contrasting potential contribution (financial and non-financial) with the level of difficulty to implement (risk and effort).

5. **OVERVIEW OF COMMERCIAL AND INVESTMENT COMMITTEE'S DRAFT REVENUE PROGRAMME**

5.1 The paragraphs below provide an overview of the draft 2019/20 business planning proposals within the remit of the Commercial and Investment Committee. In each case the reference to the business planning table is included along with the anticipated level of financial saving or additional income. It is important for the Committee to note that the proposals and figures are draft at this stage and that work on the business cases is ongoing. Updated proposals will be presented to Committee again in December at which point business cases and the associated impact assessments will be final for the Committee to endorse.

- 5.2 Additional investment is required to deliver transformation at this scale and the programme of savings described below will need to be supported by resource agreed through the Council's Transformation fund process. A report will be prepared for General Purposes Committee detailing the additional resource requirements, the associated savings and therefore the return on investment. This report will go to the November meeting of General Purposes Committee.

Summary of proposals:

5.3 **F/R.6.001 Contract Efficiency (-200k in 2019-20)**

Recent intelligence is indicating that there is significant opportunity for savings to be gathered through reviewing existing contracts and commencing re-procurement activities at earlier stages. Undertaking more detailed reviews of the contracts identified for review and renegotiation should enable greater economies of scale and potentially seek alternate methods of receiving and delivering services when looking at contracts more holistically and broadly. Although it would be remiss to target a global percentage saving across all contracts without this detailed review, initial analysis points to the savings in the low £100ks in 2019/20, and the potential for savings of above £1m in both 2020/21 and 2021/22 and beyond.

The opportunities are focussed on reviewing long-standing arrangements or those that are highly recurring with a focus to re-specifying and engaging well and more often with the marketplace. This may very well result in some contracts needing renegotiation or to review break clauses, and others will be taken at the natural break clause or cessation of current contract terms.

To deliver this review and to progress the opportunities with clear negotiation and a firm approach, suitable resource and capacity will need to be identified. It is anticipated that this is in addition to current support levels received from LGSS Procurement and therefore an aligned Transformation Fund bid will be proposed.

There are further savings from specific contractual and commercial efficiencies on named contracts within the relevant service committee proposals

5.4 **F/R.6.101 Commercial Investments (-1,000k in 2019-20)**

As identified in 2018/19 a portfolio of investments and acquisitions is being developed to enable annual receipts. Using experience from the last year the proposed approach going forward is to closely align the portfolio with the emerging new commercial strategy and to have clear responsibilities within officer roles and a new fit-for-purpose commercially focussed team. The team will work closely with an external portfolio manager and will enable timely and robust due diligence to gain the breadth of investments and importantly the annual monetary returns.

The reviewed target is £1,000k during 2019-20

5.5 **Further returns from existing schemes**

Savings and income generation activities identified in 2018/19, such as increasing and having a consistent approach to Advertising and Sponsorship,

will be continuing and growing during 2019/20. It is anticipated that many of these activities will be linked through the new commercial strategy and will routinely and appropriately share marketplace intelligence and approaches. It is envisaged to have an approach whereby we may offer a package to external organisations that includes advertising, sponsorship, their funding of specific activities, renegotiation of contracts and potential long term partnerships or joint development.

6. NEXT STEPS

6.1 The high level timeline for business planning is shown in the table below.

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

7. ALIGNMENT WITH CORPORATE PRIORITIES

7.1 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.

7.2 Helping people live healthy and independent lives

There are no significant implications for this priority

7.3 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.

8. SIGNIFICANT IMPLICATIONS

8.1 Resource Implications

The proposals set out the response to the financial context described in section 4 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. The proposals seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

8.2 Statutory, Legal and Risk implications

The implications will be set out fully in the business cases associated with each of the proposals - fuller business cases will be provided to the November and December Committee meetings.

8.3 Equality and Diversity Implications

No significant implications.

8.4 Engagement and Consultation Implications

No significant implications

8.5 Localism and Local Member Involvement

No significant implications

8.6 Public Health Implications

No significant implications

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Tom Kelly
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes Debbie Carter-Hughes
Are there any Equality and Diversity implications?	Covered in business case impact assessment 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
Strategic Framework	https://cmis.cambridgeshire.gov.uk/cc_live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/580/Committee/2/Default.aspx

Appendices:

APPENDIX 1: Draft Business Cases for business planning proposals within the remit of Commercial and Investment Committee

APPENDIX 2: Financial summary – table 3