

**SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING  
PROPOSALS FOR 2016/17 TO 2020/21**

*To:* Health Committee

*Meeting Date:* 5<sup>th</sup> November 2015

*From:* Director of Public Health  
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 Public Health Services 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 2016/17 to 2020/21 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 2016/17 to 2020/21, and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan
- c) It is requested that the Committee consider the proposed approach to demography and inflation for those Public Health services that are within the remit of the Health Committee for 2016/17 and endorse the recommendations.

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## 1. OVERVIEW

- 1.1 The Council's Business Plan sets out how we will spend our money to achieve our vision and priorities for Cambridgeshire. Like all Councils across the country, we are facing a major challenge. Our funding is reducing at a time when our costs continue to rise significantly due to inflationary and demographic pressures. This means that despite the way in which we have been able to stimulate local economic growth, and the improving national economy, the financial forecast for the Council continues to present huge challenges.
- 1.2 The Council has now experienced a number of years of seeking to protect frontline services in response to reducing Government funding. Looking back, we have saved £73m in the last two years and are on course to save a further £30m this year (2015/16). 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. The choices are stark and unpalatable but very difficult decisions will need to be made as the Council has a statutory responsibility to set a balanced budget each year, as well as a duty to provide the best possible services for Cambridgeshire's communities. It is the Chief Finance Officer's statutory role to provide a statement on the robustness of the budget proposals when they are considered by Council in February.
- 1.3 This year the Council has adopted an outcome-led approach to Business Planning. This is defined and described through the draft Strategic Framework that was approved by the General Purposes Committee on 20 October this year  
<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1050>
- 1.4 The Strategic Framework sets out the outcomes that the Council will work towards achieving, and the ways of working the Council will adopt, in the face of prolonged and painful budget pressures. It is not a solution to austerity in itself, but instead it is the approach the Council has taken to best tackle the huge challenges it faces.
- 1.5 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.
- 1.6 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.
- 1.7 The Council issues cash limits for the period covered by the Business Plan (rolling five years) in order to provide clear guidance on the level of resources that services are likely to have available to deliver services over that period. To maintain stability for services and committees as they build their budgets

we will endeavor to minimise variation in cash limits during the remainder of the process unless there is a material change in the budget gap.

- 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 Annex A, 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 and the cost of changes in the number and level of need of service users (demography). Proposed investments are then added and the total expenditure level is compared to the available funding. Where funding is insufficient to cover expenditure, the difference is apportioned across services as a savings requirement in order to balance the budget. Should services have pressures, these are expected to be managed within that service, if necessary being met through the achievement of additional savings or income.
- 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. Key inflation indices applied to budgets are outlined in the following table:

<b>Inflation Range</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Standard non-pay inflation	1.2%	1.7%	1.8%	1.9%	2.0%
Other non-pay inflation (average of multiple rates)	3.4%	1.9%	2.3%	2.4%	2.4%
Pay (admin band)	2.0%	2.0%	2.0%	2.0%	2.0%
Pay (management band)	2.0%	2.0%	2.0%	2.0%	2.0%
Employer pension contribution (average of admin and management band)	5.5%	-0.5%	3.5%	2.9%	2.8%

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

Service Block	2016-17	2017-18	2018-19	2019-20	2020-21
Children, Families and Adults	4,741	4,843	5,444	5,655	6,045
Economy, Transport and Environment (ETE)	769	816	953	927	927
ETE (Waste Private Finance Initiative)	803	778	831	846	872
Public Health	272	372	405	416	430
Corporate and Managed Services	374	286	342	353	358
<b>Total</b>	<b>7,261</b>	<b>7,264</b>	<b>8,207</b>	<b>8,411</b>	<b>8,841</b>

- 2.5 A review of demographic pressures facing the Council has been undertaken by the Research Group in conjunction with services and Finance. The term demography is used to 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 demographic pressures calculated by the Research Group are:

Service Block	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Children, Families and Adults	9,404	9,798	9,913	10,301	10,438
Economy, Transport and Environment (ETE)	266	466	474	486	544
Public Health	159	325	289	291	263
Corporate and Managed Services	24	23	24	25	25
<b>Total</b>	<b>9,853</b>	<b>10,612</b>	<b>10,700</b>	<b>11,103</b>	<b>11,270</b>

- 2.6 The Council is facing some cost pressures that cannot be absorbed within the base funding of services. These were reported to General Purposes Committee (GPC) in September who agreed that services should meet the cost of their own pressures. Some of the pressures relate to costs that are associated with the introduction of new legislation and others as a direct result of contractual commitments. These costs are included within the revenue tables considered by service committees alongside other savings proposals and priorities:

Service Block / Description	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
CFA: Unaccompanied Asylum Seeking Children	125	-	-	-	-
CFA: Fair Cost of Care & Placement Costs	-	-	-	1,500	2,500
CFA: Home to School Transport (mainstream)	980	-	-	-	-
CFA: Home to School Transport (LAC & Special)	1,200	-	-	-	-
CFA: Learning Disability Partnership	1,892	-	-	-	-
CFA: Single-tier State Pension	1,409	-	-	-	-
CFA: Adoption	570	-	-	-	-

ETE: Single-tier State Pension	331	-	-	-	-
ETE: Annual subscription to the LEP	50	-	-	-	-
CS: Single-tier State Pension	63	-	-	-	-
CS: Insurance Fund	278	-	-	-	-
CS: Children's Centre Business Rates	145	-	-	-	-
CS: Renewable Energy - Soham	-	183	4	5	4
LGSS: Single-tier State Pension	210	-	-	-	-
PH: Single-tier State Pension	34	-	-	-	-
<b>Total</b>	<b>7,287</b>	<b>183</b>	<b>4</b>	<b>1,505</b>	<b>2,504</b>

- 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. The table below outlines investments by service. Note that negative figures indicate the removal of an investment from a previous year.

<b>Service Block</b>	<b>2016-17 £'000</b>	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>	<b>2019-20 £'000</b>	<b>2020-21 £'000</b>
Children, Families and Adults	1,220	-174	-	-	-
Economy, Transport and Environment	-726	13	-	-	-
Corporate and Managed Services	312	2	132	159	-
<b>Total</b>	<b>806</b>	<b>-159</b>	<b>132</b>	<b>159</b>	<b>0</b>

### 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 £40.7m are required for 2016-17, and a total of £118m across the full five years of the Business Plan. The following table shows the total amount necessary for each of the next five years, split by service block.

<b>Service Block</b>	<b>2016-17 £'000</b>	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>	<b>2019-20 £'000</b>	<b>2020-21 £'000</b>
Children, Families and Adults	-30,788	-22,075	-16,499	-13,112	-8,048
Economy, Transport and Environment	-6,593	-3,573	-2,856	-2,041	-982
Public Health	-511	0	-755	-912	-562
Corporate and Managed Services	-1857	-1746	-319	-869	-430
LGSS Operational	-971	-571	-803	-708	-351
<b>Total</b>	<b>-40,720</b>	<b>-27,965</b>	<b>-21,232</b>	<b>-17,642</b>	<b>-10,373</b>

- 3.2 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.
- 3.3 This report forms part of the process set out in the Medium Term Financial Strategy whereby the Council updates, alters and refines its revenue proposals in line with new savings targets. New proposals are developed by

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

- 3.4 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	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Children, Families and Adults	0	0	0	0	0
Economy, Transport and Environment	-406	-1,064	-2,391	-2,041	-982
Public Health	0	0	-755	-912	-562
Corporate and Managed Services	0	0	-285	-827	0
LGSS Operational	0	0	0	0	0
<b>Total</b>	<b>-406</b>	<b>-1,064</b>	<b>-3,431</b>	<b>-3,780</b>	<b>-1,544</b>

- 3.5 The level of savings required is based on an expected 1.99% increase in Council Tax each year. This assumption was built into the MTFS which was agreed by full council. For each 1% more or less that Council Tax is changed, the level of savings required will change by approximately +/-£2.4m.
- 3.6 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.
- 3.7 Following 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's DRAFT REVENUE PROGRAMME

##### Summary of Proposals

- 4.1 The savings proposals for 2016/17 are outlined in the finance tables in Annex A (table 3) and the summary table at Annex B. Savings include:
- A reduction of £141k in the budget held for Cambridgeshire patients treated at sexual health clinics outside the County. This is a demand led budget, which means that Cambridgeshire County Council is invoiced if a resident chooses to attend an open access sexual health clinic outside the County. However demand on this budget is lower than forecast, and the new community sexual health clinics provided by Cambridgeshire Community Services around the county offer good access for residents. Therefore this

saving is based on new forecasts predicting a lower level of out-of-county activity.

- A reduction of £170k in the budget for payments to GPs and pharmacies for services which they provide to help people stop smoking (including the costs of prescribed nicotine replacement therapy). This is a demand led budget, as Cambridgeshire County Council pays GPs and pharmacists depending on the number of local residents they see. There has been some reduction in demand for this service since 2012/13, and national data indicate that there has been a reduction in the percentage of adults who are smokers in Cambridgeshire as well as increased use of electronic cigarettes. In addition some GP practices have asked CAMQUIT (Council) staff to provide the service on their behalf, which results in a saving as the GP practices are not paid, and the additional workload has been managed within current CAMQUIT staffing levels. Smoking cessation services remain one of the most effective interventions to improve people's health and reduce overall costs for the NHS, and will remain accessible around the County.
- A saving allocated for vacancy management within the Council's public health directorate. This sets a saving against predicted levels of vacant posts over the year – recognising a fairly consistent level of staff turnover. A further saving has been made against a vacant 'physical activity' post, as the work previously delivered through this post is now covered through the new 'Everyone Health' integrated lifestyle and weight management service.
- A saving made through sharing the Director of Public Health and some public health directorate staff with Peterborough City Council, which part-funds salary costs.

### **Key risks**

- 4.2 With the exception of the shared Director of Public Health post, these proposals build on the current (2015/16) Business Plan. The level of risk in the savings as they stand is considered to be low, although since savings on sexual health and smoking cessation services are both to demand led budgets, an increase in demand above predicted levels could lead to financial pressures and a need to find other in-year savings.

### **Demography and inflation**

- 4.3 Inflation for public health services has been calculated by the Finance team as outlined in paragraph 2.3 and 2.4. Demography uplifts have been calculated for services which provide interventions for individuals or small groups of people, and would therefore be expected to see increased demand as the number of people in the County increases.

### **Unidentified savings in future years**

- 4.4 Savings proposals have been identified to cover initial requirements for 2016/17. However more work is needed to identify savings for future years, and this requires a strategic approach, considering what can be achieved in partnership with other Council directorates and the wider health system.

## **Further development**

- 4.5 All savings proposals are draft at this stage and subject to further development as outlined in Section 5 below. Additional proposals may be developed if further savings are necessary. Full Council in February 2016 is the point at which proposals become the Council's business plan.

## **5. NEXT STEPS**

November - February	Ongoing work to develop budget plan and deliver savings proposals.
January	General Purposes Committee review draft Business Plan for 2016/17.
February	Draft Business Plan for 2016/17 discussed by Full Council.
March	Publication of final CCC Business Plan for 2015/16. Ongoing work to deliver savings proposals.

## **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. The savings proposals identified protect health improvement services which support delivery of this outcome.

### **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 protect 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 protect front line public health services which have this role.

## **7. SIGNIFICANT IMPLICATIONS**

### **7.1 Resource Implications**

The savings proposals outlined ensure that budgets are aligned with forecast activity and provide best value for money.

### **7.2 Statutory, Risk and Legal Implications**

There are no significant statutory or legal implications. Risk implications are outlined in paragraph 4.2.



### **7.3 Equality and Diversity Implications**

Equality and diversity implications are considered in the Community Impact Assessments in Annex C

### **7.4 Engagement and Consultation Implications**

The decision to pilot sharing of the Director of Public Health post and some public health staff with Peterborough City Council required engagement with politicians in both Councils, with other Council directorates, and with the public health staff concerned.

### **7.5 Localism and Local Member Involvement**

There are no significant implications

### **7.6 Public Health Implications**

Public health implications are outlined in sections 4 and 6

<b>Source Documents</b>	<b>Location</b>
Cambridgeshire County Council Business Plan 2015/16	<a href="http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2015_to_2016">http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2015_to_2016</a>