

**OVERVIEW OF BUSINESS PLANNING PROPOSALS**

**To:** General Purposes Committee

**Date:** 22 December 2015

**From:** Director: Customer Service & Transformation/  
Chief Finance Officer

**Electoral division(s):** All

**Forward Plan ref:** Not applicable      **Key decision:** No

**Purpose:** To update the General Purposes Committee on the Business Planning Process and make associated recommendations.

**Recommendation:** The General Purposes Committee is requested to:

- a) comment on the Business Planning proposals that have been considered by Service Committees;
- b) note the remaining milestones in the Business Planning Process;
- c) note and endorse the updates provided around capital funding for Customer Service & Transformation, and LGSS Managed services; and
- d) note the stakeholder consultation and discussions with partners and service users regarding business planning proposals.

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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. However, Cambridgeshire is also the fastest growing County in the country bringing unprecedented pressures on services and funding. This is at a time when Government is significantly reducing the funding we receive but our costs continue to rise 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 £218 million since 2009 and we now have to find around £41 million next financial year (2016/17). As a result, it is likely we have had to make tough decisions over service levels during this time. Over the coming five years those decisions will become even more challenging. This is especially with the uncertainty around new powers being devolved to Councils by Government and the extra financial responsibilities they may bring. In response the authority will not only have to transform what we do but how we work with and support our communities. The choices mean 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/AgendaItem.aspx?agendaItemID=12221>).
- 1.4 The Strategic Framework sets out the outcomes that the Council will work towards achieving through the 2016-21 Business Plan, 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 main causes of uncertainty are the effects of the Comprehensive Spending Review (CSR) issued on 25 November. Several of the announcements impact on the funding available to, and responsibilities of, local government from 2016/17 onwards. Until the detailed Local Government Finance Settlement is issued in late December or early January, however, we cannot be certain what the impact will be on the Council. As such,

these budget proposals are prepared on the basis of financial modelling that does not yet take into account changes from the CSR.

- 1.8 A full briefing on the finance settlement is expected to be issued in early January, although this will depend on the timing of government announcements. Once the finance settlement is issued, a full review of our estimates of funding for the five year period will be undertaken, and budget proposals will be reviewed if necessary.
- 1.9 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.
- 1.10 General Purposes Committee has a coordinating and strategic oversight role in the Business Planning Process, and as such this report provides the latest position on the Council's Business Planning Process, and provides an update on the resolutions of service committees that considered budget proposals in November and December. It also includes an update on the financial overview, the Capital Programme, and the consultation process.
- 1.11 The Committee is asked to note the remaining milestones in the Business Planning Process, which are:
  - **January Service Committees**– receive an update on the Business Planning Process, including final draft business planning proposals
  - **GPC 14 January** – report on Local Government Finance Settlement; draft Treasury Management Strategy
  - **GPC 2 February** – GPC recommends full draft Business Plan to Full Council (all sections)
  - **Full Council 16 February** – draft Business Plan debated by Council (there is a reserve Council date on 19 February)

## 2. FINANCIAL OVERVIEW

- 2.1 In order to balance the budget in light of the cost 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:

Service Block	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Children, Families and Adults	-31,299	-22,155	-16,444	-13,112	-8,048
Economy, Transport and Environment	-6,768	-3,663	-2,856	-2,041	-982
Public Health	-1,979	-1,198	-685	-830	-515
Corporate and Managed Services	-1,892	-1,746	-319	-869	-430
LGSS Operational	-971	-571	-803	-708	-351
<b>Total</b>	<b>-42,909</b>	<b>-29,333</b>	<b>-21,107</b>	<b>-17,560</b>	<b>-10,326</b>

- 2.2 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.

- 2.3 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	-511	-100	0	0	0
Economy, Transport and Environment	-1,505	-2,078	-2,391	-2,041	-982
Public Health	0	0	-755	-912	-562
Corporate and Managed Services	-35	0	-285	-827	0
LGSS Operational	0	0	0	0	0
<b>Total</b>	<b>-2,051</b>	<b>-1,178</b>	<b>-3,431</b>	<b>-3,780</b>	<b>-1,544</b>

- 2.4 Since the reports that were put before December service committees, the total savings and unidentified savings in the proposed budget tables have changed as a result of a change in the treatment of the Public Health Grant (PHG), necessitated by an announcement in the Autumn Statement. As a result of the grant being ring-fenced for a further two years, and an additional cut in grant being announced, the savings required from PHG-funded expenditure have increased by £2.2m. Where these savings are proposed to be made in directorates other than Public Health, specific savings have not yet been identified and so they are included in the 'unidentified savings' table above.
- 2.5 The level of savings required is based on an expected 1.99% increase in council tax each year. This assumption was built into the Medium Term Financial Strategy (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.
- 2.6 There has been 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.
- 2.7 However, one key announcement in the CSR was that councils with social care responsibilities will be able to increase council tax by a further 2% without a referendum in order specifically to fund adult social care services. The specific details of how this will operate have yet to be determined.
- 2.8 No funding was announced in the CSR to specifically relieve local authorities of pressures caused by the increased cost of social care commissioning caused by the National Living Wage (NLW). It is likely that the social care precept has been introduced as a means for council to meet this pressure. No provision has been made in the business plan process to date for the NLW pressure, as it was assumed it would be funded by government as a new burden. It is expected that this will cost between £5.5m and £6m in 2016/17, with rising costs thereafter.
- 2.9 As noted above, this report and the attached budget proposals do not yet take into account this potential change in funding, or any others arising from the CSR with the exception of changes in Public Health.

### 3. CAPITAL PROGRAMME UPDATE

- 3.1 The draft capital programme was reviewed individually by service committees in September and was subsequently reviewed in its entirety, along with the prioritisation of schemes, by General Purposes Committee in October. No changes were made as a result of these reviews, though work is ongoing to revise and update the programme in light of changes to overall funding or to individual schemes.
- 3.2 The Council is still awaiting funding announcements regarding various capital grants which are expected to be made during December, plus the ongoing nature of the capital programme inevitably means that circumstances are continual changing. Therefore Services will continue to make any necessary updates in the lead up to the January GPC meeting at which the Business Plan is considered.
- 3.3 The newly created Capital Programme Board is to review the phasing of the capital programme, which may result in changes to the programme and as such, changes to the revenue costs of the capital programme.

### 4. SUMMARY OF BUSINESS PLANNING PROPOSALS (REVENUE)

- 4.1 General Purposes Committee has a coordinating and strategic oversight role in the Business Planning Process, and as such this report is an opportunity for GPC to comment on any of the business planning activity that has been discussed and approved by Service Committees. As outlined in paragraph 1.9 this is in advance of the 2 February GPC meeting when the Committee is asked to recommend the Business Plan to Full Council.
- 4.2 The Strategic Framework is the section of the Business Plan which sets out the vision and priorities of the Council, alongside the ways in which we intend to achieve those with the resources we have available. The Strategic Framework was approved by GPC on 20 October.
- 4.3 Proposals from all Committees are attached to this report as Appendix A.
- 4.4 A brief summary of discussions at each December Service Committee on key business planning proposals is attached as Appendix B.
- 4.5 Community Impact Assessments (CIAs) for business planning proposals are available online at the following locations:
  - **Adults Committee** (see Appendix D of the December meeting of this committee): <http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/AgendaItem.aspx?agendaItemID=12282>
  - **Children and Young People Committee** (see Appendix D of the December meeting of this committee): <http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/AgendaItem.aspx?agendaItemID=12306>
  - **Economy and Environment Committee:** [www.cambridgeshire.gov.uk/eeccia](http://www.cambridgeshire.gov.uk/eeccia)
  - **General Purposes Committee** (see Appendix C of the November meeting of this committee):

- **Health Committee** (see Appendix C of the November meeting of this committee): <http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/AgendaItem.aspx?agendaItemID=12293>
- **Highways and Community Infrastructure Committee:** [www.cambridgeshire.gov.uk/hccia](http://www.cambridgeshire.gov.uk/hccia)

## 5. CONSULTATION

- 5.1 The Council carries out an extensive consultation process to inform the business planning process. There has been a shift in emphasis and approach for this year's consultation compared to previous years. Councillors have advocated a different approach, moving away from the "paid for" household survey and instead commissioning a much cheaper and more enduring budget challenge animation (at time of writing over 1,700 views) that has been used to support an online survey, community engagement events, and will continue to be used during specific service-user consultations and other community events.
- 5.2 The engagement on the budget this year has focussed on raising awareness of the challenge facing Cambridgeshire, what that will mean for the changing role of the Council, and the role that communities themselves will need to play.
- 5.3 The key strands for the consultation were as follows:
- Community events attended by the County Council as part of business plan consultation including interviews with over **350 people**.
  - Business consultation via the Chambers of Commerce and a business networking event (B2B) reaching over **75 businesses**.
  - An online questionnaire accompanying the film, completed by **668 people**, an approximate 1 to 3 conversion rate from film views to completed survey.
- 5.4 The interim results of this consultation activity were reported to Service Committees during December.
- 5.5 The social media campaign that accompanied the survey had the broader aim of raising awareness of the County Council's situation. Twitter impressions for relevant tweets hit over 20,000 impressions during November (with a Twitter campaign reach of 130,000<sup>1</sup>). One Tweet appeared as a 'Great UK Government Tweet' (which means it was one of the top performing government tweets of that day) and had 2,104 impressions and a reach of 21,820).
- 5.6 The Facebook campaign yielded figures of over 25,000 impressions with nearly 45,000 unique people reached via a paid-for Facebook advert and post clicks of over 1,300.
- 5.7 The full consultation report is attached as Appendix C of this report.

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<sup>1</sup> Impressions are the number of times people saw a tweet or a post. This includes people seeing a post multiple times. Reach is the number of people who saw the post 'organically'; as it is shared or appeared on Twitter.

## 6. CUSTOMER SERVICE AND TRANSFORMATION CAPITAL UPDATE

6.1 The draft capital programme was reviewed individually by service committees in September and was subsequently reviewed in its entirety, along with the prioritisation of schemes, by General Purposes Committee in October. No changes were made as a result of these reviews.

6.2 Since then, services have continued to work on the programme to update it for the latest known position. Updates have been made to the following schemes for LGSS Managed Services:

- **Disposal / Relocation of Huntingdon Highways Depot (ref C/C.2.106)** – This scheme has been removed from the programme as it is no longer required, having been replaced by the Making Assets Count (MAC) Joint Highways Scheme (ref C/C.2.114).
- **Housing Invest To Save Schemes** – These Invest to Save schemes have been updated to reflect revised costs and re-phasing for scheme implementation, with start dates now profiled for 2017/18. Each proposal will be subject to a site specific business case.
  - **Burwell Newmarket Road - 350 Homes Invest To Save (ref. C/C.2.104)** – Total scheme costs estimated to be in the region of £105.8m.
  - **Worts Causeway – 230 Homes Invest To Save (ref. C/C.2.115)** – Total scheme costs estimated to be in the region of £57.2m.
  - **Shepreth Housing Invest To Save – 7 Homes Invest To Save (ref. C/C.2.116)** Total scheme costs estimated to be in the region of £1.2m.
  - **Cottenham 200 Homes Invest To Save - (ref. C/C.2.117)** Total scheme costs estimated to be in the region of £30.0m
- **Renewable Energy – Soham (ref C/C.2.102)** - This Invest to Save scheme has been updated to reflect an updated payment plan for implementation received from Bouygues. This has resulted in re-phasing of £1.2m scheme costs from 2016/17 to 2015/16.
- **Essential CCC Business Systems Upgrade (ref C/C.1.001)** – Expenditure has been re-phased to reflect timescales for completion of the scheme. There are no changes to overall borrowing requirements but the re-phasing results in lower borrowing in previous years and increased borrowing 2016/17 and 2017/18.

6.3 The following new schemes have been added to the 2016-17 Business Plan:

- **Energy Efficiency Fund (ref C/C.2.119)** – New Invest to Save proposal submitted for £1.0m over four years (£0.25m per year) covering the period 2016/17 – 2019/20 for investment in energy and water efficiency improvement measures in Council buildings. A revenue savings target has been applied, equal to the cost of borrowing to fund the investment, in line with minimum expectations for Invest to Save schemes (ref C/R.6.905). As specific schedules of work are agreed it is anticipated that the savings target will be updated in line with the anticipated direct savings.

### Justification

Cambridgeshire County Council consumes approximately. 9,490 MWh electricity and 6,360 MWh gas every year across the property portfolio (excluding schools). The

Energy Management Team works to measure, monitor and reduce energy consumption across the estate and through this helps to minimise spend on energy and maximise the funding available to front line services. The increasing cost of energy and water provides an incentive to reduce energy and water consumption across its operations. In order to reduce this level of consumption and to enable the Council to improve the energy and water efficiency of Council buildings, it is recommended that a rolling energy fund is established.

The Council has already taken some steps to reduce energy use across the property portfolio; examples include the installation of solar pv at Hereward Hall, a full lighting replacement in Castle Court and a range of improvement measures in The Octagon. However, there is still scope to make further improvements.

There are a range of ways the County Council can reduce energy and water use including the simple (metering), the technological (sensors, pv etc.) and the cultural (ensuring people take energy efficiency seriously).

Examples of the types of projects that the fund could be used for include building management systems (BEMS), heating controls, lighting replacements and improvements to water efficiency

- **Office Portfolio Rationalisation (ref C/C.1.002)** – Proposal submitted for £0.345m in 2016/17, to be funded by borrowing.

#### Justification

Investment to support the continued rationalisation of the Council's office portfolio and delivery of associated savings, to provide suitable environments to enable staff to work flexibly in the buildings we retain at a reduced headcount to desk ratio therefore enabling the closure and disposal of our leased properties and leading to more collaborative working with other Council and partner teams.

## **7. ALIGNMENT WITH CORPORATE PRIORITIES**

- 7.1 This report gives an overview of the Business Planning Process which itself is the document that sets out how the Council will meet the corporate priorities.
- 7.2 Section 6 of this report refers specifically to the proposed changes to the Corporate and Managed Services Directorate. These changes are intended to support the Council to focus on achieving its corporate priorities in the context of significant service pressures.

## **8. SIGNIFICANT IMPLICATIONS**

### **8.1 Resource Implications**

This report outlines the overall resource position for the Council over the business planning cycle 2016-21.



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

Business planning proposals will inevitably carry statutory, risk and legal implications. These are addressed alongside each proposal where appropriate, and also in more detail at service committee meetings.

## **8.3 Equality and Diversity Implications**

Community Impact Assessments have been completed for the proposals considered in this report, and are attached as appendices.

## **8.4 Engagement and Consultation Implications**

Significant consultation has been taken out as part of the Business Planning Process. This is highlighted within section 5 of this report.

## **8.5 Localism and Local Member Involvement**

Business Planning Proposals have been developed with significant Member involvement and consideration of the implications for localism.

## **8.6 Public Health Implications**

These are dealt with specifically in the proposals relating to the Health Committee, and where there are implications for work of other Committees these are highlighted.

<b>Source Documents</b>	<b>Location</b>
The County Council 2015-16 Business Plan	<a href="http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015">http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015</a>