

Business Planning update for 2024-29

To: Strategy, Resources and Performance Committee

Meeting Date: 31 October 2023

From: Chief Executive and Executive Director of Finance and Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: Not Applicable

Outcome: This report outlines the process of setting a business plan and financial strategy for 2024-2029 which will culminate at the February Full Council. Through this report, Members will consider and scrutinise:

- the current business and budgetary planning position and estimates for 2024-2029
- the principal risks, contingencies and implications facing the Council
- the process and next steps for the Council in agreeing a business plan and budget for future years
- the results of the Quality of Life survey

Recommendation: It is recommended that the Committee:

- a) Notes the overview and context provided for the 2024 – 2029 business plan.
- b) Notes the Quality of Life survey initial findings and how that and other consultation and scrutiny on future proposals will feed into this year's business and budget planning approach.
- c) Notes the next steps, governance approach and actions underway to develop the business plan.

Officer contact:

Name: Stephen Moir / Michael Hudson
Post: Chief Executive / Executive Director of Finance and Resources
Email: Stephen.Moir@cambridgeshire.gov.uk / Michael.Hudson@cambridgeshire.gov.uk
Tel: 01223 699241

1. Overview

- 1.1 The Council's Business Plan sets out how we will deploy our resources to achieve our vision and ambitions for Cambridgeshire, and the key outcomes we want for the county and its people. The business plan commences with our [strategic framework](#) and contains our medium-term financial strategy (MTFS), capital and treasury management strategies and our detailed five-year financial plans including estimates of investments, pressures, and savings over the whole period. The business plan now under development is for 2024-29. It is a statutory requirement for local authorities to set a balanced budget ahead of each new financial year, with Cambridgeshire's Full Council budget meeting scheduled for 13 February 2024.
- 1.2 To help inform the development of proposals, and to continue to strengthen the link between money and outcomes as part of the budget process, the council is consulting wider on the impact of its services through a new quality of life survey. The initial feedback from this is very positive and overall residents say they have a good quality of life in Cambridgeshire.
- 1.3 In addition, the process for scrutinising the budget continues to be strengthened through the service and policy committee roles as set out in section 4 of this report.
- 1.4 Work prior to this Committee (back in early 2023) on the financial analysis of the agreed Business Plan for 2023-2028 included a balanced revenue budget for the 2023-24 financial year but contained significant revenue budget gaps for subsequent years as a result of expenditure exceeding funding estimates. These budget gaps forecast and reported in February 2023 were, in £000:

Opening Budget Gaps

2024-25	2025-26	2026-27	2027-28
16,372	17,610	9,686	15,078

- 1.5 Since February 2023, the increasing level of demand for services and inflation has meant that the financial outlook has worsened. The companion Integrated Financial Monitoring Report on this agenda sets out our current forecast for a £6.4m overspend in 2023-24. The Council is taking actions to mitigate and offset the pressures reported, but any outturn overspend will need to be funded in year, ultimately from reserves, which constrains our financial starting position in future years. As well as recurring pressures increasing the forecast pressure in 2024/25 and beyond. In 2023-24, pressures on our budget have arisen principally due to a number of very high-cost children's social care placements and a delay in receiving income from a newly constructed solar farm (which requires connection to the electricity grid). In addition, we are seeing that demand for bed-based care for older people is also rising, following a period of reduction in demand and then stability stretching back for some time, to the beginning of the pandemic.

1.6 As well as increased in-year budgetary risk for the Council and local levels of activity exceeding our plans, the wider national fiscal and macroeconomic outlook is also challenging. At this point in business planning last year there were concentrated pressures on energy prices; the last twelve months has seen wider increases, particularly through inflation across the Council's activities and budgets. The Bank of England has stated that interest rates could remain above 5% until 2026. In July inflation was at 6.8% falling back from the 10.1% seen at the beginning of the financial year. In recent months wage rises in many sectors have caught up with rising prices. As much of the Council's services are people based and derived from workforce costs, both directly employed and through our supply chains, this does increase the risk of pressures of a "spiral" effect leading to increased costs for the Council. We see this acutely in a number of areas where shortages of supply (such as for children's social care placements), and reduced investment in the local government related workforce development during the last decade means we are predicting higher costs in future.

1.7 As a result, the council is now predicting that going forward it faces the following levels of pressures needing to be funded above the current level of assumed savings and income expected:

Revised Budget Gaps (£000)

2024-25	2025-26	2026-27	2027-28	2028-29
23,617	20,609	19,298	24,416	25,884

2. Building the budget



2.1 With a new Strategic Framework adopted in February, several new chief officers joining the County Council during the Spring and Summer and given the scale of the financial challenge facing us, this year's business planning cycle commenced earlier and with major changes to approach. Instead of focusing on the level of demand and demography change predicted in a small number of higher risk budget service lines, all services were engaged on a comprehensive basis to complete an initial service planning and analysis exercise. All areas were tasked with relating the outcomes their resource allocation delivers to the Council's strategic ambitions.

2.2 Services also completed a standardised analysis of staffing establishment, and any agency spend trends, as well as the pipeline for future procurements of goods and services. Through this exercise, all individual service departments were tasked with identifying how they could identify efficiencies to mitigate the inflationary impacts facing budgets.

2.3 In addition to the comprehensive exercise undertaken with all services, the Council's Corporate Leadership Team commissioned a series of deep dives focused on ensuring there has been a comprehensive review of areas of the Council's budget or activity where there is elevated risk. Deep dives were undertaken for the following areas:

- Adult Social Care debt
- Learning Disability
- Waste and Environmental Legislation
- Special Educational Needs and Disability
- Highways
- Transport (Home to School and Social Care)
- Children's Social Care Placements
- Future Working (including rationalisation of the Council's office accommodation)

These reviews focused on financial and operational performance and the key factors and risks in each area driving our budgeting deficit. The focus was on identifying the opportunities for shorter and longer-term reform that improve the sustainability of our budget position, drawing on evidence and insight. This included outturn and forecast financial reports, current performance and activity levels, internal audit recommendations, procurement and commercial pipeline opportunities and benchmarking information.

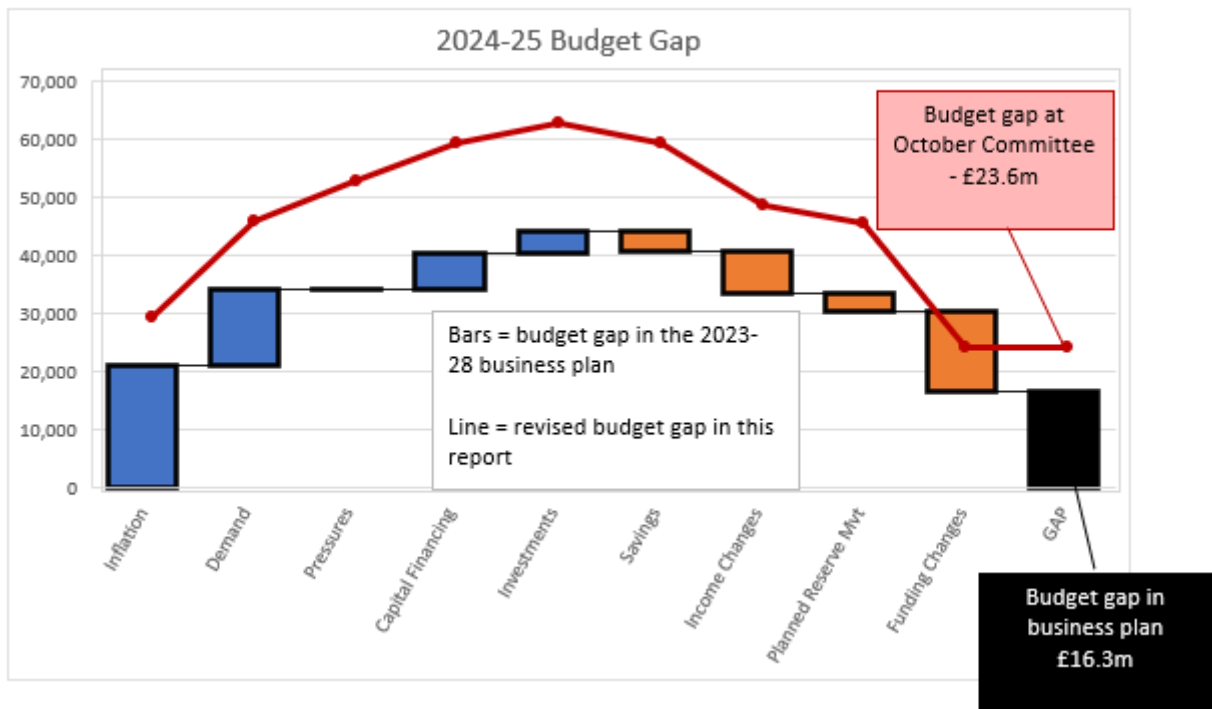
2.4 The combination of the comprehensive service planning review exercise and focused deep dives in our highest risk areas is leading to development of business planning initiatives and proposals across the whole Council. Section 3 of this report also sets out how we have commenced public engagement much earlier on in our business planning to enable this to be fed into the process also. By conducting a 'Quality of Life' survey we will inform our business planning decisions through the receipt of direct feedback from our residents and will have a robust and rigorous baseline, such that we can measure implementation of the strategic framework going forward. We are currently analysing the results of this work and validating and assuring the robustness of the future budget estimates as a result. This Committee will receive detailed budget proposals for consideration at its meeting in December, in accordance with the timescales and governance framework described later in this report.

2.5 The detailed financial planning to date has already confirmed we are in a more challenging financial position than forecasted in February. The breakdown of the changes presented to Strategy, Resources and Performance committee at this stage is as follows (£000):

	2024-25	2025-26	2026-27	2027-28	2028-29
Starting point	16,372	17,610	9,686	15,079	13,839
Funding updates:					
Grant updates	-3,340	0	0	0	0
Taxation updates	-1,377	879	152	-25	742
Other updates	0	0	0	0	0
Use of Adults grants and funding to fund pressures	-2,117	0	0	0	0
Key Estimates updates:					
Expenditure inflation estimates update	6,414	452	1,368	1,727	2,598
Staff pay inflation	2,859	988	1,171	1,357	1,549
Energy inflation	-1,418	-534	654	252	-39
Income inflation update	-3,010	330	66	143	320
Demand estimates update	2,810	4,330	4,596	4,572	5,429
Service Pressures:					
Older People services, impact of 2023-24 pressure	3,984	0	0	0	0
Energy generation scheme updates	3,233	-2,695	-6	-1	-1,164
IT services capital to revenue change, phasing	-1,173	-576	1,300	0	0
This Land income unwinding as loans repaid	-58	-29	603	1,312	2,610
Independent Living Services - phasing	438	-146	-292	0	0
Revised Gap	23,617	20,609	19,298	24,416	25,884
Change	7,245	2,999	9,612	9,337	12,045

2.6 This illustrates that as a result of the additional inflation and service pressures, the Council's current net budget gap for 2024-25 has risen from £16.3m to £23.6m. The increase in year 1 of the business plan is £7.2m, and across the five-year planning period the unidentified savings gap is now £113.8m.

2.7 Officers have updated other assumptions around income, funding and reserves as part of this exercise. This provides a favourable change totalling £14m, which reflects that in gross terms the pressures facing the Council in 2024/25 are estimated to be in excess of £40m. The original assumptions compared to the latest forecast is shown in the following diagram.

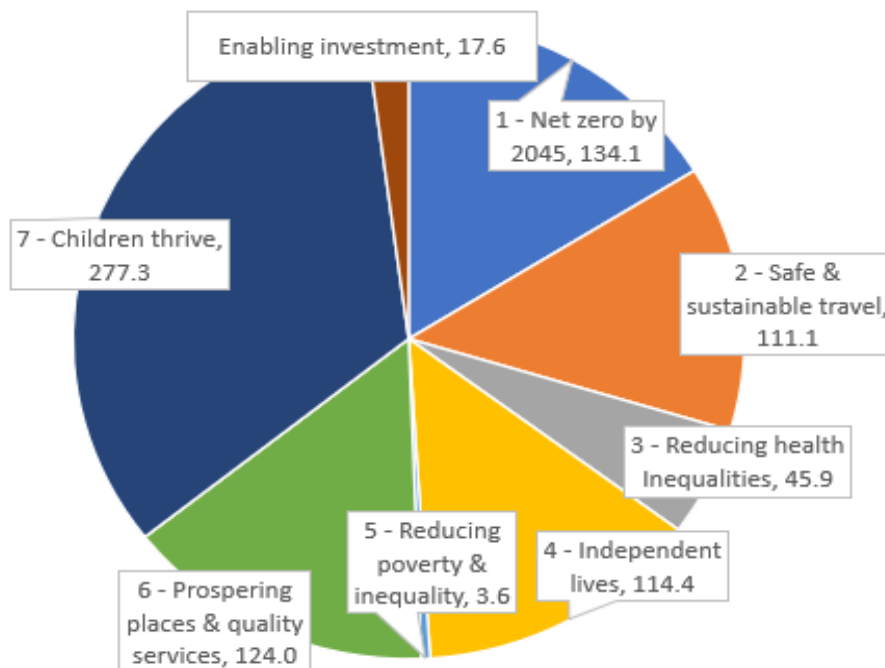


2.8 A key pressure on the Medium-Term Financial Strategy (MTFS) is the increasing cost of capital works and higher interest rates leading to increased costs of borrowing to fund the capital programme. In the Council's existing MTFS the cost of debt and the minimum revenue provision for prudential borrowing is scheduled to rise from £38.1m in 2023-24 to £44.9m in 2024-25, and Cambridgeshire has a significantly higher level of debt than the County Council peer group. A full review of the programme has commenced and will be reported alongside the revenue proposals. A scoring/ranking exercise is underway to aid Members assessment of priorities for capital investment. The initial capital prioritisation approach is to consider:

- Investment prioritised towards the Council's strategic ambitions
- Alignment with the Council's emerging asset management strategy
- Risk management
- Funding sources / alternative providers
- Statutory and safety duties
- Business interrupt impact and likelihood
- Return on investment and invest to save
- Asset life and value for money

2.9 As the Council moves towards an outcomes-based budget, for the existing and developing capital programme we have also considered our spending plans in terms of our strategic ambitions, rather than being defined by internal service boundaries, recognising that proposals from across the Council can contribute to multiple ambitions. Our schools building programme for instance enables children and young people to thrive, but also aligns with our net zero ambition due to our construction approach, enables good quality public services and supports our communities to prosper. The chart overleaf shows the apportionment of future planned spending across the entire capital programme by ambition:

Capital programme planned investment by strategic ambition £m



Since 2022, the Council has required that capital business cases include an assessment of the carbon impact of proposals, recognising that the nature of construction and other capital activities can be carbon intensive, alongside the potential for investment activity to deliver the net zero ambition we have set for the County. This has entailed development of carbon calculators appropriate for the categories of schemes within the capital programme, measuring tCO₂e (tonnes of carbon dioxide equivalent) overseen by the Place and Sustainability directorate. This is building up a much richer picture of the carbon impacts to support the business planning decisions Members make. The current capital programme comprises schemes which have a major role in reducing the carbon impact of schemes (particularly Swaffham Prior community heat, North Angle Solar Farm, the decarbonisation refit of Council buildings and the streetlighting LED programme) alongside the scheme-by-scheme impact of construction proposals.

- 2.10 Work across the County Council Network (CCN) suggests that Cambridgeshire's revenue budget gap is in line with peer forecasts. The Chancellor's Autumn Statement is now expected 22 November 2023, with a Provisional Financial Settlement week commencing 18 December. Officers are reviewing further investment as well as saving proposals in order to provide a full update and position to the December committee. Alongside this, officers are assessing the council's financial standing and risk, and will be providing this alongside draft proposals. The process for scrutiny is further set out at Section 4 of this report.

3. Quality of Life Survey

- 3.1 From this year we are using the results from our countywide quality of life survey to inform work on our business planning and budget priorities. The survey was undertaken by independent market research agency Think Insights and ran between June and the end of August 2023. It sought to understand the views of a statistically significant group of 5,500 residents using a stratified sampling approach in line with the census population results, to ensure feedback was representative of the Cambridgeshire population.
- 3.2 Additional opportunities for the wider resident population to take part were provided through a separate online survey link published on our website. This was supplemented with face-to-face qualitative work with inclusion groups such as migrants, homeless people and young people under 18.
- 3.3 Key findings from this survey (headline results provided as an appendix) were:
- Overall residents say they have a good quality of life in Cambridgeshire. Residents reported feeling happy, safe and with a sense of belonging to their local community.
 - 84% of residents feel safe in, and 75% feel they belong to, their local community - defined as the area within a 15-minute walk of their home.
 - 72% of residents reported high or very high levels of happiness.
 - Feelings of loneliness amongst residents are higher than nationally, particularly amongst younger age groups.
 - 29% of residents indicated they often feel lonely. This is higher than national ONS data¹, which found 8% felt lonely always or often, and 25% felt lonely always, often or some of the time. Younger age groups are more likely to report loneliness – including 52% of 18-24s – compared to only 18% of those aged 55+ years.
 - Residents highlighted mental and physical health struggles within the past year, with younger residents more likely to report struggling with their mental health.
 - 37% of residents reported struggling with their mental health in the last year. This rose to 61% for 18-24s and 59% for 25-34s reporting struggling with mental health in the last year. A significantly smaller proportion of 65+ years report similar struggles (11%).
 - 30% of parents reported their child has faced mental health problems in the last year.
 - Residents reported high concerns about the cost of living and changing behaviours as a result.
 - 86% of residents report concerns related to the cost-of-living, with part-time workers, those with dependents under the age of 18 and the lowest social grade reporting above average concerns.
 - This is impacting residents' behaviour, with two thirds (66%) reporting a change in the past year as a direct result. Nearly half of residents (48%) reported cutting back on heating and just over a quarter (27%) cutting back on nutritious food.
 - Those with dependents under the age of 18 were more likely to report having to cut back on nutritious food.

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- Over three quarters of residents reported having concerns about climate change.
 - With 85% of residents stating they would like CCC to do more to protect and enhance the natural environment.
 - 69% of residents agreed to being open to changing their behaviours to be more sustainable, including almost half of those residents who reported being less concerned about climate change.
- The survey found the Council plays a relatively trusted role in residents' lives.
 - Just over half (52%) of residents trust the Council to make decisions, 45% agreed that the council acts on concerns of residents and 44% agree that the council delivers value for money- results which are in line with Local Government Association averages across England.
- Satisfaction with Council services was mixed between services. Satisfaction was highest across library, waste management, street lighting and registration services. Satisfaction was lowest in road and pavement maintenance.
 - Of those service users (excluding those who had not used or did not have an opinion), 76% were dissatisfied with road and pavement maintenance.
 - Although not as high as roads and pavements, services for children with SEN or disabilities (46%), services for young people (41%) and services for older or vulnerable people (41%) received higher dissatisfaction levels than other services.
 - Older respondents (55+ years) were more likely to indicate that they had not used the majority of the services.
- There was some confusion around services the Council provides.
 - In an open response question as to what one thing could improve their quality of life, residents highlighted services that are not provided by the Council. This included access to GP services, bus services and housing support.
 - 46% of residents disagreed that the Council kept them well informed about the services and benefits it provides.
- Residents would like to see the Council acting on road and traffic management, climate change and reduction to council tax to improve their quality of life.

3.4 As well as supporting the shaping of business planning decisions, the information will also provide intelligence for the Council services.

3.5 In addition to the survey, in line with the advice received from the Monitoring Officer, the final business planning proposals will be consulted on prior to Full Council in February 2024. We intend to publish the proposals online on 11 December alongside the publication of the budget papers for the 19 December Strategy, Resources and Performance Committee with a feedback mechanism on our website.

3.6 We will promote the online consultation through traditional media and our social media channels and identify a range of stakeholders and networks where we will directly promote access to the online consultation to ensure we receive a comprehensive response. The feedback option will also be promoted as part of communications for each service committee meeting in January, which will scrutinise the proposals in detail and in public.

3.7 As we move through the business planning cycle, if there are specific proposals which reduce significantly or stop specific services to users that require detailed consultation,

these will be identified and will be planned for accordingly.

- 3.8 The combination of the 'Quality of Life' survey – due to be repeated annually, and the consultation on business planning proposals, will provide a strong basis for informing our Business Plan for 2024-2029.

4. Future Steps

Governance

- 4.1 Under Part 4 of the Constitution, the Strategy, Resources and Performance Committee leads the process of development of the Budget and proposes it to Full Council. The Policy and Service Committees have a role in understanding and scrutinising the proposals and making recommendation to Strategy, Resources and Performance Committee. Full Council ultimately approves the budget.
- 4.2 There are many stakeholders who have a vested interest in the financial affairs of the Council, including central government, partner agencies, our auditors and the various communities we serve. All of these look to Members to act with financial stewardship to help ensure that the Council spends its money wisely.
- 4.3 From a Council perspective, there are many good reasons for undertaking financial scrutiny of the budget and helping the Council to ensure that it has “reality checked” what it is proposing to adopt. Challenging how the budget has been constructed before it is agreed and before the level of council tax has been set, in particular probing any assumptions that lie behind the budget strategy, is a critical part of strength testing the budget. Members will be provided with financial scrutiny training to assist them in discharging their roles.

4.4 The high-level timeline for business planning is shown in the committee timetable below:

Date	Decision Making Body	Action
A Budget Consultation will be launched alongside the publication of the draft budget papers on 11 December 2023 and feedback will be taken into account at each stage of the Committee/Council process.		
19 December 2023	Strategy, Resources and Performance (SR&P)	Committee considers draft budget papers including – all the financial plans, Strategic Framework, outline business case documents and Equality Impact Assessments.
11 January 2024	Communities, Social Mobility and Inclusion	Scrutinise the draft budget proposals and make recommendation to Strategy, Resources and Performance for its meeting on 30 January 2024.
16 January 2024	Assets and Procurement Children and Young People	Scrutinise the draft budget proposals and make recommendation to Strategy, Resources and Performance for its meeting on 30 January 2024.
18 January 2024	Environment and Green Investment	Scrutinise the draft budget proposals and make recommendation to Strategy, Resources and Performance for its meeting on 30 January 2024.
23 January 2024	Highways and Transport	Scrutinise the draft budget proposals and make recommendation to Strategy, Resources and Performance for its meeting on 30 January 2024.
25 January 2024	Adults and Health	Scrutinise the draft budget proposals and make recommendation to Strategy, Resources and Performance for its meeting on 30 January 2024.
30 January 2024	Strategy, Resources and Performance	Considers the draft budget and business plan, any recommendations from the service committees and consultation feedback and makes a proposal to Full Council.
13 February 2024	Full Council	Considers budget and business plan proposed by Strategy, Resources and Performance Committee.

Wider consultation

- 4.5 As part of the publication of the draft proposals the Council will share and consult on proposals with wider groups such as Trade Unions, Schools Forum and local businesses. Alongside this, as set out in paragraph 3.5, the Council will provide a link through its website for residents to provide feedback and comments to be assessed and fed back to members. In addition, consideration and advice will be given to specific consultations and equality impact assessments.

5. Alignment with ambitions

- 5.1 The purpose of the Business Plan is to consider and deliver the Council's vision and Ambitions. As in section 2.1 of this report, service plans identify the outcomes their resource allocation delivers to the strategic ambitions and as Revenue Budget Proposals are developed for SR&P December committee, they too will consider which of these ambitions they are contributing towards:

- Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes.
- Travel across the county is safer and more environmentally sustainable.
- Health inequalities are reduced.
- People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs.
- Helping people out of poverty and income inequality.
- Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised.
- Children and young people have opportunities to thrive.

6. Significant Implications

6.1 Resource Implications

The proposals set out the response to the financial context and the need to review our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget will be described in the financial tables of the business plan. Proposals will seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

6.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for the proposals set out in this report. Details for specific proposals will be set out in Revenue Budget Proposal Forms for December SR&P committee. All required procurement activity will be fully compliant with the Council's Contract Procedure Rules.

6.3 Statutory, Legal and Risk Implications

There is a significant amount of legislation around local authority financial planning and budgeting. This is outlined below.

- The Local Government Act 2000 states that it is the responsibility of the full council, on the recommendation of the executive (or the elected mayor) to approve the budget and related council tax demand.
- The Local Government Act 2003, section 25 requires the council's Section 151 officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations.
- The Local Government Finance Act 1988, section 114 requires the Section 151 officer to report to all of the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. The Council must meet within 21 days to consider the report and during that period the authority is prohibited from entering into new arrangements that will cause money to be spent.

Failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.

Legislation is clear that every Councillor is responsible for the financial control and decision making at their Council. The Local Government Act 1972 (Sec 151) states that "every local authority shall make arrangements for the proper administration of their financial affairs..." and the Local Government Act 2000 requires Full Council to approve the Council's budget and council tax demand.

Separate legal advice and guidance will be provided to all Members in respect of the budget setting in February 2024.

Notwithstanding the legislative requirement to set a budget, financial plans are important because they act as a financial expression of the Council's policies and instruct officers on the areas they should attribute spend.

6.4 Equality and Diversity Implications

Equality Impact Assessments will form part of the development of proposals, where applicable, to ensure we have discharged our duties in line with the Equality Act, including the Public Sector Equality Duty, as well as met our commitment to implementing the Socio-economic Inequalities Duty. The Revenue Budget Proposals will include a summary of any key points from the relevant Equality Impact Assessment. These summaries will highlight any positive impacts identified and outline mitigations for any negative impacts or justification for retaining a negative impact where this is appropriate.

6.5 Engagement and Communications Implications

Our Business Planning proposals are informed by public consultation and will be discussed with a wide range of partners throughout the process. The feedback from consultation will continue to inform the refinement of proposals. Where this leads to significant amendments

to the recommendations a report would be provided to Strategy, Resources and Performance Committee.

6.6 Localism and Local Member Involvement

As the proposals develop, we will have detailed conversations with Members about the impact of the proposals on their localities. We are working with members on materials which will support them to have discussions with Town and Parish Councils, local residents, the voluntary sector and other groups about where they can make an impact and support us to mitigate the impact of budget reductions.

6.7 Public Health Implications

Any public health implications will vary depending on the detail of each of the proposals. Any positive or negative impacts will have been considered for each proposal as part of its development. The Quality-of-Life Survey provides some useful information on physical and mental health outcomes that could usefully inform ongoing business planning.

6.8 Climate Change and Environment Implications on Priority Areas

The climate and environment implications will vary depending on the detail of each of the proposals. Any positive or negative impacts will have been considered for each proposal as part of its development.

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Tom Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? Yes
Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes
Name of Legal Officer: Emma Duncan

Have the equality and diversity implications been cleared by your EqIA Super User?
Yes
Name of Officer: Samantha Hastings

Have any engagement and communication implications been cleared by Communications?
Yes
Name of Officer: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact? Not applicable

Have any Public Health implications been cleared by Public Health?
Yes
Name of Officer: Val Thomas

7. Source documents

7.1 Source documents

Appendix 1: Quality of Life Survey results.