

## Adults Committee Review of Draft Revenue and Capital Business Planning Proposals for 2021-2026

**To:** **Adults Committee**

**Meeting Date:** 10 December 2020

**From:** Wendi Ogle-Welbourn, Executive Director for People and Communities  
Chris Malyon, Chief Finance Officer

**Electoral division(s):** **All**

Forward Plan ref: Not applicable      Key decision: No

**Outcome:** The committee is asked to consider:

- the current business and budgetary planning position and estimates for 2021-2026
- the principal risks, contingencies and implications facing the Committee and the Council's resources
- the process and next steps for the Council in agreeing a business plan and budget for future years

**Recommendation:** Committee is asked to:

- a) Note the overview and context provided for the 2021-22 to 2025-26 Business Plan, updated since the last report to the Committee in October.
- b) Comment on the draft budget and savings proposals that are within the remit of the Committee and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan
- c) Comment on the capital programme update that is in the remit of the Committee, and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan
- d) Note the fees and charges for 2021-22

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## 1. Purpose and Background

- 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. This paper provides an overview of the updates to the Council's financial position since October 2020 when Committees were last consulted on the draft Business Plan for 2021-26. The paper sets out the changes to key assumptions impacting financial forecasts, further risks and opportunities and next steps required to balance the budget and agree the Council's Business Plan for 2021-26.
- 1.2 The paper also seeks to highlight the environment within which the Business Plan has been developed this year, the added complexity that developing the business plan whilst in the middle of a world-wide pandemic brings, and the challenges that being a relatively low spend but effective organisation has on the opportunities to reduce costs further to address the financial challenges caused by COVID-19.
- 1.3 Whilst the impact of COVID-19 is being felt by all councils across Cambridgeshire, this comes on the back of many years of under-funding compared to other councils. As one of the fastest growing counties in the country, Cambridgeshire has been managing disproportionate increases in demand over many years which have not been reflected in the revenue grant system. The Council highlighted this issue during its 'fairer funding campaign' but due to numerous issues the comprehensive review of local authority funding has not yet occurred.
- 1.4 This report builds on the information provided to this Committee during October and sets out the latest financial position regarding the Business Plan for the period 2021-26. As the Committee will recall a number of scenarios were developed to model the potential longer term implications of the world-wide pandemic on the resources of the County Council.
- 1.5 During the last couple of months officers have been refining the projections based on updated data and knowledge of further Government funding of certain activity, which it would not be unreasonable to assume would continue if required in 2021-22. We have therefore moved from a range of scenarios to a single budget position. This still contains a number of assumptions and these will continue to be developed over the next couple of months before the Business Plan is considered by Council in February of next year.
- 1.6 The LGA has said that an additional £10.1 billion is needed by 2023-24 to help councils in England plug funding gaps and improve services. Cllr James Jamieson, LGA Chairman, said the Spending Review would "shape the direction of the country for years to come" and that "securing the immediate and long-term sustainability of local services must be the top priority". Cllr Jamieson added: "With the right funding and freedoms, councils can improve the lives of their residents, address the stark inequalities the pandemic has exposed, develop a green recovery, address skills gaps and rebuild the economy so that it benefits everyone."
- 1.7 We have been grateful for the financial support provided by the Government to date, but it is not enough to meet the additional demands on our services in the long term. We are making strong representations to the government,

working closely with our local MPs, about additional support we believe is necessary. However, the Council’s Business Plan must make recommendations for balancing the budget in the event that this support does not fully cover the cost of the crisis.

## 2. Context

2.1 In February of this year the Council set a balanced budget for the current financial year with no use of reserves to support the delivery of base services. It also made provision for further investment in transformation interventions. At that point the Council was in a very robust financial position to manage future year challenges with only a £4.2m ‘budget gap’ for 2021-22. This was much less than in previous budget setting processes and was predicated on a 2% council tax rise through levying the Adult Social Care precept (every 1% increase in council tax generates and additional £3m).

2.2 The following paragraphs provide some context to demonstrate that the Council has managed growth effectively within the constraints of a grant system that doesn’t fully recognise the implications for public services that are generated from that growth.

### 2.2.1 Fairer Funding

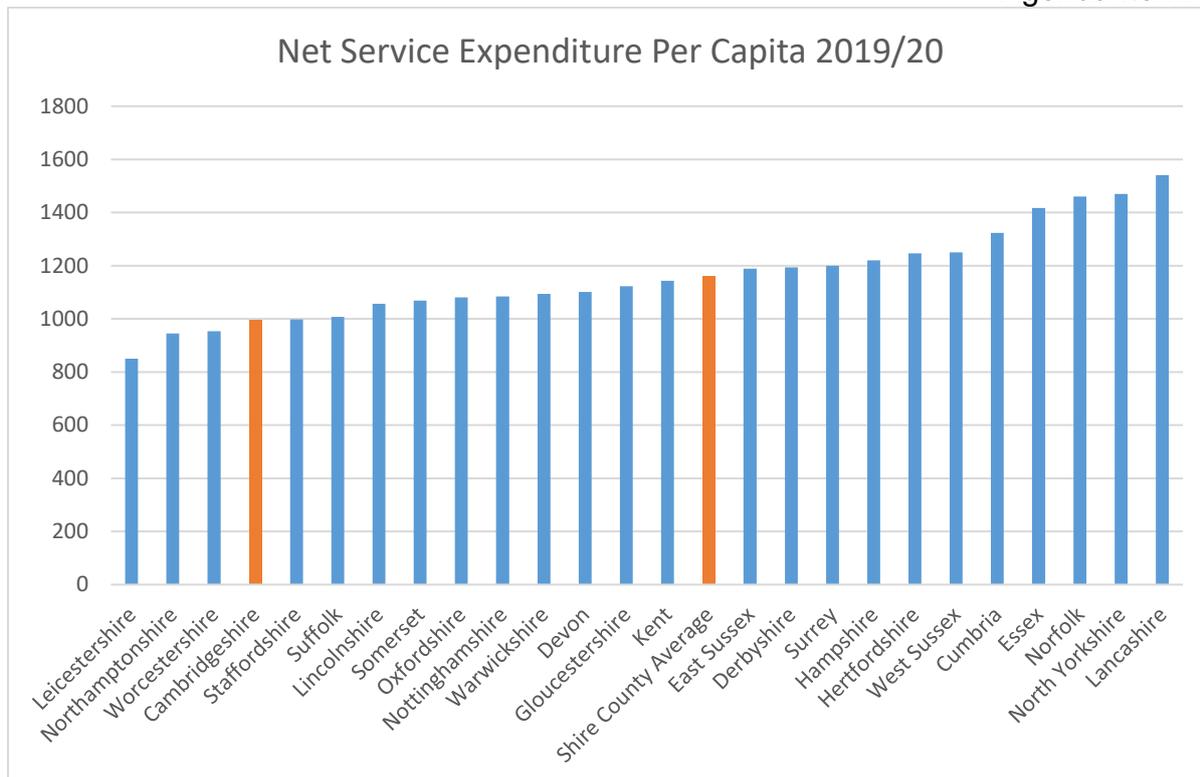
Given the level of growth that Cambridgeshire has supported over many years, the Council has been fighting for a fairer deal for its residents since 2017. Over the last three years, we have engaged MPs at both a local and national level on many occasions setting out the issues facing the Council on the back of its economic success.

In our various submissions on the issue of fairer funding, the Council has highlighted the inequality in Government support across, and within, the various tiers and structures of local government. The following table is an extract from one submission which illustrates this inequality:

2018/2019	RSG per capita (Revenue Support Grant)
CCC	£6.01
Shire County average	£25.52
London Borough average	£88.13

### 2.2.2 Benchmarking

Whilst delivering excellent outcomes for its residents, Cambridgeshire does so from a comparatively low level of expenditure. Due to the inequalities in the finance system, the Cambridgeshire pound has had to work harder than it may be required to in other councils. From publicly available information a chart that summarises the Council’s net service expenditure in 2019-20 per capita with that of other county councils shows the stark difference below.



We constantly look at ways in which we can reduce the cost to serve, invest in preventative interventions, and derive additional incomes in order to re-invest or maintain key front-line services.

### 2.2.3 Transformation

The Council has been able to sustain the delivery of key services during a period of reduced funding and increasing demand to a large extent by its approach to transformation, commercialisation and innovation. In 2016 the Council invested heavily in an ambitious transformation agenda for Cambridgeshire citizens. Investment in a number of cross-organisational change programmes through a dedicated team and fund has delivered significant financial and social returns. Over £100m has been saved over the last four years including £25m being saved as a direct result of investments made through the Transformation Fund.

We have a broad portfolio of examples to draw from which demonstrate our ability to drive efficiencies and productivity for example; Our Adults Positive Challenge programme has realised £3m of savings and increased the independence of our citizens and reduced the longer-term cost across the health and social care system. The introduction of new technology which integrates critical aspects of the Adult Social Care case management system has improved the productivity of front-line workers. The rationalisation of the Council's buildings portfolio and workforce cultural change programme has seen the workforce adopt new agile ways of working increasing productivity and ensuring that the right services can be accessed at the right time.

To date the Council has not taken all of the upside created from the change to its Minimum Revenue Provision (MRP) Policy into revenue and, unlike most other councils, has set this aside in order to provide pump priming funding for the Transformation Programme. Having focused on major opportunities first, the level of returns against the internal investments are now beginning to

reduce. Given both the scale of the unallocated fund and the current pipeline of activity, the Council will need to review both the current policy on MRP and the level of the balance held on the Transformation Fund as part of this budget process.

#### 2.2.4 Commercialisation

To further mitigate against the financial challenges that it has faced over the last decade, the Council has adopted a more commercial approach to everything that it does.

This approach has included the establishment of a wholly owned housing development company to which the council has sold, at market value, land holdings of nearly £100m so that these sites could be developed. In order for the Company to fund the acquisition, and its operating costs, loans at rates in compliance with state aid rules have been made. This provides a net revenue stream to the Council.

In addition, the Council has used the capital receipts generated by the Company to create a diverse commercial investment portfolio. Until the pandemic these investments were performing well and delivering returns to support frontline services. The net revenue income budget from the portfolio for the 2020-21 financial year was in the region of £5m.

The Council has also used its land holdings to create a solar farm. The Triangle Solar Farm has benefitted from Government's "Contracts for Difference" scheme, allowing it to generate a healthy and reliable revenue stream whilst also supporting the council in delivering its vision of net zero carbon emissions for Cambridgeshire by 2050.

The commercial approach adopted has contributed significantly to supporting vital services for our residents rather than serving as an end in itself, and as a consequence these new revenue streams are returning in excess of £10m per annum for frontline services delivered to Cambridgeshire residents.

- 2.3 The paragraphs above are a reminder of the steps the Council has taken to focus on positive outcomes, protect frontline services and set the foundations for the difficult decisions that lie ahead. Having already taken the actions that it has, the Council has very little room left for addressing the budget gap for 21-22. Officers will, of course, continue to work diligently to reduce the gap further but it must be accepted that unless significant resources are forthcoming from the Government as part of the 21-22 financial settlement some very difficult decisions will be required.

### 3. Business Planning Approach

- 3.1 As noted in section 2.1, in February 2020 the Council approved a balanced budget for 2020-21 and the Business Plan reflected a strong financial position with a small and achievable gap forecast for 2021-22.
- 3.2 However, by May 2020, a time when the Council would normally begin the process of preparing budget proposals for 2021-22, the nation had been in lockdown for two months in an attempt to stop the spread of the coronavirus.

Recognised as both an economic and health emergency, the pandemic placed the Council in the challenging position of having to mobilise resources to provide immediate support to the citizens of Cambridgeshire whilst also trying to predict and mitigate the medium and longer term impacts.

- 3.3 At that time there was significant uncertainty across the nation as to the true impact of the pandemic. Whilst national support packages were being mobilised e.g. the furlough scheme and support to businesses, it was unclear as to how (and when) these schemes would be in place and whether they would be enough to avoid an economic collapse. Further, the creation of the national Nightingale hospitals reflected the concern that the health service would be overwhelmed and there were projections of significant deaths across all regions.
- 3.4 Within this context, it was clear that the usual approach the Council takes to business planning would need to be adapted in order to reflect uncertainty around the economic and health impacts and how this might affect demand for Council services. In response, the Council designed a new approach which was based on carefully crafting three scenarios which modelled the possible impact of a number of inter-dependent factors on both the demand for our services and the impact on our ability to generate income.
- 3.5 The purpose of the scenarios was discussed at General Purposes Committee in June 2020; we outlined that the scenarios would not provide financial projections but would provide us with a framework which we could use to track the trajectory of the impact of COVID-19. This was welcomed by service areas as it enabled them to develop mitigations and contingency plans and has also helped them to cast forward to think about growth opportunities and areas for development as part of their recovery process.
- 3.6 Over the summer the scenarios were used to support services to develop a possible financial trajectory which highlighted that the budget gap for 2021-22 could be between £33m - £82m and this was reported within the Committee papers presented in October. This wide range reflected how significantly the financial impacts might vary between the best and worst case scenarios, how quickly the financial impacts might escalate without strong and immediate recovery plans, and how difficult it has been, both nationally and locally, to predict the rate of infections and corresponding effects on society. This process of planning against scenarios started the process of quantifying the potential impacts on our service areas as well as highlighting possible areas of mitigation.
- 3.7 Over the last two months we have undertaken a significant amount of activity to analyse emerging trends, actual demand increases and emerging impacts on society and the economy. We are beginning to narrow the range of the predicted budget gap and this activity has resulted in;
  - **Improved demand predictions** – additional data is now available which has allowed us to base our demand projections on trends observed in 2020-21 rather than projecting impacts based largely on historic data. This has allowed us to reduce the anticipated demand pressure in Older People's services by £1m for 2021-2022.

- **Deeper impact analysis** – all service areas have been able to develop a deeper assessment of the impact of COVID-19 in their areas based on actual data and observations and have used this to ensure that any areas of higher spend have been identified and reviewed
- **Increased market engagement / supply chain management** – we have worked with our supply chain to better understand and anticipate future costs and provisions required to ensure the sustainability of our operations
- **National support** – although there are areas which remain uncertain, we have seen the impact of exiting initiatives, as well as the benefits of direct financial support. We are therefore in a better position to predict the impact of future national initiatives within Cambridgeshire.
- **Successful Local Outbreak Control Plan** – in recognition that all public services in Cambridgeshire, alongside citizens, have worked hard to keep infection / transmission rates low compared to the national figures, prior to the second national lockdown we remained in Tier 1. This meant that Cambridgeshire did not have additional restrictions placed on it.

3.8 This work has allowed us to build more accurate data sets to inform our recovery planning and to narrow the range of forecast financial pressures in most services. Based on this information, and the current savings proposals identified, the current trajectory leads to a budget gap for 2021-2022 of around £21m.

## 4. Financial Overview

4.1 The table below provides a summary of the various material (greater than £100k) changes since October in the overall business planning position for 2021-22. It reflects the continuing challenge of increasing costs for goods and services as a result of the pandemic and further shortfalls in planned savings, however significant progress has been made towards closing the budget gap through a combination of the following (see also Section 4.5 below):

- Further scrutiny of demand pressures and anticipated funding for new burdens as a result of COVID-19;
- New savings proposals
- Accumulated growth in the Council's tax base and compensatory grants from Government for business rates reliefs granted in previous years

Description	2021-22	2022-23	2023-24	2024-25	2025-26
	£'000	£'000	£'000	£'000	£'000
<b>Remaining Unidentified Savings at October Committees</b>	<b>32,796</b>	<b>7,190</b>	<b>12,185</b>	<b>13,490</b>	<b>9,990</b>
Increase in inflationary uplift for Highways Services	1,214	659	17	-140	-159
Adults Social Care Providers inflationary uplift	970	-970	-	-	-
New pressures and reduced or rephased savings (see section 4.2 for breakdown)	886	-205	-829	-250	-
Updated debt charges for Energy schemes	-	883	-372	-305	-23
Base funding for Transformation Team and redundancy costs as capital receipt flexibilities not confirmed post-2021-22	-	2,482	-	-	-
Miscellaneous financing adjustments	172	-110	61	21	28

<b>SUBTOTAL New Pressures</b>	<b>36,038</b>	<b>9,929</b>	<b>11,062</b>	<b>12,816</b>	<b>9,836</b>
Adult Social Care Market Resilience investment removed <sup>1</sup>	-4,000	-	-	-	-
Demand pressure for Older People's Services reduced	-1,088	-1,078	-1,179	-1,220	-1,098
Personal Protective Equipment (PPE) pressure removed <sup>2</sup>	-1,000	-	-	-	-
Dedicated Schools Grant Contribution to Combined Budgets pressure rephased	-1,000	750	250	-	-
Demand risk in social care investment reduced	-1,300	-	-	-	-
Miscellaneous reduced and rephased pressures <£100k	-243	509	30	-	-
<b>SUBTOTAL Reduced and Rephased Pressures</b>	<b>27,407</b>	<b>10,110</b>	<b>10,163</b>	<b>11,596</b>	<b>8,738</b>
New savings proposals (see section 4.3 for breakdown)	-3,563	-2,379	-544	-161	-290
Historic increases in Council tax base and Section 31 grant income	-3,020	372	53	184	-
<b>Revised budget gap per December committees</b>	<b>20,824</b>	<b>8,103</b>	<b>9,672</b>	<b>11,619</b>	<b>8,448</b>

<sup>1</sup> Funding for infection control measures in care homes; Government grant funding has now been confirmed until March 2021 and we are assuming that Government will continue to fund thereafter if required

<sup>2</sup> The October draft budget included a £1m PPE pressure however the Government has since agreed to fund PPE for local authorities

4.2 The following table provides a detailed breakdown of the new pressures and reduced or rephased savings.

<b>New pressures and reduced or rephased savings</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Family Group Conferencing Investment	-	250	-	-	-
Reduced saving: Learning Disabilities Commissioning	150	-	-	-	-
Rephased saving: Review of commissioning approaches for accommodation-based care	175	-175	-	-	-
Removed saving: Revised commissioning approach for interim bed provision	150	-	-	-	-
IT Microsoft Enterprise Agreement pressure	302	-	-	-	-
Rephased saving: COVID-19 Impact - Commercial Income and Contract Efficiencies	109	-280	-829	-250	-

4.3 The following tables provides a detailed breakdown of the new savings proposals.

<b>New savings</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Client Contributions Policy Changes (approved as part of 2020-25 Business Plan)	-562	-164	-	-	-
Adult Social Care Transport	-250	-	-	-	-
Additional vacancy factor	-150	-	-	-	-
Micro-enterprises Support	-30	-133	-	-	-
Additional Block Beds inflation saving	-270	270	-	-	-
Learning Disability Partnership Pooled Budget Rebaselining	-	-2,574	-	-	-
Review of commissioning approaches for accommodation based care	-	-	-375	-	-

Unaccompanied Asylum Seeking Young People: support costs	-300	-	-	-	-
Adoption and Special Guardianship Order Allowances	-500	-	-	-	-
Clinical Services: Children and Young People	-250	-	-	-	-
Transport - Children in Care	-300	-	-	-	-
Communities and Partnerships Review	-200	-	-	-	-
<b>SUBTOTAL P&amp;C savings</b>	<b>-2,812</b>	<b>-2,601</b>	<b>-375</b>	<b>-</b>	<b>-</b>
Review Winter Operations	-17	-	-	-	-
Highways: Removal of old VAS signs	-4	-	-	-	-
<b>SUBTOTAL P&amp;E savings</b>	<b>-21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Reduction in staff mileage	-564	378	-	-	-
<b>SUBTOTAL Corporate savings</b>	<b>-564</b>	<b>378</b>	<b>-</b>	<b>-</b>	<b>-</b>
Commercial property rental increases	-166	-156	-169	-161	-290
<b>SUBTOTAL Commercial savings</b>	<b>-166</b>	<b>-156</b>	<b>-169</b>	<b>-161</b>	<b>-290</b>

4.4 As a result of the updates above, the savings requirement for 2021-22 has been reduced by £12m from £32.8m as at October Committees to £20.8m. The following table shows the total level of savings required for each of the next five years:

	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Total Saving Requirement	22,711	19,123	14,480	12,852	8,863
Identified Savings	-1,887	-3,938	-528	-	-
Identified additional Income Generation	-	-7,082	-4,280	-1,233	-415
<b>Residual Savings to be identified</b>	<b>20,824</b>	<b>8,103</b>	<b>9,672</b>	<b>11,619</b>	<b>8,448</b>

4.5 Against this uncertain backdrop, we are continuing to explore every opportunity to identify savings, efficiencies, and income to reduce the gap and to date we have;

- Campaigned for additional resources through MHCLG (Ministry of Housing, Communities and Local Government) and other channels.
- Reviewed all the existing proposals to identify any which could be enhanced to deliver further savings - in particular those where additional investment could unlock additional benefits.
- Reviewed income generation opportunities in light of the current economic context.
- Identified, through benchmarking, any areas across the organisation we could potentially look to find additional efficiencies whilst ensuring outcomes are maintained.
- Reviewed the full list of in-year and 2021-22 pressures to see if there are any opportunities to prevent assumed increases in demand being realised.

4.6 Whilst the actions taken to date have been successful in reducing the budget gap, the opportunities to generate additional savings proposals without

significantly impacting the delivery of services are reducing in both number and scale. The following funding options remain available to the Council to contribute towards closing the gap for 2021-22 and beyond:

Item	Implications
Council Tax Level	Each 1% further increase in Council Tax would generate around £3m in recurrent additional funding
MRP policy upside	There is at least £2m available per annum in revenue savings until 2025, and higher amounts in the earlier years of the MTFS (Medium Term Financial Strategy). However the amount diminishes below £2m in 2026, meaning that the budget gap would increase thereafter.
Transformation Fund	Presently there is £23m unallocated in the Transformation Fund, after future commitments. Any usage of the fund is one-off, and will have an impact in future years in terms of the recurrent savings gap
General Fund	This balance is held at 3% of gross expenditure, and cannot be reduced in compliance with that policy. Therefore any reduction would be a last resort and indicative that the Council was in severe financial difficulties.
Service reductions	A reduction of non-statutory services could result in longer term financial implications to the Council as avoidable demand rises as well as reduced positive outcomes for our citizens.

- 4.7 Whilst work will continue to identify savings, the focus of activity over the next three months will be on lobbying across all available channels to request, not only financial support, but other flexibilities (for example a more flexible use of capital receipts) to allow us to present a balanced budget. Should additional support not be forthcoming and in consideration of the assumptions / risks presented in Section 5 below, we would need to consider the use of the above options in order to maintain our current levels of service delivery.

## 5. Assumptions and Risks

- 5.1 In the business planning tables the level of savings required is based on a 2% increase in Council Tax in 2021-22, through levying the Adult Social Care precept. The Council's Medium Term Financial Strategy assumes 2% increases in the Adult Social Care precept from 2021-22 onwards, however there has been no confirmation as yet that the precept will be available beyond 2020-21. For each 1% more or less that Council Tax is changed, the level of savings required will change by approximately +/-£3.0m. Government has not yet confirmed the level of the Council tax referendum threshold for 2021-22. Local Authorities were permitted to increase general Council Tax by a maximum of 2.99% in 2018-19 and 2019-20 and 1.99% in 2020-21 without the requirement for approval from residents through a positive vote in a local referendum.

- 5.2 There are also a number of risks which are not included in the numbers above, or accompanying tables which are likely to impact on the residual savings gap and these are set out below. These will be incorporated (as required) as the Business Plan is developed and the impact / figures can be confirmed:

- National restrictions – the second national lockdown began on the 5 November 2020 and is expected to end on 2 December 2020. Although not as severe as the first, the restrictions are likely to have a significant impact on both the economic and social welfare of the County. There is expected to be an increase in calls on the COVID-19 Coordination Hub and further reductions in traffic management and enforcement income. Government support

packages, including the re-instatement of the furlough scheme are welcomed but it is unclear at this stage the level of mitigation offered.

- National Tiers – it is expected that following the end of the national restrictions the government will revert to the national tier system. The restrictions in each Tier are being reviewed and it is anticipated that a number of these will be strengthened. Therefore, regardless of which Tier Cambridgeshire is within, there is likely to be a further impact felt within the County.
- Government support – Government will announce the results of a one-year Spending Review for 2021-22 on 25 November. This will set the Departmental Expenditure Limit for MHCLG and will provide an indication of the available uplift in funding for the Local Government Finance Settlement which is expected two to three weeks thereafter. Our financial plans currently assume a prudent cash flat position with no inflationary uplifts. There is also considerable uncertainty surrounding the funding formula that may be used to distribute any additional COVID-19 funding; in 2020-21 the Government has moved from a social care-based formula to a deprivation-based approach which is less favourable for Shire Counties.
- Winter pressures – all public services face particular challenges over the winter months as demand for services increases significantly. Whilst plans and projections are built into current forecasting this will be the first winter faced within the context of the pandemic.
- EU Exit – the end of the transition period on 31 December 2020 will mean new rules coming into force from 1 January 2021. Preparations continue both at a national and local level to minimise the implications of this change, however, there could be significant implications across areas of business and our citizens which could mean that additional costs are incurred or challenges to our delivery of services increased e.g. the ability to attract workers for critical roles.
- The Council is currently reporting current year pressures in excess of £18m, due principally to the impacts of the pandemic. Work is ongoing to manage these pressures downwards; however any change to the outturn position will impact the Council's reserves position and therefore the savings requirement for 2021-22.
- Public sector pay award – the business plan includes a prudent inflationary provision of 2.75% for staff on nationally negotiated pay settlements for 2021-22, reflecting the 2020-21 pay award. On 20 November it was reported that the chancellor is preparing to announce a public sector pay freeze in the Spending Review in response to the economic fallout from the coronavirus pandemic.

The Council has applied to MHCLG to extend the business rates pooling arrangement implemented for 2020-21 in partnership with Peterborough City Council and several of the Cambridgeshire District Authorities. Although the pandemic has resulted in considerable pressure on business rates income, the pooling arrangement is still expected to benefit the Council, however the extent of this benefit is as yet unclear. Furthermore, Government has committed to a "fundamental review" of the business rates system following a call for evidence in July 2020, the results of which will be announced at the

2021 spring budget. It is possible that the funding model for local government could be significantly impacted by these reforms with potential implications for the proposed 75% business rates retention scheme expected to take effect from 2022-23.

## 6. Capital Programme Update

- 6.1 The draft capital programme was reviewed individually by service committees in October and was subsequently reviewed in its entirety, along with the prioritisation of schemes, by GPC in November. As a result further work was required on a handful of schemes, as well as further work ongoing to revise and update the programme in light of continuing review by the Capital Programme Board, changes to overall funding, updates in response to the COVID-19 situation, or to specific circumstances surrounding individual schemes.
- 6.2 The Council is still awaiting funding announcements regarding various capital grants, plus the ongoing nature of the capital programme inevitably means that circumstances are continually 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.

## 7. Business Planning context for Adults Committee

- 7.1 The October committee paper provided an insight into the emerging pressures and demands faced by Adults Social Care services in the first wave of COVID-19. But as well as new pressures, it is recognised that changing public perception and behaviours mean council services are operating in unprecedented times.
- 7.2 It is worth noting that pre COVID-19, Adults Social Care benchmarked as high performing – low spend against statistical neighbours. That said, we are now writing this in the midst of a second national lockdown, which alongside usual winter pressures means our investment and savings programme is more challenging. Since October, work on the business plan has continued with a focus on:
- Reviewing estimates around inflation and demand pressures
  - Further exploring the existing saving schemes, refining the business cases and seeking to push schemes further wherever possible
  - Identifying mitigation measures for the identified pressures – aiming to minimise their impact on the savings requirement for the organisation
  - Incorporating revised forecasts of the grant funding which the Council expects to receive, assuming that historic grants such as the Improved Better Care Fund will continue at existing levels, and that any COVID-19 related grants for new burdens will continue where those burdens remain.
- 7.3 It was noted in the last committee report that whilst our outcomes for Adults have not changed, the environment we are operating in is significantly different to the pre-COVID-19 environment. It is continually changing and

impacts on all of Adults services. Government funding and support has been welcome but falls well short of the real and ongoing demand, and it is not clear whether medium-term impacts will be met by government funding.

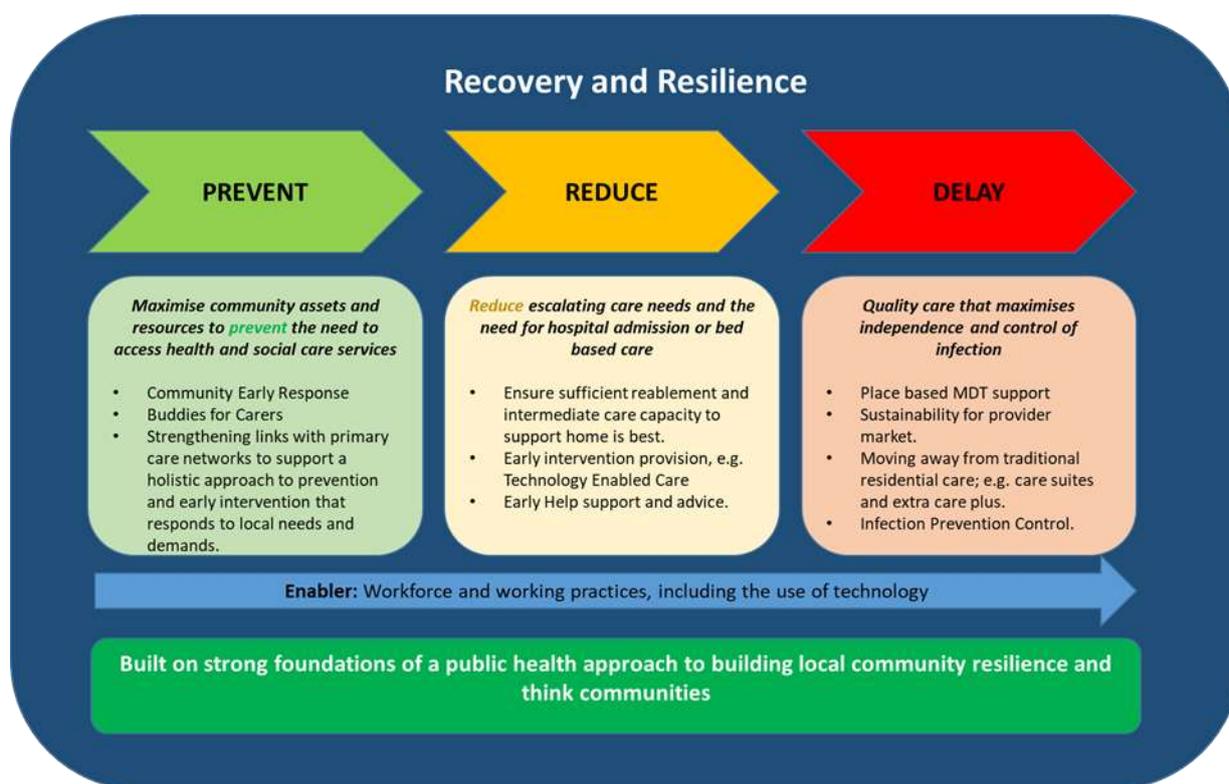
7.4 There have also been changes to the care market which have been seen regionally and nationally and include:

- infection control measures now part of the cost base,
- reduced bed based occupancy levels,
- reduced alternative income streams of group based services such as self-funders,
- legacy costs from the first wave of COVID-19 such as more people in care home beds, and
- increased needs and therefore costs to meet those needs.

7.5 Previous demand modelling applied historical demand patterns to future demographic assumptions. COVID-19 is affecting demand in ways we have never experienced and there are many unknowns around what the longer-term impacts might be. The scenario modelling completed over the summer has helped us estimate the impact as we move into varying disruption levels caused by the pandemic and will continue to be regularly monitored, understood and mitigated as appropriate. We have faced, and expect to continue to face, the following types of additional demand:

Displaced Demand	Significant numbers of people whose support has changed because of COVID-19 (e.g. closure of some services like day opportunities, due to infection control requirements some 1 – 1 support has needed to be delivered instead).
Discharge Demand	Requirement to discharge people from hospital at earliest opportunity saw people discharged into more bed based care which resulted in decreased ability to rehabilitate).
Latent Demand	There is evidence of increased demand resulting from changing needs resulting from the COVID-19 period, such as increased carer breakdown, people not accessing primary care early enough and needs escalating and deterioration of shielding people.
Self-Funders	We are likely to see a shift in the numbers of self-funders accessing the independent care market. In addition, we will have a number of self-funders requiring financial assessment for social care once NHS funding ceases.
Low Level Demand	We have stepped in to support shielded and vulnerable people, we may have created dependency for low-level support which was not there before. We may also see more low level demand related to COVID-19 as we move into a second wave.

- 7.6 COVID-19 has changed the push for change to a ‘shove’ and this is now a real opportunity for transformation. We will build on the community mobilisation and response to date to embed the Think Communities principles and evolve integrated place based models of delivery and commissioning. In addition, the impact of COVID-19 on the independent provider market provides us with a key opportunity to reshape the market, to move away from the traditional offering of residential home provision to deliver more flexible, local, person centred solutions based around peoples’ homes, that promote independence, such as ‘extra care plus’ and care suites.
- 7.7 To deliver this strategy, initial investment will be required to support some areas of transformation (e.g. care suites, operational social work capacity to continue to support bed-based care, place based commissioning and embedding the Think Communities approach). This investment will seek to minimise infections in bed-based care, reduce hospital admissions, the time people spend in hospital and reduce the need for residential care. In the longer term, this will manage down demand on more costly interventions, as well as enabling people to maintain their independence at home, in their local communities, for longer.
- 7.8 Although the outcomes for Adults and Older People haven’t changed, our environment has and the strategy sets out a new model to “Prevent – Reduce – Delay” demand as described below:



## 8. Overview of Adults Draft Revenue Programme

8.1 Last time we commented on key areas. Where changes have been identified since October, we have detailed below:

- a) Baseline Budget Increases – Inflation and legislative pressures

Lines relating to inflation and uplifts needed for care providers have been refreshed in line with a broader uplift strategy which guides the approach to market management over the medium term. This includes lines A/R.2.002, A/R.2.006, A/R.4.009 and A/R.6.185, and has resulted in an increase of £700k. This increase is only for one year, after which it is planned to be met through efficiencies made to commissioning arrangements mainly around domiciliary care.

At the time of production, the business plan assumed a 5.6% increase in the minimum wage (48p) – on 25 November the Chancellor announced a lower increase in the minimum wage of 2.2% which will reduce the budget requirement for this pressure.

b) Baseline Budget Increases – Demand and Demography

The demand pressure for Older People's services in line A/R.3.006 has been reduced by around £1.1m due to revised projections around contributions income. A revised analysis of the level of assessed contributions made on new packages over recent years, along with the changes to the charging policy agreed by Committee in 2020, have resulted in an increased estimate of the additional income received as demand increases.

In the October report, a figure of £3.1m was included as the then best estimate of the COVID-19 impact on adult social care demand resulting from the scenario analysis work. That remains the best estimate, and is now formalised in line A/R.3.022 as the projected COVID-19 demand impact.

c) Additional Investment / Pressures

In the October report, a figure of £4m was included as line A/R.5.007 for additional market support as a result of infection control and prevention measures now built into providers' base costs. This has been removed from the proposed budget, as it is assumed that if providers continue to face such costs into 2021/22 they will be funded by a continued Infection Control Grant.

- 8.2 The remainder of this section provides an overview of the savings and income proposals within the remit of the Committee. All of the proposals within the remit of the Committee are described in the business planning tables (Appendix 1) and new business cases can be found in Appendix 2.
- 8.3 The Committee is asked to comment on the proposals, and endorse them to GPC for consideration as part of the Council's development of the Business Plan for the next five years. Please note that the proposals are still draft at this stage and it is only at Full Council in February 2020 that proposals are finalised and become the Council's Business Plan.

Reference	SAVINGS AREA	DESCRIPTION	AMOUNT £000 2021/22
A/R.6.114	Learning Disabilities Commissioning	A programme of work commenced in Learning Disability Services in 2016/17 to ensure service-users had the appropriate level of care; some additional work remains, particularly focussing on high cost placements outside of Cambridgeshire and commissioning approaches, as well as the remaining part-year impact of savings made part-way through 2020/21, though at a lower level than originally anticipated.	-250
A/R.6.176	Adults Positive Challenge Programme	While £1.195m of the 2020/21 saving is permanently impaired, as reported in the October report, £100k of saving remains for several years due to ongoing impacts of the programme on cost of people transitioning into Adults Services.	-100
A/R.6.179	Mental Health Commissioning	A retender of supported living contracts gives an opportunity to increase capacity and prevent escalation to higher cost services, over several years. In addition, a number of contract changes took place in 2019/20 that have enabled a saving to be taken.	-24
A/R.6.185	Additional block beds - inflation saving	Through commissioning additional block beds, referred to in A/R.5.005, we can reduce the amount of inflation funding needed for residential and nursing care. Block contracts have set uplifts each year, rather than seeing inflationary increases each time new spot places are commissioned.	-682
A/R.6.186	Adult Social Care Transport	Savings can be made in transport costs through a project to review commissioning arrangements, best value, route optimisation and demand management opportunities. This will require transformation funded resource to achieve fully.	-250
A/R.6.187	Additional vacancy factor	Whilst effort is made to ensure all critical posts are filled within People and Communities, slippage in staffing spend always occurs. For many years, a vacancy factor has existed in P&C budgets to account for this; following a review of the level of vacancy savings achieved in recent	-150

Reference	SAVINGS AREA	DESCRIPTION	AMOUNT £000 2021/22
		years we are able to increase that vacancy factor.	
A/R.6.188	Micro-enterprises Support	Transformation funding has been agreed for a new approach to supporting the care market, focussing on using micro-enterprises to enable a more local approach to domiciliary care and personal assistants. As well as benefits to an increased local approach and competition, this work should result in a lower cost of care overall.	-30 (-£133k in 2022/23)

8.4 In addition to these savings in 2021/22, there are some savings planned for future years. New savings include:

- A/R.6.177 - the Cambridgeshire Lifeline Project which will deliver additional income from 2022/23,
- A/R.6.180 - a revised approach to accommodation based care, specifically care suites, expected to deliver £725k of savings from 2022-24.
- A/R.6.189 – Learning Disability Partnership baseline review – this work has been delayed by COVID-19, but is expected to take place over 2021/22. Therefore a conservative estimate of £2.5m of additional NHS funding into the pooled budget has been included for 2022/23.

8.5 Additional opportunities are also being reviewed, including a review of non-delivered 2020/21 savings, to understand if these are permanently non-deliverable, or if savings can be profiled into 2021/22. This includes reviewing the Adults Positive Challenge work-streams to ensure re-profiling of savings opportunities is maximised.

8.6 In addition to the above, business cases are being finalised for a number of other identified areas of investment, including Place Based Commissioning and developing alternative innovative models of commissioned care, such as care suites and extra care plus. Once finalised, these business cases will be incorporated into the business planning process where appropriate, or will progress with individual transformation bids where one off investment is required.

## 9. Transformation Fund Investments

9.1 Services are identifying where transformation funding is needed to support delivery. GPC has responsibility for oversight and management of the Transformation Fund and will be asked to approve the necessary investments associated with the proposals at January committee.

## 10. Overview of Adults Draft Capital Programme

10.1 In addition to the capital schemes endorsed by Committee in October, one further scheme has been added.

- 10.2 A capital scheme is proposed to commence in 2021/22 to develop care suites in East Cambridgeshire. These services will offer a tenancy based model of residential and nursing care, and are linked to revenue saving A/R.6.180.

## 11. Next steps

- 11.1 Following December service committees, GPC will review the overall programme in January as part of the overarching Business Plan for Full Council to consider in February.

December	Business cases go to committees for consideration
January	GPC will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

## 12. Alignment with Corporate Priorities

- 12.1 **A good quality of life for everyone**  
 12.2 **Thriving places for people to live**  
 12.3 **The best start for Cambridgeshire's children**

The purpose of the Business Plan is to consider and deliver the Council's vision and priorities and section 1 of this paper sets out how we aim to provide good public services and achieve better outcomes for communities, whilst also responding to the changing challenges of the pandemic.

- 12.4 **Net zero carbon emissions for Cambridgeshire by 2050**  
 The budget is reviewed at each stage of development to assess the carbon implications of any new investments or savings initiatives. Additionally, the Council is committed to reviewing the sufficiency of climate mitigation funds included in the Business Plan on an annual basis to deliver the Climate Change and Environment Strategy.

## 13. Significant Implications

- 13.1 **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 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.
- 13.2 **Procurement/Contractual/Council Contract Procedure Rules Implications**  
 There are no significant implications for the proposals set out in this report, any implications will be identified between now and the December Committee and will be recorded in the business cases.
- 13.3 **Statutory, Legal and Risk implications**

The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget. Cambridgeshire County Council will continue to meet the range of statutory duties for supporting our citizens.

**13.4 Equality and Diversity Implications**

As the proposals continue to be developed, they will consider and describe the impact of each proposal, in particular any disproportionate impact on people with protected characteristics and other vulnerable groups. Where a decision has potential adverse impacts on protected groups, a full EqIA will be completed.

**13.5 Engagement and Consultation Implications**

Our Business Planning proposals are informed by the CCC 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 GPC.

**13.6 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 help them have conversations with 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.

**13.7 Public Health Implications**

We are working closely with Public Health colleagues as part of the operating model to ensure our emerging Business Planning proposals are aligned.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Stephen Howarth Yes
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	Gus de Silva Yes
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	Fiona McMillan Yes
<b>Are there any Equality and Diversity implications?</b>	Beatrice Brown Yes
<b>Have any engagement and communication implications been cleared by Communications?</b>	Matthew Hall Yes
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	James Gemmell Yes

<b>Have any Public Health implications been cleared by Public Health</b>	Emily Smith Yes

**Appendix 1:** Financial summary – People and Communities Finance Tables.

\*Note tables 4 and 5 contain exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and it would not be in the public interest for this information to be disclosed (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

**Appendix 2:** Adults Draft Business Cases

**Appendix 3:** People and Communities proposed fees & charges for 2021-22