

Business Planning Proposals for 2022-27 – opening update and overview

To: Environment and Green Investment

Meeting Date: 16 November 2021

From: Steve Cox, Executive Director for Place & Economy

Electoral division(s): All

Key decision: No

Outcome: This report continues the process of setting the business plan and financial strategy for 2022-27 which will culminate at the February Full Council. Through this report, Members will gain awareness of:

- The current business and budgetary planning position and estimates for 2022-27;
- The principal risks, contingencies and implications facing the Committee and the Council's resources; and
- The process and next steps for the council in agreeing a business plan and budget for future years.

Recommendation: The Committee is being asked to:

- a) Note the progress made to date and next steps required to develop the 2022-23 to 26-27 Business Plan; and
- b) Consider the budget and savings proposals that are within the remit of the Committee as part of the consideration of the Council's overall Business Plan.

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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 September 2021 when Committees were provided with an update on the draft Business Plan for 2022-27. 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 2022-27.
- 1.2 For context, the previous update on business planning provided to committee in September can be found here: [Environment & Green Investment](#)
- 1.3 The update in September showed a budget gap in the first year of the new business plan, 2022/23, that was larger than in the previous business plan. This was due to refreshed estimates of the impact of demand growth on services, and several new service pressures requiring funding.
- 1.4 This update shows the progress that has been made to identify opportunities to re-baseline budgets, make savings, and generate additional income, resulting in progress being made towards closing the budget gap in 2022/23. At the same time, further service pressures and investments are proposed to be funded. The result of these is a budget gap at this stage of £19.5m for 2022/23, and gaps in future years are set out at the end of the table in Section 3.2.

2. Context

- 2.1 On 9 February 2021, Full Council agreed the Business Plan for 2021-2026. This included a balanced budget for the 2021-22 financial year with the use of some one-off funding but contained significant budget gaps for subsequent years as a result of expenditure exceeding funding estimates. These budget gaps (expressed as negative figures) were:

2021-22	2022-23	2023-24	2024-25	2025-26
balance	-£22.2m	-£14.7m	-£15.1m	-£12.0m

- 2.2 The impacts of COVID-19 on the Council have been unprecedented and the pandemic remains a key factor and uncertainty in planning our strategy and resource deployment over the coming years. The Council continues to take a central role in coordinating the response of public services to try and manage the complex public health situation, impact on vulnerable people, education of our children and young people and economic consequences. Looking ahead we know that challenges remain as the vaccination programme progresses and winter illnesses re-emerge. We are already seeing the impacts of the pandemic on our vulnerable groups as well as those who have become vulnerable as a result of health or economic impact of the pandemic. Longer term there will be significant increases and changes in the pattern of demand for our services alongside the economic aftereffects. In this draft business plan, there are COVID-19 impacts across demand for services, pricing and supplier changes, and impacts on funding and income. Emerging work is shifting the Council's decision-making framework to prioritise sustainable development for

our county, whereby our citizens' social foundations are strengthened in the context of pandemic recovery and ongoing ecological emergency.

- 2.3 Whilst the financial settlement for the response to the pandemic last year was sufficient, predicting the on-going implications and financial consequences of COVID-19 remains challenging, particularly in terms of the impact on demand for council services. It is especially important this year that we keep these estimates under review as circumstances are so changeable over the course of this year. In this update, there is a reduction in the assessed cost of older people's services as a result of review of the "baseline" level of demand and need. This is shown in the table at 3.2 as a £2.4m budget reduction, reflecting that the number of people receiving support at the beginning of this year was lower than planned for, the result of COVID-19 loss. During this year there has been growth in numbers for support, and patterns of demand are challenging to predict.
- 2.4 Besides the pandemic, the other major risks and uncertainties in setting budgets for 2022-27 include the potential for national policy changes, such as reform of social care funding, the need for a multi-year funding settlement from government, the availability and sustainability of supply chains and resources, and changing patterns of demand for our services that has been a longer-term trend. The Council must make its best estimate for the effect of known pressures when setting its budget and retain reserves to mitigate against unquantifiable risks.
- 2.5 Government has announced that there will be significant reform of social care funding with effect from October 2023, this includes a cap on the amounts that people will have to contribute to their care costs during their lifetime and significant revisions to the asset thresholds for making contributions towards those costs. £5.4bn per annum has been identified nationally as the cost of these changes and further details are awaited in terms of how this will be operated. There are wide and complex changes for the Council as a result, including:
- the direct impact of the funding reforms on lifetime caps and asset thresholds
 - the need to assess a much wider number of people, including those who would previously have fully funded their own care (self-funders) who will be counting their costs towards the cap
 - an anticipated reduction in the difference in prices of care purchased by individuals and local authorities
 - the impact of the new Health & Social Care levy on costs, both on the Council and suppliers (and for employers and employees)

It is important to note that the new funds announced nationally do not address underlying funding issues for social care, such as historic funding or surges in demand and costs emerging from the pandemic.

- 2.6 With changes in local and national policy coinciding with hopes for a stabilisation of the public health response to the pandemic, the overarching themes we have identified to help us develop the Business Plan are as follows:
- Economic recovery
 - Prevention and Early Intervention
 - Decentralisation

- Environment & climate emergency
- Social Value
- Efficiency and effectiveness of Council services

3. Financial Overview

3.1 The September report set out in detail the changes to demand and inflation projections that make up a significant part of the initial budget refresh. We are now in a stage generally of identifying ways to close the budget gap through savings, income generation and budget rebaselining. We will also continue to review funding assumptions as further government announcements or local taxation estimates are made.

3.2 Following the addition of the next round of proposals to partially close the budget gap, as well as further service pressures and investments, the revised budget gap is set out in the table below:

	£000				
	2022-23	2023-24	2024-25	2025-26	2026-27
Budget gap at September Committees	23,411	16,123	17,903	14,678	14,256
Budget Reviews and Re-baselining					
Budget rebaselining in Adults	-2,405				
Budget rebaselining in Children's	-250				
Inflation and Demand Adjustments					
Staff costs inflation refresh	331	326	328	327	329
Adults demand projection adjustments	-73	-28	-29	-30	10
Service Pressures & Investments					
Pressures in Children's Services and Education	-250	250	732		
Pressures in Corporate Services	1,297	-246	-5	-35	-35
Pressures in Place & Economy	260		-650		-1,000
Investments in Adults & Health	322	170			
New or Amended Savings					
New savings in Adults & Health	-1,361	70			
New savings in Communities	-450				
New savings in Corporate Services	-29				
Savings rephasing Children's Services	46	-54	-100		
Savings rephasing in Adults & Health	543	568	-51	31	
New savings in Place & Economy	-335	-130			
Other changes					
Energy schemes - phasing of spend and income	-938	932	287	-18	-131
Commercial income rephasing & Covid impact	519	-99	-296	-90	57
Changes in funding estimates	-1,157	329	-60	1,682	484
Revised budget gap at October/November Committees	19,481	18,211	18,059	16,545	13,970
Change in budget gap	-3,930	2,088	156	1,867	-286

3.3 More detail about the proposals that make up this table relevant to this committee are set out in section 4 below.

3.4 It is important to bear in mind that the lines in the table in 3.2, and the equivalent table presented to the committee in September, only show the changes made compared to the current business plan. In some cases, there were already proposals effecting 2022/23 budgets and beyond in the current business plan. The full set of proposed budget changes for this committee can be found in the attached budget table in Appendix 1b.

3.5 There remains a significant budget gap for 2022/23 and growing gaps in future years. Intensive work is continuing to identify further mitigations, and to review pressures that are already proposed to be funded.

4. Business Planning context for Environment and Green Investment committee

4.1 This section provides an overview of the pressures, savings, investments, or income proposals within the remit of the Committee.

4.2 The Committee is asked to comment on the proposals currently being explored. Further detail and business cases will then come to committee in December ready for recommending to Strategy and Resources Committee in January 2022, for consideration as part of the Council's development of the Business Plan for the next five years. Please note that the proposals being explored that are outlined in this report are still draft at this stage, and it is only at Full Council in February 2022 that proposals are finalised and become the Council's Business Plan.

4.3 Draft budget tables are provided in Appendix 1b (Place and Economy) reflecting proposals developed to date. Appendix 1a provides an explanation to the Draft Budget Tables.

4.4 The Planning, Growth & Environment, Connecting Cambridgeshire, and Climate Change & Energy Services that all feed into this committee include a range of important functions both statutory and non-statutory. These include strategic planning, transport assessment, archaeology, biodiversity and green open spaces, lead local flood authority and waste management duties, digital connectivity, climate change functions and the delivery of energy projects. These services work together to plan and deliver short, medium and long-term proposals and digital infrastructure, which in the case of energy projects includes providing an income for the Council to support frontline services. These services ensure that the Growth Agenda within Cambridgeshire is properly considered and the appropriate infrastructure planned in. We operate in a challenging funding environment, which has been exacerbated by the pandemic affecting revenue streams. As Cambridgeshire's economy recovers, environmental and digital challenges remain a key focus.

4.5 Key Joint Administration Agreement (JAA) priorities linked to the above services are as follows:

- Put Climate Change and Biodiversity at the heart of the Council's work;
- Give equal weight to the environment and social benefits in all decisions;
- Look for other ways to promote biodiversity and increase Cambridgeshire's natural capital;
- Adopt a 'health in all policies' approach by promoting nature and open spaces to benefit residents; and

- Decentralise decisions through participation in place-based partnerships and align ambitions with District Councils, Greater Cambridge Partnership (GCP) and the Greater Cambridge and Greater Peterborough Combined Authority (CPCA).

4.6 Budget Position, Pressures and Savings & Investments being explored

4.6.1 Across the Place and Economy Directorate, savings are required to be identified across this committee and the Highways & Transport Committee. A combination of savings and investments are still being considered across both committees and the investments and future savings being explored for Environment and Green Investment for 2022/23 to fit into the wider savings proposed are set out in paragraph 4.6.3 below.

4.6.2 In addition to the savings and investments being explored, the following pressures have also been identified:

- P&E Management Restructure Costs: In 2021 Place and Economy was restructured creating a pressure of £260K. The focus for changes was to provide a structure that:
 - Provides robust and resilient leadership for the future goals of the Place and Economy directorate;
 - Delivers on our commitment to work in partnership with others for the benefit of our residents and businesses;
 - Better aligns functions within Place & Economy to build cohesion and resilience;
 - Ensures accountability rests at the right level in the organisation through clearly articulated roles and responsibilities;
 - Provides a structure that lays the foundations for us to proactively pursue opportunities to do things differently to improve efficiency and outcomes; and
 - Puts in place supportive systems and processes that enable and facilitate innovative service delivery.
- Waste pressures:
 - Impact on revenue and capital costs associated with recommendations relating to the Best Available Techniques conclusions (BATc) works at the Waterbeach waste processing facilities presented to this committee on 16 September 2021 (£2,684K revenue in 2022/23 reduced by £1,600K to a total of £1,084K in 2023/24); and
 - Revenue pressures on funding resourcing for the RECAP waste partnership likely to result from implementing the Resources and Waste Strategy.

4.6.3 The Climate and Environment emergencies are a priority for the Joint Administration. As a result, the following investment proposals are being explored:

- Countywide Biodiversity Enhancements, a programme to enhance and maximise the benefits to nature, to wellbeing, and natural capital, whilst delivering the commitments of doubling nature.
- Community Flood Action Programme, to continue the innovative proposal that was only funded for one year, to continue supporting the emerging network of Flood Action Groups, provide riparian maintenance grants and develop a robust watercourse enforcement policy

to ensure the negligence and apathy by a minority does not have a detrimental financial and emotional impact on others.

- Managing Climate Risk – this incorporates:
 - Local Area Energy Planning, working towards the creation of a digital and spatial representation of Cambridgeshire’s current energy system and future energy requirements to strategically plan what and where energy infrastructure is needed to get Cambridgeshire to net zero and a smart energy system;
 - Cambridgeshire Decarbonisation Fund, supporting businesses and the community to collaborate on projects to speed up carbon avoidance and carbon removal in Cambridgeshire;
 - Seeking revenue costs for capital energy projects;
 - Reviewing the Environment Fund as part of the Climate Change and Environment Strategy work;
 - Supporting growth and communities, providing additional technical carbon and climate skills to support the wider Council e.g. advising on planning, procurements, and grant funding competitions etc.
- Future Parks legacy ‘Active Parks’, establishing arrangements for Collective Leadership for all parks and open spaces; a Model for Delivery that will secure the benefits of parks; and a Plan for Open Space that will integrate parks and help secure new sources of finance. Officers are seeking collaborative funding from the CPCA and District Councils, to continue this legacy.

4.6.4 The proposals being explored above recognise that currently the value of carbon emission reductions and natural capital improvements are not widely monetised and integrated into accountancy practice or the Council’s budget processes. For example, investing in carbon reductions can bring ‘future cost avoidance’ in the form of lower energy bills or reduced highways resurfacing costs and natural capital improvements can increase food productivity or offset health system costs. Further details for these investments are therefore being worked up to allow further information on this to be understood.

4.6.5 Whilst the investments being explored in paragraph 4.6.3 will bring identifiable benefits around improved health, wellbeing, environment and quality of life, they will also be able to demonstrate future savings / income in terms of carbon budgeting and natural capital accounting, in line with the Treasury Green Book.

4.6.6 Other benefits can be derived from carbon sequestration, ecosystem services, green investment and natural flood risk management. However, the Council will need to develop a model for understanding and drawing upon these.

4.7 Public Sector Savings for environmental investments being explored

- 4.7.1 Investments in the areas being explored in paragraph 4.6.3 by this authority will unlock significant savings to the wider public purse across Cambridgeshire. In particular, it will facilitate where and how to manage climate risk and protect vulnerable citizens whilst bringing forward changes to major infrastructures such as transport, power and heating that promote clean air, health and warm homes as a result of clean energy and lower energy bills, to prevent future poverty for our communities as the global competition for resources increases.
- 4.7.2 The impact on the health and wellbeing of residents from the COVID-19 pandemic is still to be fully realised but is likely to be considerable. It is also known that visits to and appreciation of nature and greenspaces increased, as people sought new areas to explore and experience in their locality. Access to good quality nature and open space can deliver tangible health benefits. Recent research for the Future Parks Accelerator project has calculated that such visits deliver a cumulative £375m per annum in benefits, 80% of which are from physical and mental health improvements. This is based on one visit delivering £25 per person, and further investment in our open spaces will increase these benefits.

4.8 Triple Sector Savings for environmental investments being explored

4.8.1 Business and Community Savings:

Cambridgeshire businesses and communities are looking at Councils for leadership and guidance, especially those that have declared climate emergencies. Businesses are already looking at how to reduce their scope 1, 2 and 3 emissions and there is evidence that businesses can create a competitive advantage where they are already thinking about a low carbon future and cutting their emissions. The Local Area Energy Planning (LAEP) and Cambridgeshire Decarbonisation Fund are strategic mechanisms that will need to be developed in partnership with the public and private sectors but will provide a process and plan to help realise benefits for the Cambridgeshire economy.

4.8.2 Social and Environmental Savings:

Investing in our environment to grow our green and blue infrastructure can also deliver tangible savings to the council and to residents. For example, enhancing the ability of our surface water courses to manage rainfall by either holding it back or quickly removing it to rivers reduces the catastrophic impact of potential flooding events on communities and businesses, as well as being a significant financial burden on those public sector bodies responsible for managing such events and the resulting impacts. Changing rainfall patterns make proactive surge management of watercourses an urgent priority to mitigate climate change.

5. Next Steps

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

October / November	Service Committees provided with an update of the current position along with information about business cases being prepared and their estimated savings or investment
November / December	Business cases go to committees for consideration
January	Strategy and Resources Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

6. Alignment with corporate priorities

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. As proposals are developed, they will consider the corporate priorities:

- 6.1 Communities at the heart of everything we do
Seeking to invest in our environment is for the benefit of all our communities and residents, particularly in relation to access to public open spaces and flood mitigation measures.
- 6.2 A good quality of life for everyone
Investment into our environment now will align with ensuring a good quality of life for everyone in Cambridgeshire.
- 6.3 Helping our children learn, develop and live life to the full
By investing in a framework for net-zero and doubling nature in line with our climate change aspirations we are providing a better environment for our children to learn, develop and live life to the full.
- 6.4 Cambridgeshire: a well-connected, safe, clean, green environment
The proposed business plan investments for 2022/23 seek to set the framework for valuing net-zero and doubling nature to inform the development of triple bottom line accounting for the medium-term business planning process as well as provide actions to create the strategic mechanisms and partnerships to achieve long term change.
- 6.5 Protecting and caring for those who need us
The vulnerable in our community are most at risk from the impacts of climate change. These investments will help minimise impacts and support those most in need. Improvements to open space will deliver tangible health and wellbeing improvements.

7. Significant Implications

- 7.1 Resource Implications
The proposals set out the response to the financial context described in section 4 and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget will be described in the financial tables of

the business plan. 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.

7.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for the proposals set out in this report.

7.3 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.

7.4 Equality and Diversity Implications

As the proposals are developed ready for December service committees, they will include, where required, Equality Impact Assessments that will describe the impact of each proposal, in particular any disproportionate impact on vulnerable, minority and protected groups.

7.5 Engagement and Communications 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 Strategy and Resources Committee.

7.6 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.

7.7 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.

7.8 Environment and Climate Change Implications on Priority Areas

The climate and environment implications will vary depending on the detail of each of the proposals which will be coming to committee later for individual approvals (currently scheduled for November / December committees). The implications will be completed accordingly at that stage.

Have the resource implications been cleared by Finance?

Yes

Name of Financial Officer: Sarah Heywood

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the CCC Head of Procurement?

Yes

Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?

Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?

Yes

Name of Officer: Beatrice Brown

Have any engagement and communication implications been cleared by Communications?

Yes

Name of Officer: Amanda Rose

Have any localism and Local Member involvement issues been cleared by your Service Contact?

Yes

Name of Officer: Julia Turner

Have any Public Health implications been cleared by Public Health?

Yes

Name of Officer: Iain Green

Have any Environment and Climate Change implications been cleared by the Climate Change Officer?

Yes

Name of Officer: Emily Bolton

8. Source Documents

Appendix 1a: Introduction to the finance tables

Appendix 1b: Place and Economy Finance tables (Table 3)