

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

To: Highways and Transport
Meeting Date: 4 November 2021
From: Steve Cox, Executive Director for Place & Economy

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Outcome: This report continues the process of setting and 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 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) Endorse the budget and savings proposals that are within the remit of the Committee as part of 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: [Highways and Transport](#)
- 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 as 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 previous 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 tables at Appendix 1.
- 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 Highways and Transport 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 these proposals. 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 outlined 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 & Economy) reflecting proposals developed to date. Appendix 1a provides an explanation to the Draft Budget Table.
- 4.4 The Highways and Transport service includes Transport Strategy, Project Delivery and Highway Maintenance. These services combine to plan and deliver short, medium and long-term enhancements and keep the Cambridgeshire multi-modal transport networks moving. We operate in a challenging funding environment, which has been exacerbated by the pandemic affecting revenue streams. As Cambridgeshire's economy recovers, congestion and environmental challenges remain a key focus. Key Joint Administration priorities for the service are as follows:
- Consider options for innovative condition surveys to anticipate and address highway maintenance issues
 - County networks and further gully clearance
 - HT Carry out consultation on new active travel strategy for the County
 - Work in partnership with the Greater Cambridge Partnership on a review of the road hierarchy
 - Review the 20mph policy and the qualifying criteria
 - Conclude the work of the HGV Members Working Group and agree an HGV management policy
 - Bring proposals back to committee for Residents' Parking Schemes in consultations with GCP and in-line with the Integrated Parking Strategy
 - Continued development of Huntingdon and Fenland transport strategies to include support for modal shift

- Implement a new drainage strategy as part of the surface water management plan and the results of gully cleansing data, to optimise operations and service delivery.
- New survey and inspections technologies implemented to support a more efficient highway maintenance service.
- Street lighting review, reduce scouting frequencies and implement a small LED replacement programme for the least efficient lights.
- Install recycling equipment in a highway depot for recycling gully waste, asphalt, and aggregates, to reduce waste to tip and generate income

4.5 Pressures

- P&E Management Restructure Costs
In 2021 Place and Economy was restructured. The focus for Highways and Transport 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 working 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;
 - Puts in place supportive systems and processes that enable and facilitate innovative service delivery

4.6 Investments

- Highways Services (£1m) and relationship to capital budget
This reflects additional funding for Highways Services and work is underway to consider the most appropriate delivery mechanism to ensure the maximum outcome for the investment. Also, a discussion is underway as to whether this £1m investment should be capital or revenue funded.
- Footpaths and pavements (£1m).
This £1m investment nets-off against a £1m capital reduction, so net spending remains the same. It may be appropriate to move this to capital where the other footpath and pavement investment budget sits.
- Backing out last year's investment in B1050 design cost budget as the design is complete. This budget was specifically for design. If schemes have been completed, then this funding need falls away. The implementation costs will be addressed separately, or any carry forward which is expected to be minimal.

4.7 Savings / income

- Recycle asphalt, aggregates and gully waste £35K

This is the saving associated with setting up a facility (c.£50k) within the depot to reduce the amount of these materials that is sent to the tip, and to potentially reuse these materials on future works, which would save c.85k PA.

- Deployment of additional surpluses in civil parking to transport activities £200K
Civil parking enforcement allows for better control of parking, ensuring safer, more reliable, less-disruptive parking on our networks. Following a review of parking, we forecast a small surplus in income.
- Income from bus lane and moving lane enforcement £100K
As well as enforcing bus lanes to ensure public transport reliability and attractiveness, the County Council is exploring new powers, relating to moving traffic offences, to further enhance network safety and efficiency.

4.8 We are continuing to explore further opportunities for savings and income as detailed in the table below.

Options to innovative condition surveys to deal with highway maintenance issues	Modernisation of condition surveys and safety inspections utilising innovative technology to automate complex assessment and therefore increase efficiency. Cost to the service in the first year, however savings are expected to be realised by a new business operating model.
County drainage networks and gully clearance strategy.	Prioritisation of gully clearance based on need to optimise maintenance regime and increase efficiency. A targeted approach to gully cleansing is being implemented and will help to improve service levels but is unlikely to provide cost savings in the short term due to the current backlog of this work. Once the data is available to inform the strategy then savings will be achievable.
Street Lighting Review	Reduce winter scouting from twice per month to once, checking if the lights are in light.
Section 38 Income	Revise charging approach to ensure that Developer Section 38 Agreements fees are captured within suitable timescales.
Strategic Highway Depot Review	Rationalise the numbers of CCC depots that operate the Highway Service around the County, indicative saving £50k per depot.
Highway Services Contract Efficiencies	Reduce delivery duplication, and customer repeat contacts. Also, smart scheduling and planning, better use of data and digital. Possible year one saving £65k
Review of GCP/County collaboration arrangements	Review collaboration arrangements with GCP to identify areas of CCC highways and transport work that could be more appropriately delivered by GCP.

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
- 6.2 A good quality of life for everyone
- 6.3 Helping our children learn, develop and live life to the full
- 6.4 Cambridgeshire: a well-connected, safe, clean, green environment
- 6.5 Protecting and caring for those who need us

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: Sarah Silk

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

If a Key decision, 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)