

## Review of Draft Revenue and Capital Business Planning Proposals for 2023-28

To: Environment & Green Investment Committee

Meeting Date: 1 December 2022

From: Steve Cox, Executive Director for Place & Sustainability.  
Tom Kelly, Chief Finance Officer

Electoral division(s): All

Key decision: No

Outcome: The committee is asked to consider:

- the current business and budgetary planning position and estimates for 2023-2028
- 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: It is recommended that the Committee:

- a) Notes the progress made to date and next steps required to develop the business plan for 2023-2028
- b) Comments on and endorses the budget and savings proposals that are within the remit of the Committee as part of consideration of the Council's overall Business Plan
- c) Comments on and endorses the proposed changes to the capital programme that are within the remit of the Committee as part of consideration of the Council's overall Business Plan
- d) Note the updates to fees and charges proposed for 2023-24

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## 1. Overview

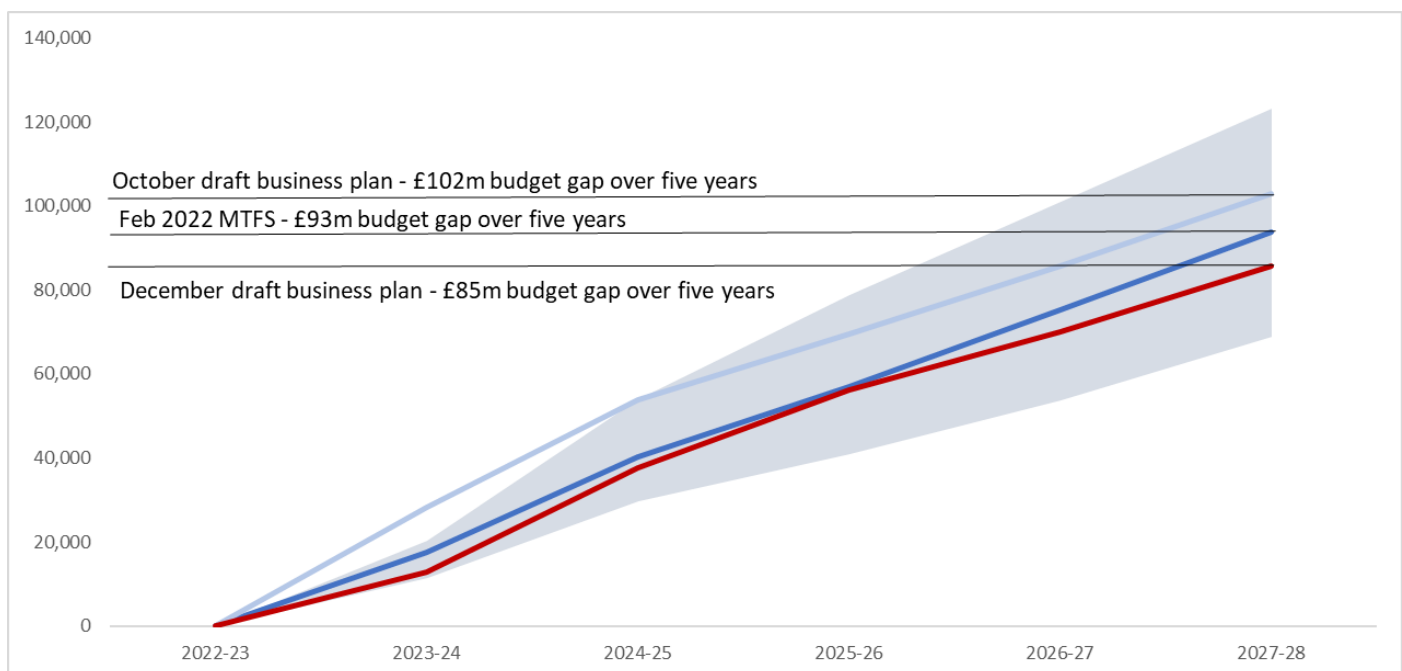
- 1.1 The Council's Business Plan sets out how we will spend our resources to achieve our vision and priorities for Cambridgeshire, and the key outcomes we want for the county and its people. This paper provides an overview of the updates to the Council's financial position since Committees were last consulted on the draft Business Plan for 2023-28. The paper sets out the evolving context in which the Business Plan is developed, further savings identified, the changes to key assumptions impacting financial forecasts, and next steps required to balance the budget and agree the Council's Business Plan for 2023-28. The Council has a legal requirement to set a balanced but for 2023-24.
- 1.2 On 17 November, the Chancellor of the Exchequer delivered an Autumn Statement that updated on national economic projections and set out the government's approach to taxation and public spending over the medium-term. This followed a tumultuous period following the fiscal event in September 2022 under the previous government which caused a worsening of the country's economic outlook. The Autumn Statement confirmed that the country was facing strong economic headwinds with a public spending gap of £55bn over five years, which the Chancellor outlined plans to close equally through public spending constraint and taxation.
- 1.3 The economic situation comes on the back of many years of under-funding compared to other councils. The recent census results confirm that Cambridgeshire has been one of the fastest growing areas in the country and has been managing disproportionate increases in demand for services which have not been reflected in the revenue grant system. The Chancellor did announce several further grants to support social care authorities, but balancing this were changes to business rates policy, the minimum wage and funding received for the now cancelled rise in National Insurance. Section 2 below sets out more detail from the Autumn Statement.
- 1.4 This report builds on the information provided previously to this Committee and sets out the latest financial position regarding the Business Plan for the period 2023-28. A number of Business Cases have been developed which provide further details of the proposed changes to our budget, and these will be reviewed by their relevant Service Committees in December, prior to being reviewed by Strategy and Resources Committee in January for endorsement to full Council in February 2023.
- 1.5 The budget gaps over the medium-term previously presented to Committees were, in £000:

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
£000	28,624	26,367	16,812	17,384	18,762

- 1.6 Since then, work has been ongoing to refine estimates and identify mitigations to reduce the budget gap, including savings and income generation schemes. Despite some further pressures identified, and a continuing challenging inflationary environment, the budget gap for 2023/24 is now estimated as £12.9m, and a cumulative budget gap over the five-year draft Business Plan of £86m:

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
£000	12,886	25,398	17,977	13,053	14,333

- 1.7 At the time of producing this iteration of the draft business plan, the impact of the Autumn Statement was not yet known and so could not be factored in. We set out in section 2 below what we estimate the impact of that to be. It is important to note, however, that the majority of detailed information regarding local government funding, including Council Tax limits, will actually be made available to us at the finance settlement which is expected around 21 December.
- 1.8 We have made significant progress since the last Committee, closing the projected budget gap for 2023/24 by over £15m. Despite this improvement, it will still be a challenge to balance the budget for next year as we are required to do. The Autumn Statement confirmed higher than projected inflation next year and made several other changes that will bring us further pressures. We do not expect any funding announced to fully address these new or our underlying pressures. This means we will need to close the gap mostly through decisions that are within the Council's control. These could include Council Tax, further savings or income generation, deployment of one-off reserves or use of grant funding to offset pressures built into budgets.
- 1.9 The below graph shows the potential range of the cumulative budget gap over the medium-term, assuming a 2% Council Tax rise in all years per the current Business Plan. As progress has been made to close the gap for 2023/24, the overall cumulative gap over five years is lower, and the range in the earlier years has narrowed – the red line reflects latest projections. Uncertainty remains in later years.



- 1.10 This analysis shows that there remains a risk of adverse movements in the budget gap over the five years, particularly as the effects of demand changes post-Covid become clearer, and also depending on how long the peak of inflation actually lasts for.
- 1.11 Further information on developments since the last Committee are set out below. The Council's legal obligation to set a balanced budget alongside a sustainable approach to our finances in future years means that difficult decisions will need to be taken in order to close

the budget gap. Some of these are proposed in this update, and more will be needed as the final Business Plan is agreed.

- 1.12 The update to Committees in October provided details about the inflationary pressures that the Council is expecting to face next year. These pressures come in many forms, including contractual inflationary uplifts, the rising price of goods and services purchased at market value, rising utility prices, the increasing minimum wage and the need to provide for pay increases for Council staff. Inflation projections have mostly not changed significantly since October, as the general inflationary outlook over the next 12-18 months has not improved. We have updated our projections around energy costs, particularly electricity. Having expected larger increases within 2023, we now expect that after a 100% increase in prices from September 2022 that there will be modest growth in October 2023 and reductions in prices thereafter through the rest of the medium-term. It is important to note that increasing energy prices will bring us benefit from our energy generation schemes. There is a particular dependency now assumed around the North Angle Solar Farm generating electricity from next summer. Increased income expectation from these, in line with rising energy prices, has reduced the budget gap.
- 1.13 Demand projections have been updated in some areas since October to reflect more up to date trend information and through ensuring that a moderate risk approach is used in all cases rather than a bad-case scenario.
- 1.14 We are continuing to review the Council's capital programme. Rising costs of materials and construction are affecting the overall budget requirement for schemes, and rising interest rates are increasing the cost of the borrowing which funds much of our capital programme. Increases in the costs of many schemes are reflected in the capital budget tables and rising borrowing costs have adversely affected the budget gap. We have reviewed the phasing, scope, design and cost of some schemes to bring costs down, and any relevant changes for this Committee are included in section 6 below.
- 1.15 The current draft business plan proposed capitalising a portion of our highways spend that was previously proposed for revenue funding, initially for two years. Capitalising this spend enables us to defray the cost over a longer period of time and produces an upfront reduction in revenue budget requirement. It will, however, result in increased borrowing costs over the life of the asset, which in most cases is thirty years. By doing this for an initial period of two years we will maximise the initial benefit while still ensuring good value-for-money on funding our highways assets over the longer-term.
- 1.16 In September, the government announced it was cancelling the increase in national insurance contributions that had come in in April 2022. That rise ceased from 4 November. The Council had to budget for around £2m in 2023/24 for the effect of this rise, both in terms of employer contributions for our own staff and mitigating the effect of the rise on the adult social care market. The removal of the increase means this budget increase can be reversed.
- 1.17 Since the previous Committee, progress has been made identifying mitigations to close the budget gap. These include further savings opportunities, income generation, and adjustments to demand/inflation projections. In total, this work has closed the gap by around £10m. New items identified within the remit of this Committee are detailed below in section 6. This represents good progress made in identifying savings and takes the total savings within this business plan to over £15m including items identified last year and earlier in this planning round. Not all of these will appear in the specific 'savings' section of the tables, as some will be income generation or net off against other projections.

- 1.18 Despite this progress, a budget gap remains both next year and in future years and so further service savings will be needed. We will continue working on cross-cutting changes to the way we work and how we support people who use our services to deliver sustainable change and reduce demand for our services. Until we have identified further savings and closed the budget gap, we cannot consider further investment requests from services.
- 1.19 The current Business Plan assumes 2% Council Tax increase each year. The Autumn Statement confirmed that councils would be able to raise Council Tax by up to 4.99% without a referendum in 2023/24 to provide for a closer to inflation rise in funding (2% of which would be Adult Social Care Precept). Strategy & Resources Committee will consider taxation levels in due course, with Full Council making the ultimate decision in February.
- 1.20 It is important to note that, while 2023/24 sees an improved position in this update, the 2024/25 budget gap of £24.6m remains a major challenge. Further mitigations to this position will need to be identified before the final Business Plan is agreed to ensure that there is a more sustainable medium-term plan. This position may be compounded by the announcements in Autumn Statement appearing to defer some of the contraction in spending power to beyond next year.

## 2. Autumn Statement: November 2022

- 2.1 On 17 November, the Chancellor of the Exchequer presented an Autumn Statement to Parliament. In introducing the statement, Mr Hunt referenced strong international economic headwinds, particularly rising inflation driven very significantly by the invasion of Ukraine. He reported a public spending gap of £55bn and outlined plans to close this gap over five years through a combination of public spending restraint and increased tax receipts.
- 2.2 This statement was accompanied by a full set of economic projections by the Office of Budgetary Responsibility (OBR). The OBR forecasts that we are in a recession that started in Q3 of 2022, with a contraction in GDP of -1.4% in 2023, and projects that inflation will fall back to 9.1% this calendar year and remain at 7.4% in 2023.
- 2.3 This revised inflation forecast for 2023 appears to make the average level of general inflation across next financial year higher than we have been projecting at Cambridgeshire in aggregate. We utilise the most appropriate indices or spend data for each category of Council spending and we will revise our calculations on the impact of inflation on costs and revise budget proposal where appropriate. Benefits, including state pension, will be increased by 10.1% in line with inflation.
- 2.4 Public spending over the remainder of the current spending review (2023-25) will increase at 3.7% a year on average. Beyond the spending review period, the Chancellor announced spending would still grow in real terms, but at a lower rate than growth in the economy, in order to get public debt falling.
- 2.5 On taxation, additional receipts are expected to be generated through freezing of income tax thresholds and personal allowances, as well as reducing the amount at which the 45p income tax rate begins from £150k to £125k. An increased windfall tax on the energy sector was also announced. An update was given on taxation relevant to local government, with Council Tax being allowed to rise by up to 5% without a referendum, and a business rates revaluation has been confirmed. The business rates multiplier will be frozen, and several

new reliefs will be introduced. At this stage, we are concerned that these business rates changes could reduce the overall income received by Cambridgeshire.

- 2.6 Reforms to Adult Social Care charging have been delayed by two years to 2025. This has implications on all social care authorities which have been planning for this change but given uncertainties around funding for the reforms this removes a source of uncertainty in the immediate future. Additional funding was announced for social care authorities. As well as the flexibility to increase Council Tax by up to 5%, new grant funding will be made available. Around £1.3bn nationally will be paid to authorities as an increase to the existing un-ringfenced adult and children's social care grant, which part-funds our demand and inflationary pressures in those services. £600m will be allocated through the existing Better Care Fund, which is a pooled budget with the NHS, and a new ring-fenced grant of £400m nationally will be paid to support hospital discharges. It remains to be seen what the local allocations for these amounts will be, the distribution governance and conditions and how these compare with our previous expectations.
- 2.7 The minimum wage is being increased to £10.42, which is around 10p per hour higher than we had been budgeting for. This has cost implications for social care spend, potentially in the region of £1.5m of additional cost. The government is also expected to reverse funding that was supplied to councils to meet the cost of the now cancelled increase in National Insurance contributions, which could be up to a £2m reduction in CCC's funding.
- 2.8 As usual, local government will need to await the full Finance Settlement, usually in late December, for the implications on our funding to be revealed and Council-level allocations of grants to be confirmed. While targeted support appears to have been made available to adult social care, there is no specific support for the major pressures the Council is facing more widely such as in children's services, home to school transport, streetlighting or waste management.
- 2.9 The core budget for schools will be increased by £2.3bn nationally in both 2023/24 and 2024/25. This will assist schools with meeting inflationary pressures but does not appear to be a real term rise in funding.
- 2.10 The Household Support Fund was extended for a further twelve months. This is a much-needed source of funding to individuals and families in need of support and covers free school meals during school holidays. As we get more information about the scope of the extended fund, we will update the relevant committee.
- 2.11 The Chancellor announced that there would be two new fiscal rules to guide public spending and taxation decisions. Firstly, that over a five-year period public sector borrowing is to stay below 3% of GDP. Secondly, debt should be falling as a share of GDP by the fifth year of a rolling five-year cycle.

### 3. Building the Revenue Budget

- 3.1 Following the initial estimates of the five-year position for 2023-28 previously presented at Committee, we refine estimates for demand and inflation following any updating information that becomes available. We also apply the effects of any new savings or income initiatives that come forward, and the effects of any known funding changes.
- 3.2 Delivering a balanced budget in the current economic climate continues to be difficult, alongside uncertainty about key government reforms. In order to do this as well as produce

an overall sustainable financial strategy and meet Joint Administration policy objectives we will need to review the services the Council provides and look for opportunities to dis-invest where they aren't meeting our objectives.

3.3 We continue to develop the business plan using a reasonable balance of risk, which can be seen in some updates of demand and inflation projections. The Council retains reserves to mitigate against unforeseen risk.

3.4 The changes to the budget gap estimation between Committee meetings have been:

	2023-24	2024-25	2025-26	2026-27	2027-28
<b>October budget gap</b>	<b>28,624</b>	<b>26,367</b>	<b>16,812</b>	<b>17,384</b>	<b>18,762</b>
<b><i>Inflation Updates</i></b>					
Place Inflation	-2,514	-419	-1,061	-1,115	-1,174
People Services Inflation	769	526	129	130	128
Resources Inflation	-337	-315	-291	-231	-79
Staff Pay inflation	1,901	2,021	2,122	2,228	2,337
Energy Schemes	-3,233	-885	1,409	1,576	1,261
<b><i>Inflation changes total</i></b>	<b>-3,414</b>	<b>928</b>	<b>2,308</b>	<b>2,588</b>	<b>2,473</b>
<b><i>Pressures/Investments Updates</i></b>					
National Insurance Pressure, reversal	-1,998	0	0	0	0
Investment in Communities	230	0	0	0	0
CLT Structure	0	0	617	0	0
<b><i>Pressures/investments total</i></b>	<b>-1,768</b>	<b>0</b>	<b>617</b>	<b>0</b>	<b>0</b>
<b><i>Further Savings*</i></b>					
Adults Savings	-3,685	-3,068	-3,964	-4,148	-2,694
Invest to Save - Adults	155	0	0	0	0
Children's Savings	-1,402	100	0	0	0
Education Savings	-435	0	0	0	0
Place savings	-1,337	-2,098	-1,018	-8	399
Invest to Save - Place	90	-90	0	0	0
Strategy & Partnerships Savings	-230	0	0	0	0
Public Health Savings	-220	-30	0	0	0
Resources Savings	-2,691	488	-660	-719	-733
<b><i>Further savings total</i></b>	<b>-9,755</b>	<b>-4,698</b>	<b>-5,642</b>	<b>-4,875</b>	<b>-3,028</b>
<b><i>Other changes</i></b>					
Funding Changes	507	0	0	0	0
Capitalisation decisions	-3,435	215	4,000	0	0
Capital financing costs	2,015	2,636	-92	-2,099	-3,874
Miscellaneous changes	112	-50	-26	55	0
<b>Revised budget gap in December</b>	<b>12,886</b>	<b>25,398</b>	<b>17,977</b>	<b>13,053</b>	<b>14,333</b>

\*reflects savings work undertaken in recent months, but numbers will appear in several sections in the financial tables depending on specific nature of change. This may be income generation, demand/inflation projections or reduced pressures.

3.5 More detail about the proposals that make up this table relevant to this Committee are set out in section 6 below.

3.6 This budget gap contains our best estimates of inflation, demand and other costs we will face in 2023-28, as well as best estimates of the impact of new savings and income plans.

- 3.7 As noted above, this table does not factor in the implications of the Autumn Statement. The next iteration of the draft business plan, presented to S&R Committee in January, will contain the full implications and refreshed funding and cost projections.

## 4. Capital

- 4.1 Following on from October service committees, a significant amount of further review has been undertaken to prioritise, rephrase and reduce the Capital Programme where assessed as appropriate. This is alongside the ongoing refinement to schemes following challenge by Capital Programme Board, considering changes to overall funding or to specific circumstances surrounding individual schemes.

- 4.2 The revised draft Capital Programme is as follows:

Service Block	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
People Services	164,113	86,681	79,725	42,552	18,081	45,760
Place and Sustainability	77,227	57,445	40,213	22,331	22,261	18,810
Finance and Resources	7,842	2,799	1,261	800	800	13,920
Strategy and Partnerships	3,918	1,380	6	-	-	-
<b>Total</b>	<b>253,100</b>	<b>148,305</b>	<b>121,205</b>	<b>65,683</b>	<b>41,142</b>	<b>78,490</b>

- 4.3 This is anticipated to be funded by the following resources:

Funding Source	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
Grants	60,196	48,037	34,769	31,290	30,154	44,954
Contributions	75,433	27,407	21,648	37,124	38,848	63,668
Capital Receipts	2,846	29,845	24,340	3,000	2,500	15,000
Borrowing	115,865	42,894	40,948	22,148	6,486	3,994
Borrowing (Repayable)*	-1,240	122	-500	-27,879	-36,846	-49,126
<b>Total</b>	<b>253,100</b>	<b>148,305</b>	<b>121,205</b>	<b>65,683</b>	<b>41,142</b>	<b>78,490</b>

\* Repayable borrowing nets off to zero over the life of each scheme and is used to bridge timing gaps between delivery of a scheme and receiving other funding to pay for it.

*All funding sources above are off-set by an amount included in the capital variation budget, which anticipates a degree of slippage across all programmes and then applies that slippage to individual funding sources.*

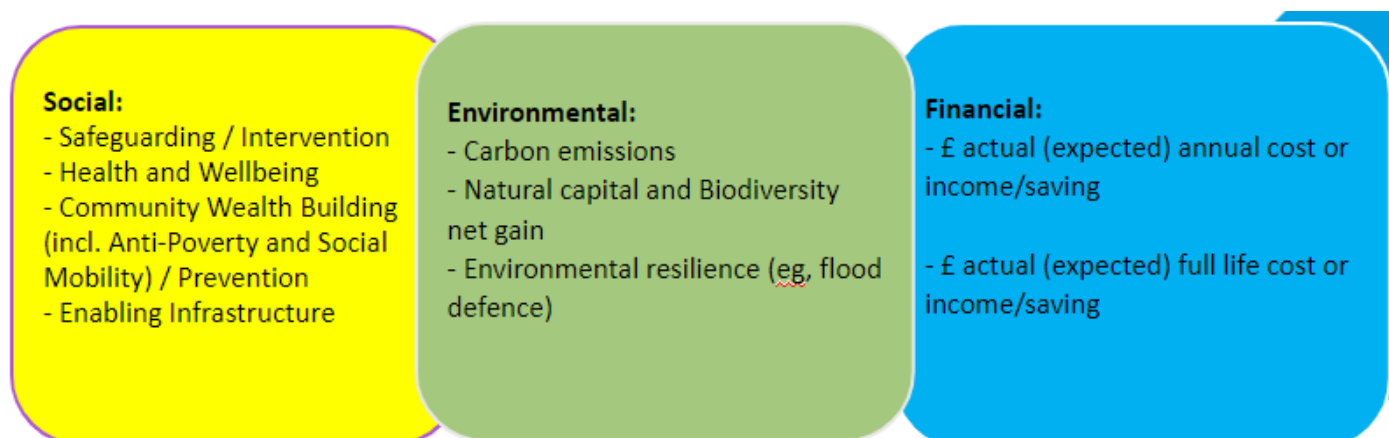
- 4.4 The level of prudential borrowing currently projected for this business plan is an increase of approximately £37.5m; this is a decrease of £2.0m since October committees (whilst there has been a significant reduction in borrowing for People Services, additional schemes and increases elsewhere, including movements from revenue to capital, have negated this reduction). The level of borrowing has a direct impact on the revenue position through interest payments and repayment of principal. The debt charges budget has undergone a thorough review of interest rates, internal cash balances, Minimum Revenue Provision

charges and estimates of capitalisation of interest and as a result, the budget will rise by £1.3m to £38.0m for 2023-24, largely as a result of interest rate rises and delayed spend increasing the borrowing levels for 2023/24.

- 4.5 The Council is required by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities 2021 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to achieve this, Strategy & Resources recommends an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan. In order to afford a degree of flexibility from year to year, changes to the phasing of the limit is allowed within any three-year block (the current block starts in 2021-22), so long as the aggregate limit remains unchanged. Strategy & Resources are due to set limits for the 2023-24 Business Plan as part of the Capital Strategy review in December.

## 5. Triple Bottom Line Approach

- 5.1 The Triple Bottom Line (TBL) approach has been developed to aid balanced decision making and enable monitoring across social, environmental and financial factors using a scoring matrix ranging from -5 to +5, with 0 being a neutral impact score. This marks a first step in a significant change in approach for the way the Council will approach prioritisation and decision making, placing much greater emphasis on the impact County Council spending can have on our communities and environment.



- 5.2 The criteria have been set to ensure we are assessing and scoring the business cases objectively and consistently. The criterion is summarised as follows:

**Social criteria:** safeguarding / interventions, health and wellbeing, prevention, equalities, localism and enabling infrastructure.

**Environmental criteria:** carbon emissions, natural capital, biodiversity net gain, environmental resilience

**Financial criteria:** actual (expected) annual cost or income / saving and actual (expected) full life cost or income / savings

- 5.3 The Business Cases currently proposed for the 2023-24 Business Plan have been assessed using the TBL scoring criteria. These scores are shown in the table below reflecting the portfolio which has been assessed:

BUSINESS CASE		SOCIAL	ENVIRONMENTAL	FINANCIAL
ASC Recommissioning block cars	A & H	Neutral	+1	+3
Adults MH Employment Support	A & H	+1	Neutral	+1
Adults Hospital Discharge	A & H	+1	Neutral	+1
Realigning Schools Partnership & Improvement Service	CYP	Neutral	Neutral	+1
Review of non-statutory services	CYP	Neutral	+1	+1
Family Safeguarding	CYP	Neutral	Neutral	+1
Special guardianship orders	CYP	Neutral	Neutral	+1
Children in Care Placements	CYP	Neutral	Neutral	+4
ICT Service	CYP	Neutral	Neutral	+1
Cambridgeshire Music	CYP	Neutral	Neutral	Neutral
Childrens Residential Short Breaks	CYP	Neutral	Neutral	-2
Teachers Pensions	CYP	Neutral	Neutral	+1
Communities Investment	COSMIC	+5	+2	-1
P&S Vacancy Factor	E&GI	Neutral	Neutral	+1
Updated Street lighting efficiencies	H&T	Neutral	+4	+5
Stopping weed killing	H&T	Neutral	+1	+1
Resilience Winter Highway Network	H&T	Neutral	+1	+1
Council-wide milage reduction	S&R	Neutral	+1	+2
Corporate Vacancy Factor	S&R	Neutral	Neutral	+2
Biodiversity developer offsets	S&R	+3	+3	+2
Commercial Investment	S&R	Neutral	Neutral	+5
Insurance Claims & re-procurement	S&R	Neutral	Neutral	+2

5.4 The table above shows the scores by committee and by criteria, for new business cases in this draft business plan (both investments and savings). These illustrate that notwithstanding the financial priority, risks and challenges, set out earlier in this report, the portfolio of initiatives through this position plan also promotes positive social and environmental outcomes for our communities. Scoring will be reviewed ahead of the final draft of the Business Plan.

## 6. Overview of E&GI Committee Draft Revenue Programme

6.1 This section provides an overview of the pressures and risks and the savings and income proposals within the remit of the Committee.

6.2 The main proposals within the remit of the Committee are described in the business planning tables (Appendix 1) and the Vacancy Factor business case is summarised in Appendix 2.

6.3 The Committee is asked to comment on these proposals for consideration as part of the Council's 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 2023 that proposals are finalised and become the Council's Business Plan.

6.4 Pressures and Risks:

### Materials supply and cost

The availability of materials and the cost of these for our projects (such as energy and waste).

#### Supply chain availability

Demand for construction, energy and technical services has risen as economies globally mobilise post-Covid. Supply chain capacity locally is stretched, resulting in reduced competition for projects and longer lead times and cost impacts. Increasing investment in local supply chain skills development is underway but this will take time before it feeds into the supply chain.

#### Waterbeach Waste Treatment Facilities

There will be significant additional revenue costs to divert waste whilst the planned upgrade works are carried out, along with increased operating costs to run and manage these facilities after the work is completed. Any delays in the works programme will have significant revenue budget implications due to the need for further waste diversion.

#### Energy project delays

The Council has four large energy projects under construction. Forecast income for 2023/24 from these projects is being re-calculated to reflect construction delays. This will reduce the total forecast income expected for 2023/24 on these projects.

#### Nationally Significant Infrastructure Projects (NSIPs)

At present, there are a number of NSIPs being considered by this committee, where there is a risk in terms of officer capacity.

#### Legislative changes

Legislative changes that apply to waste and impacting on costs in the short/medium term are:

- Industrial Emissions Directive (IED) and Best Available Techniques conclusions (BATc) that require reduction in emissions from some waste processing facilities
- Requirement to collect waste domestic seating that contains Persistent Organic Pollutants (POPs) separately and treat in an Energy from Waste facility and not to send to landfill for disposal.
- Implementation of legislation to deliver the elements of the Resources and Waste Strategy and transition to a circular economy (e.g., introduction of a Deposit Return Scheme (DRS), Extended Producer Responsibility (EPR) for packaging waste, collection consistency, weekly collections of food waste, etc.)

#### Energy Prices

Since 2004, approximately half the gas used by the UK is imported. Most is imported from either Norway or Liquefied Natural Gas (LNG) which is transported in large ships around the world. Only 5% of UK gas consumption has been from Russia. However, increased global demand for gas from Asia, and Europe shifting from Russian gas following the invasion of Ukraine, are driving higher costs and consumer bills.

#### Energy System change

Energy system transformation is underway to transform the UK into a **low carbon economy** and allow the country to reach carbon emission reduction targets. A new set of electricity market arrangements is being developed to help the UK to meet its commitment of fully decarbonising the power system by 2035, subject to security of supply. This is creating some market uncertainty.

## 6.5 Savings and Income:

- Vacancy factor
  - There is a level of underspend in staffing budgets across Place & Sustainability (P&S) due to a variety of factors such as a time lag between resignations and appointments as well as recruitment difficulties and delays. The actual level of underspend will vary year to year and team by team, but a vacancy factor of 2% across P&S revenue budgets equates to £112k and this is considered a reasonable estimate given the usage of higher cost of interims will offset the vacancy factor savings.
- Light Blue Fibre (Connecting Cambridgeshire)
  - Light Blue Fibre (LBF) investment payback and revenue income proposal:
  - In addition to making fibre assets available to LBF, the County Council invested £40k share capital (University of Cambridge made an equivalent investment) and part time secondment of staff during initial set up years. Therefore, there are three sources of income projected from LBF to CCC from October 2022 onwards: repayment, licences fees and dividends from profits.
  - Repayment of staff time costs will be made over the following three years. Projected licence fees and dividends from profits are reported annually to the Energy and Green Investment Committee on a confidential basis.
  - It is proposed that all the staff repayment and future dividend income is used to support the Council's revenue budget, whilst the licence fee income through to 2026 is allocated revenue budget.

## 7. Overview of E&GI Draft Capital Programme

7.1 The revised draft Capital Programme for Place and Sustainability is as follows:

Capital Expenditure	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
Place & Sustainability	76,727	57,345	34,326	22,331	22,261	18,810

7.2 This is anticipated to be funded by the following resources:

Funding Source	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
Grants	34,298	27,189	20,735	20,786	20,786	3,204
Contributions	14,059	3,144	2,841	965	965	4,146
Borrowing	28,370	27,012	10,750	580	510	11,460
<b>Total</b>	<b>76,727</b>	<b>57,345</b>	<b>34,326</b>	<b>22,331</b>	<b>22,261</b>	<b>18,810</b>

7.3 The full list of Place and Sustainability capital schemes is shown in the draft capital programme in Appendix 1c. Table 4 lists the schemes with a description and with funding shown against years. Additional energy projects to generate income are subject to further

discussion. Table 5 shows the breakdown of the total funding of the schemes, for example whether schemes are funded by grants, developer contributions or prudential borrowing.

7.4 Papers on the individual schemes have been, or will be, considered separately by the relevant Service Committee where appropriate.

## 7.5 **New Schemes and Changes to Existing Capital Schemes**

7.5.1 Both new schemes and changes to existing schemes, such as rephasing, re-costing, and revised funding are highlighted below.

### 7.5.2 Milton Household Recycling Centre (HRC)

- Following the decision by Planning Committee to grant approval for a permanent HRC at Milton on Wednesday 16<sup>th</sup> November 2022, the Council is now waiting to hear if the Secretary of State wishes to call this in for determination or will allow us to grant planning permission, noting that this facility is in the Cambridge Green Belt. Given the delay in receiving planning permission, the project has now been reprofiled which effectively pushes the borrowing into 2024/2025. This would still allow the permanent split-level facility to be completed before the extant temporary planning permission runs out in 2026.

### 7.5.3 Northstowe

- A report is due to come to this committee in January to discuss the implications of the cost cap in Phase 1 and to seek a decision on how this can be funded and reallocated. Noting the anticipated deficit in funding will have implications for the business planning decisions, this has been added to the Finance Tables in Appendix 1

### 7.5.4 Super-Fast broadband (SFBB) clawback/underspend (capital and revenue savings)

- The combined underspend on the original £20m capital allocation for Connecting Cambridgeshire is £3.3m (900k contract efficiency savings announced Dec 2021 plus £2.4m delivery underspend (as a result of additional external funding)), and this, together with the SFBB contract clawback clause of £5m, will lead to capital savings of £8.3m.
- The SFBB clawback will be paid in April 2023. This will be reported to the Capital programme Board and will reduce the Council's borrowing.
- Revenue savings of £149k debt interest charges plus potential MRP saving of ~£800k

### 7.5.5. Stanground Closed Landfill Energy Project

- The Council is unlikely to receive an Investment Grade Proposal (IGP) until at least March 2023, so it is currently anticipated to start construction and capital spend towards the last 6 months of 2023/24. As such, the profiling has been changed to circa £3m in 2023/2024 and the remaining circa £4.8m in 2024/2025. The only costs that are foreseen to be incurred in 2022/2023 are the staff costs which are around £50k.

### 7.5.6 Fordham Renewable Energy Network Demonstrator (FREND)

- The development budget for the work being undertaken to assess the solar farm on part of our rural estate of £609k has been reprofiled to take account of the progress made towards

developing an IGP. This has meant we have put £200k in 2022/2023 and the remainder of £409k in 2023/2024.

#### 7.5.7 Trumpington Park and Ride Solar PV Canopies

- This project was on hold pending the sites selected for growth in the Greater Cambridge Local Plan. Funding is set aside to investigate the ability to add car solar ports to the Trumpington Park and Ride site and funding has moved to 2024/25 and 2025/26 (the capital budget for each year is £3.483m)

#### 7.5.8 Woodston Battery Storage Scheme

- This project was on hold due to the costs of the grid connection. Changes to the energy market will now allow the scoping of this project to progress to support the decarbonisation ambitions in Peterborough. The entire budget of £2.511m has been moved to 2024/25 to start the discussions on how this could support the wider energy system in Peterborough.

#### 7.5.9 Babraham Road Park and Ride Smart Energy Grid

- In discussion with Addenbrookes Hospital, the construction phasing plan for Babraham Smart Energy Grid was changed post-contract from a two phase to a three-phase programme to allow sufficient parking for its staff and the Biomedical Campus to be available at the Babraham Park and Ride site during construction of the smart energy grid. This change has increased the timeline for project delivery and costs. Works are currently underway with the amount to be spent in 2022/23 to be circa £5m. The remainder of the capital spend is now for 2023/24, so £2.411m has been moved accordingly.

#### 7.5.10 St.Ives Park and Ride Solar PV Canopies

- Works have started and progress on the microgrid is positive. However, there have been delays agreeing the private wire designs and locations with the two key customers. This has meant reprofiling the spend for 2022/23 as £3.978m and £1.448m for 2023/24.

## 8. Next Steps

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

November / December	Draft business cases presented 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

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

- Environment and Sustainability
- Health and Care
- Children and Young People
- Transport

## 10. Significant Implications

### 10.1 Resource Implications

The proposals set out the response to the financial context described in section 5 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.

### 10.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for the proposals set out in this report. Details for specific proposals will be set out in the business cases. All required procurement activity will be fully compliant with the Council's Contract Procedure Rules.

### 10.3 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 residents.

### 10.4 Equality and Diversity Implications

Each of the proposals will be developed alongside an Equality Impact Assessment to ensure we have discharged our duties in line with the Equality Act, including the Public Sector Equality Duty, as well as met our commitment to implementing the Socio-economic Inequalities Duty. Business cases will include a summary of key points from the relevant Equality Impact Assessment. These summaries will highlight any positive impacts identified and outline mitigations for any negative impacts or justification for retaining a negative impact where this is appropriate.

### 10.5 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.

### 10.6 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.

#### 10.7 Public Health Implications

It will be important to secure a better understanding of the impact of COVID-19 upon Public Health outcomes along with other service areas. There is emerging evidence of increases on obesity and mental health issues along with other key Public Health areas. Over the longer term this will increase demand for preventative and treatment services. Savings made in the Public Health service will need to be realised through the substitution of grant funding against other existing Council services that are eligible under the Public Health Grant

#### 10.8 Environment and Climate Change Implications on Priority Areas

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

Have the resource implications been cleared by Finance? Yes  
Name of Financial Officer: Sarah Heywood

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

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: Faye McCarthy

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: Emma Fitch

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

### 11. Source documents

Appendix 1a. Introduction to the Finance Tables  
Appendix 1b. P&S Finance Tables 1-3 (Revenue)  
Appendix 1c. P&S Finance Tables 4-5 (Capital)

Appendix 2: Draft Business Case Proposals

Appendix 3: Draft E&GI Fees and Charges