

Business Planning update for 2022-27

To:	Strategy and Resources Committee
Meeting Date:	2 November 2021
From:	Chief Executive Chief Finance Officer
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	<p>This report continues the process of setting a business plan and financial strategy for 2022-2027 which will culminate at the February Full Council. Through this report, Members will gain awareness of:</p> <ul style="list-style-type: none">• the current business and budgetary planning position and estimates for 2022-2027• 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:	<p>It is recommended that the Committee:</p> <ol style="list-style-type: none">a) note the progress made to date and next steps required to develop the business plan for 2022-2027; andb) comment on and 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: [Strategy and Resources](#)
- 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 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. Overview of Strategy and Resources Draft Revenue Programme

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

4.2 As mentioned in the September Committee Paper, a large IT pressure has been identified. The revenue budgets for IT have been through a number of changes over recent years. These changes broadly sit in these categories:

- Result of the repatriation from LGSS and the legacy of decisions taken during the time that IT was delegated to LGSS
- Changes in how IT services are purchased and managed across the Council, including the move to Cloud based services
- New services or parts of services that were not previously used by CCC - for example the Shared Health Care Record (an important enabler of health and care integration)

These cost increases are particularly apparent in the area of systems and software where additional modules and features are needed to support changes in how individual services use some systems and how the Council as a whole uses IT. In order to ensure fit for purpose laptops for staff and members it is anticipated that a significant number of devices will need to be replaced in the next 18 months. Overall, there is a continuing shift from one off capital expenditure to ongoing revenue commitment for cloud-based subscription services. Further details of this pressure will be presented to committee in December.

4.3 Furthermore, figures for expected returns from commercial activity have been refreshed, and in several cases have resulted in a reduction in the overall level of income expected. The ongoing effects of COVID-19 have affected returns, particularly in the Council's student accommodation and a Council-owned leisure park. We will continue to review the likely income through the rest of this financial year. Further income generation ideas are currently being explored, the details of which will be presented to committee in December.

4.4 In addition to known pressures, there are also significant risks to the draft budget. The current staff inflation figures are based on the employers' offer in 2021/22 of 1.75% for all years. This figure was rejected by unions during the first week of October, who requested for a minimum increase of 10%. Any agreed figure above 1.75% would result in an additional budget pressure for 22/23 and subsequent financial years. The Council will continue to monitor negotiations and plan accordingly.

4.5 Three Business Planning Proposals for the Committee are currently in development:

- **Member Allowances:** It was estimated that -29k savings can be made due to the updated scheme for Members allowances. We are continuing to review this estimate and may be able to expand it, particularly taking account of reduced mileage expenses claimed by Members. It is important to note this saving may reduce should Committee roles change or the pay award, mentioned above, be higher than the currently budgeted 1.75% figure.
- **County Farms:** Agriculture legislation permits rent reviews every three years with 12 months' notice required. As rent reviews during 2021-22 are nearing completion, the indications are that for those farms reviewed this year and for re-lets and new tenancy, the passing rent is rising by around 15% on average. Agricultural rents do not directly relate to a single inflation indices and it is acknowledged there are major uncertainties currently facing farming. The Council has secured additional rental increases recently as a result of catching up reviews previously due. Taken together we expect to put forward a healthy percentage increase for farms rent for the next financial year with ongoing increases at a more stable level thereafter.
- **Council Tax Counter Fraud:** To increase the Cambridgeshire tax base by ensuring that any discounts, reductions, or exemptions granted are correct, regularly monitored, and withdrawn promptly if eligibility criteria cease to be met. The original business case gained General Purposes Committee approval in December 2019 and this income is now expected to commence in 2022/23. Continued partnership working has resulted in the full business case being refreshed; modelled on Single Person Discount figures (across all districts) to demonstrate the potential tax base increase. Diversion of District Council Revenues & Benefits Council teams during the pandemic is the reason progress has not been made earlier. There are further details and a link to the original case set out in the Integrated Finance Monitoring Report at this meeting.

The proposals within the remit of the Committee are also described in the business planning tables (Appendix 1) with more detail to follow in the business cases.

- 4.6 The Committee is asked to comment on these proposals. Further detail and any additional business cases will then come in full 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 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.

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	Completed business cases go to committees for consideration. Draft Strategic Framework and MTFS to Strategy and Resources Committee.
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 the 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 further 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

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 smoking along with other key Public Health areas. Over the longer term this will increase demand for preventative and treatment services.

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. The implications will be completed accordingly within each business case in time for the December committees.

Have the resource implications been cleared by Finance?

Yes

Name of Financial Officer: Tom Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the 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: Christine Birchall

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: Val Thomas

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: Finance tables (Table 3)

Appendix 1a – Introduction to the Finance Tables

In the full business plan, there are usually six finance tables. Tables 1-3 and 6 relate to revenue budgets, while tables 4 and 5 relate to capital budgets and funding. At this stage of the business planning cycle, we only produce table 3 for revenue, along with the capital tables.

Table 3 explains in detail the changes to the previous year's budget over the period of the Business Plan, in the form of individual proposals. At the top it takes the previous year's gross budget and then adjusts for proposals, grouped together in sections, covering inflation, demography and demand, pressures, investments and savings to give the new gross budget. The gross budget is reconciled to the net budget in Section 7. Finally, the sources of funding are listed in Section 8. An explanation of each section is given below:

- **Opening Gross Expenditure:** The amount of money available to spend at the start of the financial year and before any adjustments are made. This reflects the final budget for the previous year.
- **Revised Opening Gross Expenditure:** Adjustments that are made to the base budget to reflect permanent changes in a Service Area. This is usually to reflect a transfer of services from one area to another.
- **Inflation:** Additional budget provided to allow for pressures created by inflation. These inflationary pressures are particular to the activities covered by the Service Area.
- **Demography and Demand:** Additional budget provided to allow for pressures created by demography and increased demand. These demographic pressures are particular to the activities covered by the Service Area. Demographic changes are backed up by a robust programme to challenge and verify requests for additional budget.
- **Pressures:** These are specific additional pressures identified that require further budget to support.
- **Investments:** These are investment proposals where additional budget is sought, often as a one-off request for financial support in a given year and therefore shown as a reversal where the funding is time limited (a one-off investment is not a permanent addition to base budget).
- **Savings:** These are savings proposals that indicate services that will be reduced, stopped or delivered differently to reduce the costs of the service. They could be one-off entries or span several years.
- **Total Gross Expenditure:** The newly calculated gross budget allocated to the Service Area after allowing for all the changes indicated above. This becomes the Opening Gross Expenditure for the following year.
- **Fees, Charges & Ring-fenced Grants:** This lists the fees, charges and grants that offset the Service Area's gross budget. The section starts with the carried forward figure from the previous year and then lists changes applicable in the current year.
- **Total Net Expenditure:** The net budget for the Service Area after deducting fees, charges and ring-fenced grants from the gross budget.
- **Funding Sources:** How the gross budget is funded – funding sources include cash limit funding (central Council funding from Council Tax, business rates and government grants), fees and charges, and individually listed ring-fenced grants.