Agenda Item No: 5

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

To: Highways and Transport

Meeting Date: 6 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) Note the progress made to date and next steps required to develop the business plan for 2023-2028

b) 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

c) Comment on and endorse 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 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:

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

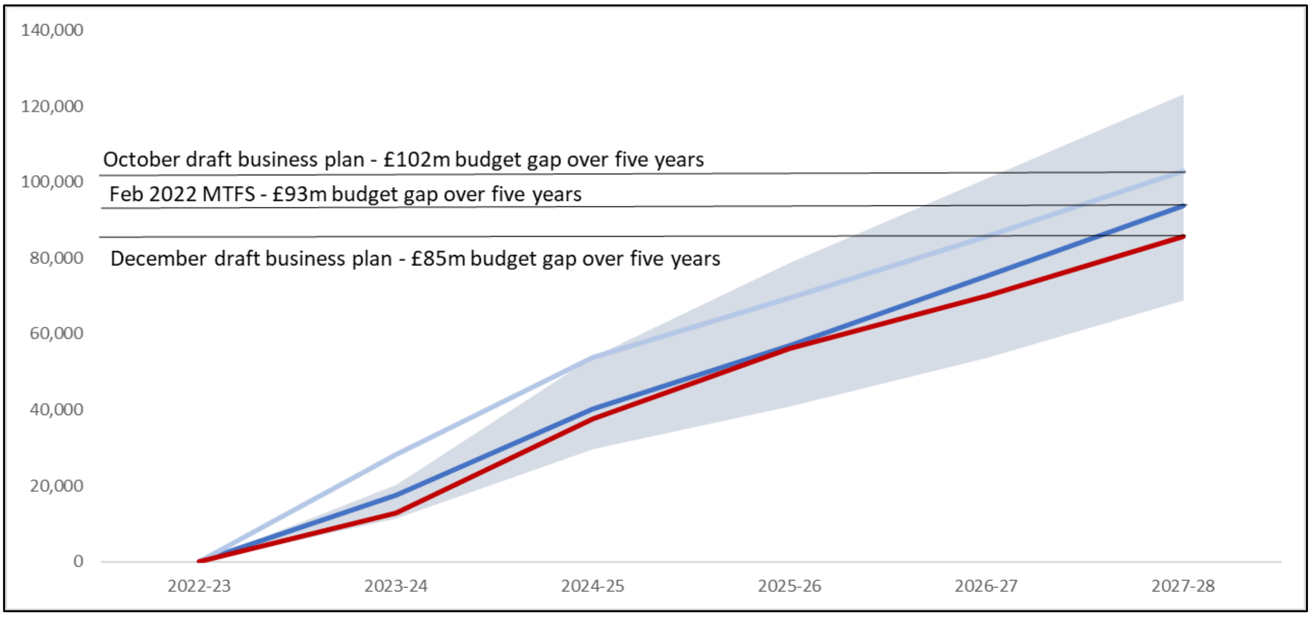
1.6 Since then, work has been ongoing to refine estimates and identify mitigations to reduce the budget gap, including savings and income generation schemes. Despite some further pressures identified, and a continuing challenging inflationary environment, the budget gap for 2023/24 is now estimated as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

	2023-24	2024-25	2025-26	2026-27	2027-28
£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 brings 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 beings 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
October budget gap	**28,624**	**26,367**	**16,812**	**17,384**	**18,762**
Inflation Updates					
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
Inflation changes total	**-3,414**	**928**	**2,308**	**2,588**	**2,473**
Pressures/Investments Updates					
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
Pressures/investments total	**-1,768**	**0**	**617**	**0**	**0**
Further Savings*					
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
Further savings total	**-9,755**	**-4,698**	**-5,642**	**-4,875**	**-3,028**
Other changes					
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
Revised budget gap in December	**12,886**	**25,398**	**17,977**	**13,053**	**14,333**

*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, rephase 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	-	-	-
Total	**253,100**	**148,305**	**121,205**	**65,683**	**41,142**	**78,490**

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
Total	**253,100**	**148,305**	**121,205**	**65,683**	**41,142**	**78,490**

* 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.

Social:
- Safeguarding / Intervention
- Health and Wellbeing
- Community Wealth Building (incl. Anti-Poverty and Social Mobility) / Prevention
- Enabling Infrastructure

Environmental:
- Carbon emissions
- Natural capital and Biodiversity net gain
- Environmental resilience (eg, flood defence)

Financial:
- £ actual (expected) annual cost or income/saving
- £ actual (expected) full life cost or income/saving

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	**Committee**	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
Street lighting efficiencies	H&T	+1	+2	+5
Stopping weed killing	H&T	Neutral	+1	+1
Resilience Winter Highway Network	H&T	Neutral	+1	+1
Highways Material Recycling	H&T	Neutral	+5	+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 H&T 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 summary of draft business cases (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 costs continue to create a significant pressure on the delivery of highway services. As reported previously (Highways and Transport Committee 4 October 2022) bitumen and steel supply are uncertain and some electronics are in short supply which is causing an escalation of costs. The highways industry is seeing higher than average inflation, particularly relating to bitumen products which make up around 70% of spending. The cost of bitumen products has increased by around 20 to 25%.

- The consequence of continuing increased costs and constrained supply is that highway and transport delivery programmes will need to be managed within available budget allocations.

- Department for Transport (DfT) Capital allocations (made through the Cambridgeshire and Peterborough Combined Authority (CPCA)) assume no increase for inflation, which would result in a year-on-year reduction in real funding.

- Based on information available the estimated 100% increase in energy costs reported in October remains the same, although it is noted that this is a highly volatile market with a high level of uncertainty over future years. This includes potential risks to energy supply which could result in energy shortages that may require the authority to actively manage energy use across the streetlighting infrastructure.

- Service capacity to deliver highway services, as has been discussed previously at Committee, there are significant pressures on the staffing resources across all services within Highways and Transport. A review of the highway maintenance structure, the development of an Apprenticeship programme and on-going recruitment are being actively progressed to help address these issues in the longer term. An exercise to benchmark salaries and renumeration packages across the sector is underway to identify any specific market tensions, although it is recognised that the recruitment and retention of highway, road safety and construction project delivery staff is a national issue in the UK.

- Changed behaviours, working practices and modal shift continue to impact on the generation of income through parking services. This has not recovered to pre-pandemic levels.

6.5 Savings and Income:

Business cases for the following proposals can be found in the Summary Report in Appendix 2.

Weedkilling

- The Highways Service carries out a regime of weed control to stop weeds causing a hazard to users. Weedkilling is predominantly carried out in urban and suburban streets. The proactive weed control programme involves the use of chemical weed treatments and manual removal. Chemical treatments are carried out by spot spraying weeds and takes between one and four treatments per year. Manual removal is generally done as a reactive measure where we are informed that large weeds are causing a nuisance. Highways also carry out the removal of notifiable noxious and injurious weeds, where notified, on a reactive basis.

- There is an increasing drive to remove chemical treatments from normal highway practice, and especially the removal of glyphosates. This proposal is to change from a proactive programmed approach to weed control to an entirely reactive service. The change will include the cessation of chemical weed killing. This will provide greater protection to the environment and align more closely with other council activities to double nature, increase biodiversity and enhance green infrastructure.

- Non-chemical removal of weeds would take place when a nuisance or hazard is being caused. This change is a low safety risk to road, footway, and cycleway users, but could result in an increase in damage to footway edges over a prolonged period of time, together with the possibility of localised standing water in channels if weeds build up there. Reputational risk is medium and likely on a localised basis as weeds grow to noticeable levels. Highways would only manually remove weeds where they reach a hazardous level for road, cycleway and footway users. Action and response would be prioritised based on agreed criteria designed to assess level of risk and hazard. The estimated saving is £125k on the current annual £220k budget.
- The change will not affect our response to notifications of identified hazardous or injurious weeds.
- A programme of community and public engagement will be undertaken ahead of the new regime to help communities understand the real implications of the change and the new ways of working.
- There is likely to be an increase in public enquiries concerning weeds and we will need to put in place a robust priority system to ensure we sustain the saving and manage risk to road users.
- The reduced use of chemicals will reduce operations staff risks to health and reduces the impact on the environment. Manual weed removal will be more costly when carried out, but frequency of removal will be reduced against current proactive approach.
- Weed treatments will still be part of site preparation for re-surfacing works and this will be delivered as part of the relevant programmes.

Winter Highways Maintenance Service

- The Department for Transport (DfT) through the Transport Resilience Review, the subsequent Highways Resilience Report, and the Highways Incentive Fund, require Local Highway Authorities to move away from a winter salting focused service to a broader Resilient Network approach. The network resilience approach moves Highways Authorities to include management of the core local road network to provide resilience for all weather conditions not just to focus on winter gritting. The winter salting network forms a core part of any Resilient Network.
- The current winter gritting network across Cambridgeshire has evolved over time, being extended in an ad hoc nature without reference to a defined resilient network. This has led to the development of a winter network that has not undergone an objective risk-based assessment to ensure the maintenance of a resilient network for the safe movement of users. The network is currently dominated by a focus on motorised vehicles.
- There is a need to review the network to ensure it aligns and more fully supports the needs of Active Travel users.
- As Highway Authority the Council has a statutory duty to ‘as far as reasonably practicable’ maintain the highway to be free from snow and ice. The council, as Highway Authority, is also responsible and accountable to drain the highway to avoid the nuisance and danger of flooding and standing water.
- The council currently winter salts around 34% of the county road network. This is high when benchmarked against most other similar authorities who treat around 25%. The review and resetting of the network could achieve financial savings, a reduction in the use of gritting products, and a reduction of damage to roadside verges without an increase in risk to road users or the authority.

- To effect the change in service and achieve a sustainable efficiency both in operations and cost whilst meeting the new requirements placed on us through DfT, a new resilient network would be designed, agreed and implemented using an evidence led risk-based approach. The new network would include Active Travel routes and support achieving broader resilience to flooding and other weather impacts

- The approach will be to carry out a risk review of the current network to understand roads and locations where risk has manifested for road users. This will provide a user risk baseline to compare the new network with.
- Creating the new network will involve the following:

    - Agree with Members objective criteria on which to build the new resilient network.
    - Map out the new resilient network.
    - Consult key emergency response stakeholders, CCC services and public transport providers.
    - Engage with key stakeholders, including Town and Parish Councils (T&PCs) to explain the process and address concerns
    - Create practical optimised treatment routes and set the operational resources to achieve the required level of service.
    - Agree the new network through Highways and Transport Committee.
    - Communicate changes to T&PCs, communities, partners and businesses through a concentrated publicity campaign across all media.
    - Implement new network before the start of the winter season.

- The new resilient network will reduce carbon from this area of service and reduce the impact salt has on roadside verges contributing to achieving Net Zero in the highways service.

<u>Streetlighting:</u>

- With energy prices increasing by circa 100% in October 2022, the Council's energy spend for street lighting is forecast to reach an annual cost of £3.1m in 22/23 and £4.2 in 23/24. Any interventions reducing energy consumption by a significant percentage will have a considerable impact on future budget demands and will insulate the council from further price increases.
- The primary focus of the following proposal is to reduce ongoing costs for the authority by reducing energy consumption. Additional benefits will be delivered including a significant reduction in carbon in line with the percentage cost saving, improved lighting quality and reduced maintenance costs long term. Four options have been considered:

1. LED replacement programme
2. Further Dimming
3. Part Night Lighting
4. LED replacement with interim further Dimming (plus an accelerated delivery programme)

Viable option: LED replacement

- This will include a one year’s contractual negotiation to achieve the required Deed of Variation to the Street Lighting PFI contract with Balfour Beatty and a two-year LED replacement programme. This will generate significant long-term savings. Capital investment circa £13.2m, c.£2.4m saving each year upon completion.

Reduction in Energy Spend

Option	Estimated Annual Energy Spend	Reduction in Annual energy spend post completion (5-year average)	% Reduction
LED replacement (£13m investment)	£3.3m	£2.4m	73%

Highway Materials Recycling (capital investment, revenue, and capital savings)

- With the current pressures being seen on the supply market for highway materials, the advantages of creating a circular economy for highway materials in Cambridgeshire to deliver materials recovery and recycling capacity is increasingly attractive, especially when considered in relation to our Net Zero targets. Having this facility in place would not only help protect the authority from escalating material price and market pressures, currently at between 20% and 30% for the types of materials we can recycle and re-use but would also provide a significant step forward in delivering a decarbonised, Net Zero Highways service.

- This proposal involves a two-phase approach to the development and implementation of recovery and recycling processes for highway materials within Cambridgeshire and would see the recovery of approximately 16,000 tonnes of material per annum, with a carbon saving of 500t to 1000t CO_2. It would avoid the disposal of over 300t of gully waste and potentially create between three to six new jobs. This option is being developed further with the support of Milestone and a recycling specialist partner OCL Regeneration. The facility would sit outside the term maintenance contract to provide the necessary long-term control for the authority. The proposal uses well proven technology and processes and would lead the service to developing a 'recycled first' approach to material use in all our schemes. Once developed it will also be possible to explore the opportunities to process resources on behalf of other operators and generate income for the authority whilst enabling others to reduce their carbon footprint.

- Phase 1 will deliver capacity to accommodate 30% of the potential materials recovery through the development of a facility within the current footprint of the March Highways Depot. It is anticipated that an initial investment of c£500k would deliver on-site processes that could see a reduced material cost of £250k per annum, with materials being recovered within year 2023/24.

- Phase 2 of this programme would see the service increasing to 100% capacity. This would require additional land to accommodate a recycling and recovery facility that can accommodate a larger facility to handle an increased volume and range of materials.

- This would see a new site being developed and will require an initial capital investment of c£2M (excluding land acquisition costs). It is anticipated that at full capacity the recycling facilities will deliver savings of c£750k per year from 25/26, if set up is delivered in 24/25. We would look to recycle all road materials, gully arisings, grass cuttings, and concrete.

- We will need Environment Agency and Planning Approvals to ensure we are protecting the environment at the facility, so officers are working with planning colleagues to ensure relevant protections and compliances could be put in place.
- The development of this capacity within the county will deliver sustained financial, carbon and environmental savings for the County Council.

Realigning planned maintenance investment for 2023-2024 to help manage inflation pressures

- As outlined above, the highways industry is seeing increasing levels on inflation pressures across the material supply chain. This will impact on the capacity to deliver works as the cost of individual maintenance schemes increases. The Highway Service continues to work with partners and suppliers to understand any ongoing fluctuations in the level of inflation, however, this continues to be estimated at approximately 13% across the full range of materials and operations. One of the measures to be used to manage the increase in costs will be to use the £1M additional investment in highway services to help fund the increased inflationary pressure.
- In addition to this £4M revenue investment will be capitalised for 2023/24, as detailed above this will have a capital borrowing revenue implication but this investment will be available to deliver highway services.

7. Overview of H&T 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
Total	**76,727**	**57,345**	**34,326**	**22,331**	**22,261**	**18,810**

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 B1050 Rephasing

The proposed scheme for the B1050 Shelford Road with a proposed budget of £6.8million is to be deferred pending a network level review of the risk soil affected roads including Fen Roads present to the authority and local economy. The recent design work on the B1050 indicates that the actual costs of the works to improve the condition of the road are likely to be in the region of £10million and carry significant risk that the life of the road will only be extended by 5 to 10 years. On a ‘normal road’ we would expect a cost of circa £1million and a life of 20 years plus. The deferment is to allow time to investigate innovative solutions to soil affected roads, quantify the risk of these roads and prepare medium term management plans to enable the council to affordably manage safety of road users whilst seeking engineering and funding solutions to this network level problem. The council will work with neighbouring authorities who have similar problems. Road user safety will be maintained on the B1050 through localised interventions and road safety measures.

7.5.3 Pothole Funding

We are expecting this grant from DfT will be made again in 2023-24. We are assuming that it will be a similar amount to the last grant for 22/23. This will maintain the support to the budgets for pothole repairs and funding of the Footpaths and Pavements schemes is at the same level as the 2022/23 budget. This is based on a statement issued by the DfT that this finding is likely to continue to 2024/25 although the actual level of the grant will not be known until February 2023.

7.5.4 A14 De-trunking (A1307)

Work is ongoing with National Highways to finalise the de-trunking of the old A14 as the A1307. Agreement in principle by the Council and National Highways for the sum of £24.75million for maintenance has been reached. The funding has not been passed to the council as yet but is imminent. Highways Asset Management team are working on a programme for delivery of works which is anticipated to be a 5-to-6-year programme of £4m to £4.75m per year.

7.5.5 Streetlighting LED

In order to reduce the impact of spiralling energy price rises, a replacement programme of current lanterns to LEDs is proposed to our street lighting stock. The wattages in LED are significantly lower than conventional lanterns and therefore use less energy. By investing circa £13.2m (capital) to upgrade to LED will see the impact of higher energy costs reduced based on current forecasts, by £2.4m per annum (revenue energy and maintenance costs combined). The current life span of an LED is 20 years which is considerably higher than lanterns, and their maintenance requirements are also reduced, which has a positive impact on the carbon footprint of delivering the service, for example less trips, waste etc.

7.5.6 Highways Materials Recycling

To achieve Net Zero in the Highways Service requires a step change to how we use materials. Highways Maintenance by its nature is a high carbon service. The Service intends to implement a recycling facility in two phases to enable a move to Recycled First in our materials use. The facility is estimated to cost £2.5million Capital and can save the authority around £750,000 per annum on its highways maintenance costs. It can also reduce carbon emissions from maintenance by about 1000 t CO_2 when fully operational. Operating costs will be covered by the use of the materials in the service delivery.

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: Sarah Silk

Have any localism and Local Member involvement issues been cleared by your Service Contact?
Yes
Name of Officer: Sue Procter

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 guidance

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

Appendix 2: Draft Business Case Proposal summaries

Appendix 3: Draft P&S H&T Committee 2023-24 Fees and Charges