Agenda Item No: 6

Business Planning Proposals for 2023-28 – Opening Update and Overview

To:	Children and Young People Committee
Meeting Date:	11 October 2022
From:	Executive Director, People & Communities Chief Finance Officer
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	This report outlines the process of setting a business plan and financial strategy for 2023-2028 which will culminate at the February Full Council. Through this report, Members will gain awareness of: • the current business and budgetary planning position and estimates for 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 overview and context provided for the 2023 – 2028 business plan b. Notes the initial estimates made for demand, inflationary and other pressures c. Notes overview and estimates made for the updated capital programme
Voting arrangements:	No vote required

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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. The business plan contains a five-year financial plan including estimates of investments, pressures, and savings over the whole period. The business plan now under development is for 2023-28. It is a statutory requirement for local authorities to set a balanced budget ahead of each new financial year.

1.2 On 8 February 2022, Full Council agreed the Business Plan for 2022-2027. This included a balanced revenue budget for the 2022/23 financial year with the use of some one-off funding but contained significant revenue budget gaps for subsequent years as a result of expenditure exceeding funding estimates. These budget gaps were, in £000:

Opening Budget Gaps

2022-23	2023-24	2024-25	2025-26	2026-27
balanced	17,396	22,737	16,782	18,337

1.3 Since the 2022-27 business plan was produced, the financial outlook has worsened. In particular, the international economic position has changed significantly, and there is increased uncertainty around national government policy. The budget gap for 2023/24 is now estimated as £28.5m, and a cumulative budget gap over the five-year draft business plan of £108m.

Revised Budget Gaps

2023-24	2024-25	2025-26	2026-27	2027-28
28,623	26,367	16,813	17,383	18,762

1.4 This is a very large increase in the gap projection. Central government has so far given no indication of further funding to Councils to meet pressures, and therefore we are planning on the basis of needing to close this budget gap almost entirely through decisions within the Council's control.

1.5 Further information on financial pressures facing the Council are set out below. The Council has a legal requirement to set a balanced budget for 2023/24, and therefore difficult decisions will need to be made in order to close the budget gap. The council may have to take steps to reduce the growing demand from the public for our services and may have to make dis-investments or reductions in lower priority services.

1.6 Inflation is expected to impact our budget over at least the next year in an unprecedented way. Typically, inflation represents a modest part of our overall budget growth, and estimates do not significantly change year-on-year. However, increases over the past year caused by the release of bottlenecks in demand following COVID-19 and then the outbreak of war in Ukraine has seen inflation rise to levels last seen in the 1980s. This impacts on the Council in the same way as it does on people's own household budgets. This could mean the Council will need to consider how we can cut back in some areas in order to make ends meet. The Council has finite funding, and most of our income, including taxation, is fixed at levels set by the government. We also cannot borrow or use cash reserves to fund an ongoing budget gap.

1.7 Inflation impacts on the Council's budgets in several ways. Inflation increases the amount we pay on a day-to-day basis for goods and services that we buy from external suppliers. So, rising national inflation indices (such as RPI) directly impact on us. Inflation can also impact us in more acute ways. Several of our large contracts (such as for waste disposal) have inflationary uplifts included into contracts pegged to national indices – as this is on a very large contract the difference between a 2% rise and an 8% rise can be very significant. We also purchase a large amount of electricity, around two thirds of our electricity bill goes to power streetlights. We also need power for the buildings the Council uses to serve the public like libraries, registration offices, highway depots and offices – and keeping these buildings open and warm may be even more important for individuals and communities during the colder months. In September 2022 the government announced some relief from energy price increases for public sector organisations. We are considering the detail of this announcement and its impact, if any, on the price projections we have for this business planning round. If the relief is only for six months, then it will not necessarily provide any reduction in prices faced over the medium-term.

1.8 The Council has a large capital programme, and rising costs of materials increases the overall cost of works and so requires us to borrow more. Finally, rising inflation is often linked with increased staff costs. Staffing is one of our highest costs and the need to pay staff a fair wage to ensure they can meet inflationary impacts they are facing in their own lives is important. This allows us to recruit and retain essential employees but is a direct cost to the Council.

1.9 We are also having to consider uncertain demand for our services following the pandemic. Traditional patterns of accessing social care services have changed, and the Council has a role to play in the wider health and social care system in ensuring people are discharged from hospital into appropriate care. Government reforms around social care have the potential to cost local government billions of pounds extra per year, but government funding is yet to be identified. We are also engaging with government to agree a Safety Valve deal to address our high needs school funding deficit. This is likely to displace costs previously funded by education grants and require transformational investment from the Council.

1.10 This means the Council has a much more challenging budgetary outlook than it did when setting its current business plan some months ago, with the increased costs of inflation on its own doubling our budget gap. Added to this are some unavoidable service pressures and government reforms, which result in the now much larger budget gap of over £28m next year. It is not sustainable to use reserves to close this budget gap as that can only ever be a short-term solution. Council reserves are there to help us to manage risk and provide some buffer if there are large, unexpected pressures. Difficult choices are in prospect as we consider the environmental, social, and financial concerns of the Council, and deliver a strategy that achieves a balanced budget.

1.11 The focus on delivering specific and wide-ranging savings to address our medium-term budget gap was mostly paused during the pandemic, and the focus was taken away from more traditional savings and efficiencies. Given the size of the budget gap next year, traditional savings and efficiencies will need to form a bigger part of our budgeting. Alongside this, 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, reduce demand for our services, and reduce the inflationary impact on our services.

1.12 Ideally the Council wants to continue to focus on a range of more fundamental changes to the way we work, but we can only consider investment into these areas when the savings requirement is met. Once this happens these areas could include:

- Economic recovery – Economic recovery is at the heart of improving outcomes for people and managing demand for Council services. Although the economic position has changed significantly and uncertainty around inflation levels continue for the Council and the people of Cambridgeshire, overall Cambridgeshire is well placed to support growth and economic resilience, albeit the potentially severe financial consequences for some sectors and individuals. There are impacts on employment and household income levels for many across Cambridgeshire. The stress and anxiety caused by worrying about not having enough money to buy basic necessities or afford basic utilities, which has significantly increased due to the current inflation levels, is an important factor that affects demand for many of our services.

- Prevention and Early Intervention – To support people to remain as healthy and as independent as possible as well as reduce the health inequalities that have been exposed and exacerbated by the pandemic – we need to work with people and communities to help them help themselves or the person they care for or their community. This means improved access to advice and information about local support, asset building in communities and access to assistive technology. We will continue to build on how we support the networks and groups that developed during the pandemic to continue to be sustainable going forward, and where public services are needed, ensuring support is made available early so that people's needs are less likely to escalate.

- Decentralisation – To manage demand and enable people to remain living in their own homes in their local communities, and delay the need for more specialist services, we will continue to deepen our relationships with the voluntary and community sector, District, Parish and Town Councils, The Combined Authority & Greater Cambridge Partnership, and other public sector partners to continue to build place-based support services wrapped around our vulnerable people and communities; to reduce or delay the need for more specialist expensive services and build resilient and sustainable communities where people feel proud to live.

- Environment - Putting climate change and biodiversity at the heart of the council's work will require economic transformation. Failure to understand the risks of these two crises will impact economically on the lives of our communities and beyond. As a council, we aim to deliver 2030 net zero target for Cambridgeshire County Council as an organisation and develop clear actions for delivery of our Climate Change and Environment Strategy to achieve Net Zero by 2045 for the area, enabling service and investment decisions to be made in this context. Particularly through the generation of clean energy we can deliver a financial benefit to the Council but also save money through investment into greater energy and resource efficiency.

- Social Value - With a strong focus on outcomes and impact for our communities, we will be working with our public, private, voluntary and community partners to achieve our joint ambitions. We will seek to invest using social value criteria to drive improved outcomes, including health, the living wage and employment. We will look to contribute to keeping spend local through our procurement, spending and organisational activities.

1.13 We will try to mitigate the impact of the measures we will need to take to balance the budget by ensuring that any investments we do make are targeted to make the most difference. To do this, we have adopted a triple bottom line scoring system for investment proposals, that reflect the environmental and social impact of decisions as well as the financial requirement. The most efficient investments at delivering environmental or social return will be prioritised.

1.14 For several years the Council has been setting budgets in an increasingly uncertain context. This business planning round continues with that uncertainty, and the estimates made in these papers reflect our best estimates of costs, savings, and income at this point in time. The Council's reserves policy provides for some mitigation of risk should the context change when budgets are set. We proactively monitor all budgets across the Council to ensure any flexibility to meet unexpected pressures is made clear.

1.15 In 2021/22 the Council participated in a peer challenge run by the Local Government Association. We have made progress on implementing all recommendations from that review. This includes taking a more strategic approach to business planning for Cambridgeshire and putting in place funding to ensure business change capacity. We are also working towards setting a more medium-term financial plan, subject to the uncertain economic and policy context that the Council is working in. The lack of a detailed multi-year local government finance settlement makes it difficult to predict the resources available to us.

1.16 All service committees will consider their relevant revenue business planning proposals and by December committee they will be asked to endorse proposals to January Strategy and Resources Committee as part of the consideration for the overall Business Plan. These proposals are currently being developed and will each have a robust implementation plan, which allows as much mitigation as possible against the impact of current financial challenges. Where proposals reflect joint initiatives between different directorate areas these will go before the relevant Committees to ensure appropriate oversight from all perspectives. Until we have a route to a balanced budget, discretionary investments will be prioritised but not added to the business plan until it is clear what is affordable.

1.17 At this stage, the naming and organisation of services in the accompanying finance tables reflect the organisational structure pre-September 2022. The final versions of finance tables considered by committee will be based on the revised corporate structure.

2. Building the revenue budget

2.1 As we have a five-year business plan, the first four years of the new business plan already have a budget allocation. We revise the estimates for demand, inflation, and other pressures first to confirm the budget needed to deliver the same level of service and add in any new pressures or investment proposals. These budget changes are presented first to service committees and, overall, there is a gap between our budget requirement and the funding available.

2.2 We then work to close the budget gap through savings and efficiency initiatives, identification of additional income and revision of pressure estimates, presenting these further changes to committees later in the year. Ultimately, a balanced budget needs to be set by 1 March.

2.3 Delivering a balanced budget in the current economic context will not be easy, and it is a challenge facing the whole of local government. The Council will need to draw on a range of approaches in order to arrive at a balanced budget, produce an overall sustainable financial strategy and meet the Joint Administration's policy objectives. This will include looking at opportunities for dis-investment from non-statutory services that are not delivering our objectives, as well as strengthening services that result in maintaining people's independence such that they do not need to rely on our services.

2.4 As the economic picture develops, and as the policies of the new national government become clearer, we will update the key budget estimates to ensure they are as accurate as we can make them. We intend to set a budget with a reasonable balance of risk, and therefore should not be assuming the worst-case scenario will happen. The Council retains reserves to mitigate against unforeseen risk.

2.5 The changes so far to the budget gap estimation have been:

	2023-24	2024-25	2025-26	2026-27	2027-28
Opening budget gap	**17,396**	**22,737**	**16,782**	**18,337**	**18,596**
Key estimates updates					
Expenditure inflation estimates update	17,348	3,868	308	182	873
Income inflation estimates update	-1,939	-752	-900	-979	-923
2022/23 Staff Award Pay Inflation	3,500	0	0	0	0
Demand estimates update	-2,632	-1,273	-413	-119	759
Pressures					
Waterbeach Waste Treatment Facilities	0	580	0	0	0
IT & Digital Services - revenue investment to replace capital	965	939	1,071	0	0
Offsetting capitalisation of current revenue spend	-965	-215	0	0	0
Harmonisation of terms & conditions for insourced children's homes staff	311	0	0	0	0
Savings					
Energy schemes	-1,857	-44	-28	-29	-31
Council-wide mileage budget reduction	-500	0	0	0	0
Corporate vacancy factor	-400	0	0	0	0
Adults employment support contract retender	-40	0	0	0	0
Adults retender of block domiciliary care	-525	0	0	0	0
Public Health contract and related savings	-62	0	0	0	0
Funding changes					
Un-ringfenced home to school transport grant increase	-275	0	0	0	0
Business rates pool income	-700	700	0	0	0
Better Care Fund contributions increase	-872	0	0	0	0
Miscellaneous changes	-130	-173	-7	-9	-512
Revised budget gap	**28,623**	**26,367**	**16,813**	**17,383**	**18,762**

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

This budget gap contains our best estimates of likely inflation, demand and other costs that we will face in 2023-28. Our estimate of the potential range of budget gaps over the five-year medium-term ranges from over £140m down to £70m, due to the huge range of uncertainty in most aspects of our work. We believe the current budget gap projected for 2023/24 is at the upper end of the potential range, and through the rest of the medium-term our estimates are broadly in the mid-range of potential outcomes.

3. Capital Programme

3.1 The Capital Programme

3.1.1 To assist in delivering its Business Plan, the Council needs to provide, maintain, and update long term assets (often referred to as 'fixed assets'), which are defined as those that have an economic life of more than one year. Expenditure on these long-term assets is categorised as capital expenditure and is detailed within the Capital Programme for the Council.

3.1.2 Each year the Council adopts a ten-year rolling capital programme as part of the Business Plan. The very nature of capital planning necessitates alteration and refinement to proposals and funding during the planning period; therefore, whilst the early years of the Business Plan provide robust, detailed estimates of schemes, the later years only provide indicative forecasts of the likely infrastructure needs and revenue streams for the Council. For each new business planning round, new schemes are developed by Services and all existing schemes are reviewed and updated as necessary before being presented to Capital Programme Board and subsequently Service Committees for further review and development.

3.1.3 Strategy and Resources will review the final overall programme in January, in particular regarding the overall levels of borrowing and financing costs, before recommending the programme as part of the overarching Business Plan for Full Council to consider in February.

3.1.4 There has been a sharp inflationary rise on construction goods due to international economic conditions and wider supply chain issues, as well as the energy crisis. Where the impact of this is known or can be estimated, it has been included, but further rises are anticipated.

3.2 Revenue Impact of the Capital Programme

3.2.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to any cost of borrowing through interest payments and repayment of principal and the ongoing revenue costs or benefits of the scheme. Conversely, not undertaking schemes can also have an impact via needing to provide alternative solutions, such as Home to School Transport (e.g., transporting children to schools with capacity rather than investing in capacity in oversubscribed areas).

3.2.2 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 2032-24 Business Plan as part of the Capital Strategy review in December.

3.3 Summary of the Draft Capital Programme

3.3.1 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	68,510	164,521	96,620	107,875	52,335	18,096
Place and Sustainability	414,459	60,413	31,208	22,283	18,946	18,969
Corporate Services	167,648	5,391	3,252	1,260	800	800
Total	**650,617**	**230,325**	**131,080**	**131,418**	**72,081**	**37,865**

3.3.2 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	177,504	48,150	43,356	33,189	29,729	26,651
Contributions	93,951	66,635	37,675	20,431	35,951	38,844
Capital Receipts	15,130	24,990	19,842	12,000	2,000	6,000
Borrowing	248,537	91,866	30,535	65,798	32,280	3,216
Borrowing (Repayable)*	115,495	-1,316	-328	-	-27,879	-36,846
Total	**650,617**	**230,325**	**131,080**	**131,418**	**72,081**	**37,865**

* 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.

3.3.3 The level of prudential borrowing currently projected for this business plan is an increase of approximately £34.7m, which will impact on the level of debt charges incurred. The debt charges budget is also currently undergoing thorough review of interest rates, internal cash balances, Minimum Revenue Provision charges and estimates of capitalisation of interest – the results of this will be fed into the next round of committee papers.

4. Overview of CYP 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 Children's

4.3 We continue to operate within a wider shifting context. There are a number of ongoing risks, uncertainties and pressures that place ongoing demands on Children's services, including:

- Economic climate; including the cost of living and inflation.
- Children who are in need of support, are often facing more complex situations
- The care workforce; including recruitment and retention of permanent staff and the increasing cost and turnover of agency staffing.
- Lack of sufficient placements across the system to meet need, and increased expectation in relation to Unaccompanied Asylum-Seeking Children.
- Children's Independent Review and National Panel recommendations and possible future system, policy and legislative changes that may be required as a result of these.

4.4 Children's have reviewed the demand and inflation ask across services, alongside already identifying up to £900k of savings for 2023/24.

4.4 We are exploring a number of additional options to deliver more savings and increased income over the next two to three years, with a continued focus on demand through prevention and early intervention approaches. However, with c. 50% of children's budgets committed to long term placement spend and the issues raised above, this continues to be a challenge.

4.5 Demand and Inflation Overview

4.5.1. We have reviewed demand based on the current trends over the past 12 months, recognising that the way demand presents has changed since COVID-19. This has resulted in a demand investment of £2.022m in 2023/24, representing a £628k increase on the existing 2023/24 allocation in the Business Plan.

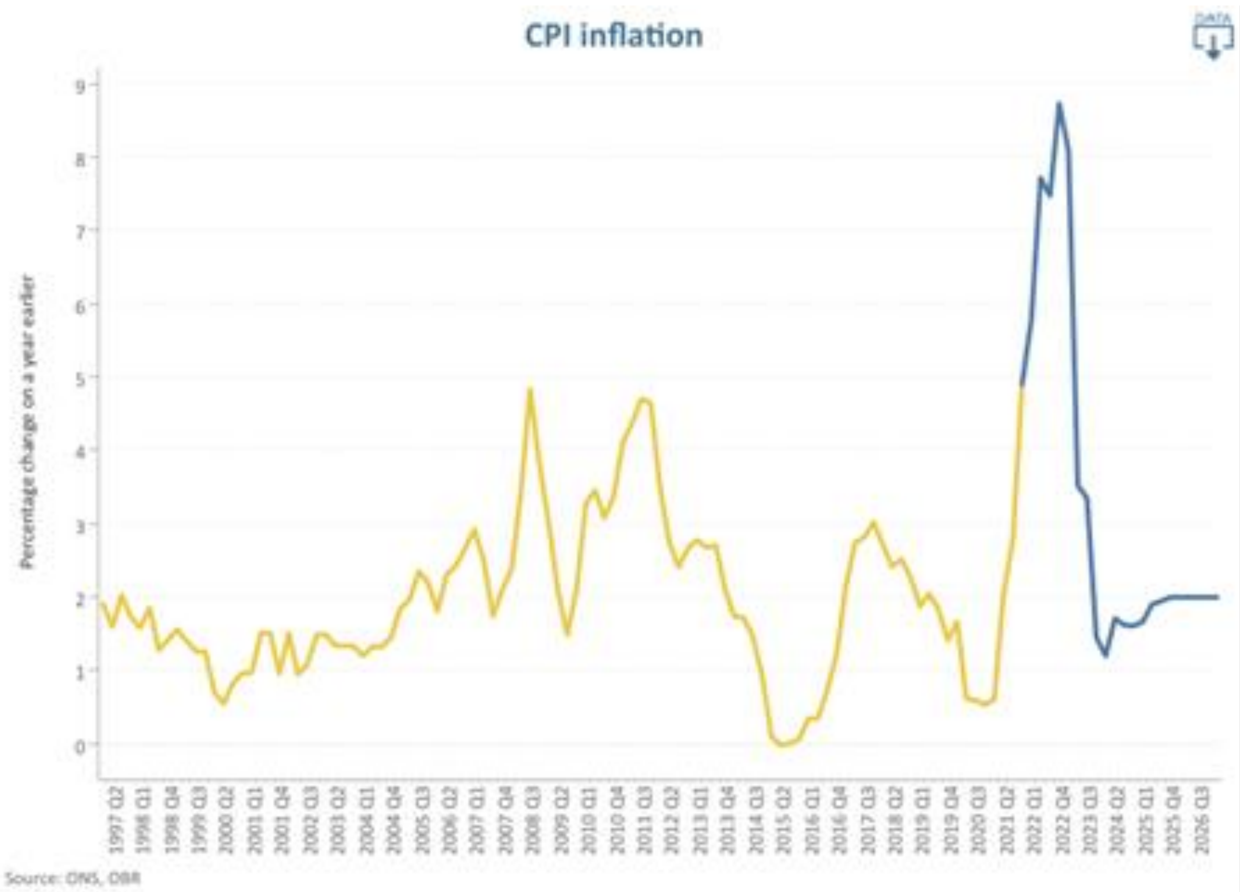
4.5.2 The demand budget changes for Children's are summarised in the below table.

Demand	**2023/24** £'000	**2024/25** £'000	**2025/26** £'000	**2026/27** £'000	**2027/28** £'000
A/R.3.011 Funding for rising Children in Care (CIC) placements	592	13	183	260	263
A/R.3.019 Children with Disabilities	35	42	50	59	83

4.5.3 Children's services have been impacted by significant inflationary pressures. Rates of inflation are at their highest ever. National Living Wage (NLW) is predicted to rise by 8.6% in 2023/24 and CPI is currently at 10.1% (July 2022). This means that inflation of £1.967m is needed in 2023/24, an increase of £1.22m from existing budgeted inflation in the Business Plan. The breakdown of the inflation budget changes for Children's are summarised in the table below.

Inflation	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
A/R.2.003 Centrally funded inflation – Looked after Children (LAC) placements	1,225	-158	-37	-82	-68

4.5.4 In 2023/24 we expect inflation to continue to be a financial pressure across the sector. The Bank of England shows general inflation forecast to drop to 4% in 2023/24. The Office for Budget Responsibility forecasts a range between 2.4% and 7.5%. The Low Pay Commission who advises the Government on the levels of the National Living Wage (NLW) and National Minimum Wage (NMW) is seeking evidence on the impact of the NLW and NMW. The Low Pay Commission is testing the affordability and effects of an increase in April 2023 to an NLW rate of £10.32 per hour (an increase of 8.6% on April 22). We have also ensured our ongoing commitment to support providers to pay the Real Living Wage within these calculations.



4.6 Children's Savings and Income Opportunities

4.6.1 We have already identified and committed to deliver up to £900k of savings and increased income for 2023/24.

4.6.2 £100k of the savings and increased income identified are already included in the Business Plan, as outlined in the table below.

A/R.6.267 Children’s Disability 0-25 Service: maximising opportunities for increasing independence as children with disabilities move into adulthood.	£100k
Total existing savings:	**£100k**

4.6.3 £800k of the savings identified are new opportunities, as outlined in the below table. These are not yet included in the appended finance tables but are being explored with a view to bring forward into the next iteration of the tables.

Special Guardianship Orders (SGOs): effective exiting of children from care has reduced the scale of saving we can offer going forward.	£50k
Manage increase in residential children’s placement demand/inflation	Up to £750k
Total new savings:	**Up to £800k**

4.6.4 We continue to focus on delivering to the Triple Bottom Line, with opportunities delivering a range of social and environmental benefits in addition to financial ones. In addition to the above, there are currently a number of areas being explored, including:

- Early Help: considering opportunities to maximise the use of grant funding to support Early Help services.
- Fostering: exploring the need for a more supportive network care model to ensure the fostering service continues to expand its number of foster carers. This is a key area for us in continuing to support improving practice and outcomes for children as well as ensure that we can continue to meet need in a targeted way.
- Workforce: exploring the opportunity to reduce some staffing levels, including business support, based on the reduction in the numbers of children in care and child protection cases.
- Technology Enabled Care (TEC) for children with disabilities: use of TEC to maximise independence for children as they transition to adulthood. This links closely with the same work undertaken in the Adults’ sphere.
- Direct payment clawbacks: ensuring that when direct payment allocations are not spent, that we are recouping this money.
- Increased income: exploring opportunities to maximise placement contributions from health.
- Family Hubs and extension of Supporting Families Programmes: development of new models, building on the existing Best Start in Life work, and making the most efficient use of funds available to us in Early Help. This links to our increased award for Supporting Families under the new scheme but will remain dependent on Payment by Results targets.

4.7 Education

4.7.1 As well as increasing inflation, cost of living and demand for school admissions, there are a number of ongoing risks, uncertainties and pressures that place ongoing demands on Education services, including:

- Legislative changes to Education and the role of the local authority in the White and Green papers.
- Education Safety Valve Programme to support Local Authorities to balance their high needs block (SEND and inclusion) funding. We are currently negotiating with the DfE funding via this programme.
- Rising school admissions, behaviour challenges and EHCPs (Education, Health and Care Plans) alongside the impact of COVID-19 across families and outcomes.
- Rising demand on Home to School Transport, especially around SEND (Special Educational Needs and Disabilities).
- Need to fund transport for children in the BAIP (Behaviour and Attendance Improvement Partnership) arrangement who need to access external provision.

4.7.2 Education has reviewed the demand and inflation ask across services, alongside already identifying and committing to £1.2m of savings for 2023/24.

4.7.3 We are exploring a number of additional options to deliver more savings and increased income over the next two to three years, with a continued focus on demand through prevention and early intervention approaches.

4.8 Demand and Inflation Overview

4.8.1. We have reviewed demand, which has resulted in a demand investment of £2.032m in 2023/24, representing a -£364k decrease on the existing 2023/24 allocation in the Business Plan.

4.8.2 The demand budget changes for Education are summarised in the below table.

Demand	**2023/24** £'000	**2024/25** £'000	**2025/26** £'000	**2026/27** £'000	**2027/28** £'000
A/R.3.008 Home to School Transport Mainstream	53	52	52	52	55
A/R.3.010 Home to School Transport Special	-417	-531	-668	-827	-541

4.8.3 Education services have also been impacted by significant inflationary pressures. This means that Education needs £1.376m of inflation for 2023/24, an increase of £768k on the existing Business Plan budget for next year. The breakdown of the inflation budget changes for Education are summarised in the table below.

Inflation	**2023/24** £'000	**2024/25** £'000	**2025/26** £'000	**2026/27** £'000	**2027/28** £'000
A/R.2.004 Centrally funded inflation – Transport	768	-25	-17	-17	-4

4.9 Education Savings and Income Opportunities

4.9.1 We have already identified and committed to deliver up to £1.2m of savings and increased income for 2023/24.

4.9.2 £793k of the savings and increased income identified are already included in the Business Plan, as outlined in the table below. These are not yet included in the appendiced finance tables but are being explored with a view to bring forward into the next iteration of the tables.

A/R.6.250 New IT System – there is a potential delay in delivering this saving due to implementation timescales. Officers are currently reviewing benefit realisation arising from the system implementation.	£223k
A/R.6.268 Transport – risk around demand changes and market conditions (currently under review). There are likely to be some phasing issues especially around any policy changes / fees increases.	£570k
Total existing savings:	**£793k**

4.9.3 £285k of the savings and increased identified are new opportunities, as outlined in the below table.

Cambridgeshire Music – contribution to the cost of the new music base in Histon through surplus traded income.	£25k
Cambridgeshire ICT – Building on the growth in demand for the service we will increase the target surplus for the service from £200k to £300k. The service is looking to provide a wider range of services beyond its normal customer base. There is a risk around the funding from the DSG to support the Eastnet network (broadband connectivity for schools)	£100k
Review of Non-Statutory Services delivered across education. We are currently reviewing a number of options around services that are discretionary or can be delivered in a different way. Our current estimate of savings may be reviewed as this review continues.	£75k
Review of structure in School Improvement in light of White Paper – following some changes in LA responsibilities and vacant roles, we have identified £85k of savings to contribute to the overall deficit position.	£85k
Total new savings:	**£285k**

4.9.4 We continue to focus on delivering to the Triple Bottom Line, with opportunities delivering a range of social and environmental benefits in addition to financial ones. In addition to the above, there are currently a number of areas being explored, including:

- Review inflation and demand assumptions for transport.
- Outdoor centres – cost avoidance for the council / income generation.
- Virtual school – sustainability of external funding (Pupil Premium Plus).
- Review of spend against statistical neighbours – early years and school place planning (review of establishment) key focus areas to understand where there are opportunities to deliver things differently, whilst ensuring commitment to the Triple Bottom Line.

4.9.5 In addition, there are a number of investment priorities which we are exploring further and will be funding dependent. These include:

- Investment into our Outdoor Centres. Personal and social development for our children and new wider role in supporting our most vulnerable children. This includes consideration of the long-term future of Stibbington and the loan for Grafham Water.
- Auto-enrolment of all primary age children into the library. This will require c. £50k of investment and there is potential for DfE match funding.

5. Overview of CYP Draft Capital Programme

5.1 The revised draft Capital Programme for People Services is as follows:

Capital Expenditure	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Later Yrs £'000
People Services	164,521	96,620	107,875	52,335	18,096	47,440

5.2 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	25,905	20,848	15,604	12,144	9,066	41,750
Contributions	50,717	34,237	19,426	7,067	993	-
Capital Receipts	-	-	-	-	-	-
Borrowing	89,215	41,863	72,845	33,124	8,037	5,690
Borrowing (Repayable)	-1,316	-328	-	-	-	-
Total	**164,521**	**96,620**	**107,875**	**52,335**	**18,096**	**47,440**

5.3 The Council has a statutory duty to provide a place for every child whose parents want them educated in a state-funded school, including academies. It also has a duty to secure sufficient childcare places including free early education for all three and four-year-olds and the most vulnerable two-year-olds (15 hours per week, 38 weeks a year), and to meet the extended entitlement of 30 hours a week (38 weeks a year) free childcare for three and four-year-olds whose parents meet the qualifying criteria. This is known as Basic Need provision. Government funding for the Basic Need provision of mainstream school places together with Section 106 receipts (and to a lesser extent, Community Infrastructure Levy (CIL)) provide the main funding sources for the P&C five-year, rolling programme of capital investment. In addition, the government provides funding for maintenance to address school condition needs, which cannot be met by schools from their Devolved Formula Capital (DFC), and for specific initiatives such as the Priority Schools Building Programme. The Department for Education (DfE) determines the basic need capital allocation using data collected each year from the Council's School Capacity (SCAP) return.

5.4 The Council has been allocated £2,259,258 of Basic Need funding for 2023-24 and £12,479,253 for 2024-25, based on the Council's SCAP return submitted for May 2021. The allocation takes account of the following:

- The number of new places and additional capacity required up to the academic year 2025/26. During the period 2011-2025, the Council has secured significant Basic Need allocations (£196m) through its SCAP return.
- The forecast pupil data provided in SCAP 2021 for each planning area and uplifted by 2%.
- The major driver for additional capacity in the years ahead is housing growth. The assumption in SCAP is that the capacity in school places generated by these developments will be fully met through developer contributions; either Section 106 or CIL. These places, therefore, do not attract any funding allocation through the annual SCAP return.
- The rates per place required are inflated according to BCIS All-in TPI3. For the 2023-24 and 2024-25 allocations, the DfE has also uplifted Basic Need grant funding rates by 10% to support costs associated with achieving the sustainability standards set out in its updated School Output Specification 4.

5.5 There has been sharp inflationary rises on construction goods due to the impact of Covid–19, Brexit, fuel duty charges, energy costs and wider supply chain issues. As a result, a number of schemes which are reaching Milestones 4 (where the cost of a scheme is determined prior to letting a contract for the works) are likely to cost more than previously anticipated. Considering the current challenging construction market conditions, an agreed approach has been implemented on how to prepare and allow in cost plans for projects for Milestone 1, 2 and 3 up to and including the 2024/25 financial year to ensure they are based on current costs and consistent in making allowance for inflation and risk allowances for price volatility.

The main elements of the approach are as follows:

- All cost plans should be prepared using accurate present-day cost data and quotes.
- The latest BCIS all-in tender price index should be used to assess inflation for the period between the date of production of the cost plan and the mid-point of construction.
- In Milestones 2 and 3, if the Contractor believes that standard BCIS inflation is potentially insufficient to cover cost increases over the period to mid-point of construction, they are invited to offer an indication of any supplementary allowance they feel is suitable. This will be considered by the Client and their Consultant team when forecasting total project budgets.

5.6 The Capital Programme has undergone a review to determine if schemes can be reduced, amended, removed, or delayed in order to help mitigate against the revenue impact of additional borrowing. The results of this review can be summarised as follows:

- Where schemes have already been let to contractors, there is little opportunity to reduce costs further, although there is ongoing work on all schemes to identify value engineering savings which do not compromise the scheme. In addition, it would actually cost the Council more to remove or postpone these schemes due to contract and inflation costs.

- Where a scheme is being delivered in partnership with either the use of grant funding, or as a result of developer contributions, there is little that can be done to amend these schemes.

- Where schemes are being delivered in response to a statutory requirement, it is unlikely that a scheme can be removed but it is possible that the scheme can be delivered in an alternative way, the cost can be reduced, or the scheme could be delayed; all of which would provide either temporary (in the case of delay) or long-term revenue benefit to the Council.

- The schemes that have not yet been let to contractors tend to have start dates of 2023-24 and later. As such, their removal provides no immediate benefit to the revenue position. In addition, the Council's current accounting policies mean that neither Minimum Revenue Provision (MRP) – the cost of repaying borrowing – nor interest costs on borrowing are charged to revenue whilst a scheme is in progress. As these schemes generally take at least one year to complete, the revenue benefit of removing, delaying or reducing the cost of these schemes would not be realised until at least 2024-25

Each scheme will have its own Equality Impact Assessment and any decision to delay / alter plans will be considered in line with the Equality Impact Assessment process to ensure we are meeting our legal duties under the Equality Act and our adoption of the Socio-economic Inequalities Duty.

5.7 The following new schemes have been added to the programme since it was approved by Full Council in February 2022:

- Witchford Village College – as a result of recent development, a scheme funded largely by S106 developer contributions has been added to enhance the school.

5.8 The following schemes have experienced changes in Total Scheme Costs, primarily as a result of slippage and expected inflationary increases:

- North-West Cambridge (NIAB site) primary
- Sawtry New Primary
- Ermine Street Primary, Alconbury, Phase 2
- Littleport Community Primary
- Northstowe 2nd primary
- Kennett Primary School
- Genome Campus - New Primary
- Manea Primary Expansion
- Friday Bridge Expansion
- Isleham Primary relocation & expansion
- Benwick Primary Expansion
- Northstowe secondary
- Darwin Green (North-West Fringe) secondary
- Alconbury Weald secondary and Special
- Cromwell Community College
- Northstowe secondary, phase 2
- Sir Harry Smith Community College
- Cambourne Village College Phase 3b
- NCA secondary Cambridge Expansion
- Witchford 0.5FE 75places

- LA Early Years Provision
- Cottenham Early Years
- William Westley Primary
- Duxford Community C of E Primary School Rebuild
- Sawtry Infants Adaptations
- Townley Primary Permanent Accommodation

5.9 The following schemes have experienced changes in Total Scheme Costs primarily as a result of slippage resulting from undergoing redesign work:

- Waterbeach New Town Primary – this project has gone back to the design phase to build as a 3-form entry school with Early Years in one phase, rather than two.

5.10 The following schemes have experienced changes in Total Scheme Costs primarily as a result of slippage resulting from a change of procurement approach:

- Alconbury Weald Secondary and Special – new tendering approach taken for procurement of this project following increases in estimated cost for SEN works. The SEN School will now be delivered one year later in July 24 at the same time as the secondary; a combined approach will hopefully achieve a single agreed MS4 sum and overall reduced contract period.

5.11 Members are asked to note the following two points that could impact the 2023/24 Business Plan:

- As part of the DfE safety valve application, CCC has requested capital funding for a number of additional SEND schemes. This forms part of the overall strategy to increase capacity and reduce the reliance on more costly external placements. As no decision is expected from the DfE until January 2023, these schemes are not reflected in the current 2023/24 draft capital plan. If the funding bid is unsuccessful or is agreed at a reduced level, these schemes will need to be presented to the committee for a decision as to whether they proceed.

- Developer Section 106 funding is only stated in the plan at the level agreed in the signed Section 106 document. In nearly all cases the contribution will be subject to indexation up to the point the payment is due. It is complex to calculate estimates of indexation amounts due to the numerous trigger points and estimates of when those may be met; therefore, estimates for indexation are not included within the Business Plan. As such, it should be noted that Section 106 contributions are likely to increase.

5.12 The impact of the above increases on the programme and therefore the revenue position, mean that it is likely difficult decisions will have to be taken as to which schemes progress, in what time frame and in what format. Officers are currently working on criteria in order to prioritise schemes, as well as looking at resetting design and construction principles to ensure we are delivering even better value than we currently deliver. Following further discussion with Members, we will provide an updated position to the December meeting.

5.13 Equality Impact Assessments are undertaken for all significant project changes, to ensure that we are mitigating any negative impact on communities wherever possible.

5.14 The full list of People Services’ capital schemes is shown in the confidential draft capital programme in Appendix 1c. Table 4 lists the schemes with a description and with funding shown against years. 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.

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

6. Next steps

6.1 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.
November / December	Draft 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

7. 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

8. Significant Implications

8.1 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.

8.2 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.

8.3 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.

8.4 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.

8.5 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.

8.6 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.

8.7 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 in obesity and mental health issues along with other key Public Health areas – CYP COVID-19 impact assessment Evidence Pack 2. Over the longer term this will increase demand for preventative and treatment services. Public Health co-led the Best Start in Life Partnership which will transition to the Family Hubs model.

8.8 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: Martin Wade

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: Jules Lent

Have any engagement and communication implications been cleared by Communications?
Yes
Name of Officer: Karen Newton

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: Raj Lakshman

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?
Yes
Name of Officer: Emily Bolton

9. Source documents guidance

9.1 None