

BUSINESS PLANNING PROPOSALS FOR 2021-26 – OPENING UPDATE AND OVERVIEW

To: **Adults committee**

Meeting Date: 8 October 2020

From: Wendi Ogle-Welbourn, Executive Director for People and Communities
Chris Malyon, Chief Finance Officer

Electoral division(s): **All**

Forward Plan ref: Not applicable Key decision: No

Outcome: The committee is asked to consider:

- the current business and budgetary planning position and estimates for 2021-2026
- 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: **Committee is asked to:**

- a) Note the overview and context provided for the 2021-22 to 2025-26 Business Plan.**
- b) Comment on the draft proposals for Adults Committee set out in section 6 and endorse their development**
- c) Comment on the draft capital proposals for Adults Committee set out in section 7 and endorse their development**

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1. OVERVIEW

- 1.1 The Council's Business Plan sets out how we will spend the resources we have at our disposal to achieve our vision and priorities for Cambridgeshire, and the priority outcomes we want for people.
 - 1.1.1 On the 11 February 2020, Full Council agreed the Business Plan for 2020-2021 which reflected a positive financial position. The Council was almost in a position of setting a balanced budget not just for 2020-2021 but also for the following financial year. A savings requirement of less than £5m for 2021-2022, given the level of the Council's gross operating budget, was very achievable.
- 1.2 With the rise of COVID-19, the Council has taken a central role in coordinating the response of public services to try and manage the complex public health and economic consequences of this pandemic. The scale of these economic challenges is unprecedented and a significant increase in new (and changing) demand for services together with a reduction in income has meant that the Council's financial position is now much less positive.
 - 1.2.1 Support provided from Government to manage the immediate impact of COVID-19 has been welcomed and to-date has covered the additional short term financial implications of the pandemic (see section 3.3.1 for details). The on-going challenges the Council face are significant - including; maintaining crucial frontline services in times that are uncertain, recovering the organisation from the effects of the pandemic and taking the opportunity to "build back better" - and have not, as yet, been reflected in the financial settlement for the next financial year which could have a disastrous impact on the Council's ability to deliver services to our citizens.
- 1.3 Predicting the on-going implications and financial consequences of COVID-19 is challenging and has necessitated the use of a different process (and underlying assumptions) in the development of the Business Plan for 2021-2022 and beyond. Our financial forecasts have been developed using a number of different scenarios, the process of which is described further below, which quantify (as far as possible) the financial implications on the Council of the changing national and local conditions.
- 1.4 Notwithstanding the current challenges, the Council continues to undertake financial planning of its revenue budget over a five year period which creates links with its longer term financial modelling and planning for growth. It remains important to ensure that any changes to resource allocation / service provision is made in consideration of the Council's priorities. If, due to a lack of any additional support from Government, reductions in service provision need to be made then ensuring the Council mitigates the impact on key priority areas becomes even more important.
 - 1.4.1 Our priorities are based around putting communities at the heart of everything we do; a good quality of life for our citizens; protecting and caring for our most vulnerable; making Cambridgeshire a clean green place to live and ensuring children have a good start in life and an education that enables them to achieve their potential. To ensure we deliver on our priorities, the focus will continue to be on getting the maximum possible value for residents from

every pound of public money we spend, and responding effectively and efficiently to changing needs and new opportunities.

1.4.2 All service committees will receive details of their relevant revenue business planning proposals in December, at which point they will be asked to endorse proposals to January General Purposes Committee as part of the consideration for the overall Business Plan. These savings proposals are currently being developed and will each have a robust implementation plan in place and allow as much mitigation as possible against the impact of current financial challenges. Increasingly the emerging proposals reflect joint proposals between different directorate areas and more creative joined up thinking that recognise children live in families and families live in communities, so some proposals will go before multiple Committees to ensure appropriate oversight from all perspectives

1.5 Within the current context, the scope for traditional efficiencies has diminished, therefore the development of the Business Plan is focused on a range of more fundamental changes to the way we work. Some of the key themes driving the current thinking are;

- Economic recovery – we know that the impact of the measures to reduce the spread of COVID-19 will impact the economic recovery substantially. The Office for Budget Responsibility is forecasting at least a 10% drop in GDP in the UK in 2020. This will impact employment and household income levels for many people across Cambridgeshire. The stress and anxiety caused by worrying about money, or not having enough money to maintain the right housing or buy basic necessities or afford basic utilities, is an important factor that affects demand for many of our services. Economic recovery is therefore at the heart of improving outcomes for people and managing demand for Council services.
- Demand Management – this is fundamentally about supporting people to remain as healthy and as independent as possible, for as long as possible, which is a significant priority as demand increases as a result of COVID-19. It is about working with people and communities to help them help themselves or the person they care for or their community e.g. access to advice and information about local support, asset building in communities and access to assistive technology. We saw communities rise to the challenges of the pandemic and support networks appearing to gather around those who needed it. We must build on this and look at how we further support these networks and groups to continue, and where public services are undisputedly needed, it is about ensuring support is made available early so that people's needs don't escalate to the point where they need to rely heavily on public sector support in the long term.
- Cambridgeshire Local – In support of the need 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, continued investment in our Think Communities approach is paramount. Harnessing the capacity within our local district and parish councils, the voluntary, community and faith sectors, volunteers and local place based health, County Council and blue light services will enable us to build place based support services wrapped around our vulnerable people and communities; which will reduce or delay the need for more specialist expensive services

and build resilient and sustainable communities where people feel proud to live.

2. BUILDING THE REVENUE BUDGET

- 2.1 Changes to the previous year's budget are put forward as individual proposals for consideration by committees, General Purposes Committee and ultimately Full Council. Proposals are classified according to their type, as outlined in the attached Table 3, accounting for the forecasts of inflation, scenarios, demand pressures and service pressures, such as new legislative requirements that have resource implications, as well as savings and investments.
- 2.2 Previously, the process of building the budget began by identifying the cost of providing a similar level of service to the previous year. The previous year's budget is adjusted for the Council's best forecasts of the cost of inflation, the cost of changes in the number and level of need of service users (demand) and proposed investments. Due to the significant uncertainties surrounding the impact of COVID-19 on service provision, we have elected to model three possible budget scenarios based on the level of disruption caused by COVID-19. These are referred to as 'A', 'B' and 'C' scenarios reflecting an increasing level of impact. These scenarios will consider the potential impacts on both demand for service, income generation, environmental changes as well as direct impacts on citizens and existing service users. We are working on mitigation responses to these scenarios but it is important that we account for the full cost impacts of these in our planning as we build the budget.
- 2.2.1 The uncertainty of the current environment means that we are working to some assumptions on how different scenarios may play out. As our proposals try to account for this, in many instances they become less certain. Some proposals will deliver more or less than anticipated, equally some may encounter issues and delays, (particularly in response to a changing picture locally and nationally) others might be accelerated if early results are promising. We have adapted our approach to business planning in order to manage these risks, specifically;
- Taking a managed approach to risk – with clarity for members about which proposals have high confidence and certainty and which represent a more uncertain impact
 - Developing a budget strategy that brings together thinking from across the organisation on our recovery from the pandemic, and ensures we have a coherent plan to make the budget sustainable.
 - Undertaking an exercise of prioritisation to understand the areas we could achieve further efficiencies if our worst case scenario position is realised.
- 2.2.2 Should services have pressures, our traditional approach would be to manage these within that service where possible, if necessary being met through the achievement of additional savings or income generation. However, given the potential impact arising from the delivery of services in this current environment, the scale of the financial challenges across the board will require a different approach. The Council will unfortunately have to consider significant, and potentially drastic actions including (but not limited to); reducing service levels, disposal of assets, stripping out of provisions within

the balance sheet in order to balance next year's budget if additional Government funding is not forthcoming.

2.3 The budget proposals being put forward include revised forecasts of the expected cost of inflation following a detailed review of inflation across all services at an individual budget line level. Inflation indices have been updated using the latest available forecasts and applied to the appropriate budget lines. Inflation can be broadly split into pay, which accounts for inflationary costs applied to employee salary budgets, and non-pay, which covers a range of budgets such as energy and waste, as well as a standard level of inflation based on Government Consumer Price Index (CPI) forecasts. All inflationary uplifts require robust justification and as such general inflation is assumed to be 0%.

2.4 Although general price inflation is running at near record low levels nationally, the Council is seeing substantial inflationary cost increases in a number of areas, most significantly impacting the Adult Social Care market. Factors such as the rising national living wage, with resulting implications for national insurance and pension payments, as well as a constrained local supply of care placements and challenges in recruiting and retaining care workers, have resulted in high price inflation. There is a strategy in place to contain inflation by moving towards more block purchasing, however a number of existing block bed contracts are due for retender in 2021/22 so average prices will move closer to current market rates as these contracts are renewed. Other services for which costs are expected to increase above general levels of inflation include Coroners (3.6%), Public Transport (3.2%) and Home to School Transport (3.2%). Key inflation indices applied to budgets are outlined in the following table:

Inflation Range	2021-22	2022-23	2023-24	2024-25	2025-26
Non-pay inflation (average of multiple rates) where applicable	2.4%	2.2%	1.9%	2.0%	2.0%
Pay (admin band)	2.75%	2.75%	2.0%	2.0%	2.0%
Pay (management band)	2.0%	2.0%	2.0%	2.0%	2.0%

2.5 Forecast inflation, based on the above indices, is as follows:

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
People and Communities (P&C)	8,388	6,760	5,416	5,516	5,617
Place and Economy (P&E)	888	1,502	2,257	2,471	2,576
Commercial and Investments (C&I)	213	145	149	174	205
Public Health	47	34	34	34	34
Corporate and Managed Services	-124*	221	224	225	224
LGSS Operational	306	236	238	239	239
Total	9,718	8,898	8,318	8,659	8,895

*Includes removal of corporate provision for nationally set Local Government pay award. Staff-related inflationary pressures have instead been provided for within service budgets.

- 2.5.1 The inflationary pressures in the above table and all figures set out in the subsequent sections of this report are provided on an incremental basis. Positive figures indicate an increase on the budget required in the previous year or a reduction in income. Negative figures indicate a reduction on the budget required in the previous year or an increase in income. The figures show the impacts of each proposal on the budget gaps for the relevant financial years and are set out in detail for each Directorate in the finance tables provided in Appendix 1.
- 2.6 In addition, a review of demand pressures facing the Council has been undertaken. The term demand is used to describe all anticipated demand changes arising from increased numbers (e.g. as a result of an ageing population, or due to increased road kilometres) and increased complexity (e.g. more intensive packages of care as clients age or increased need arising from COVID-19). We have included the impact of scenario A being realised to give a more realistic view of demand pressures. It should be noted that this is the lowest impact scenario. Should the current trajectory continue, for instance, we could move to scenario B reflecting a further increase in demand. The demand pressures calculated are:

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
People and Communities (P&C) - Base	12,278	13,579	14,526	14,795	14,757
People and Communities (P&C) – Scenario A	3,427	-802	-459	-345	-273
Place & Economy (P&E) - Base	142	271	298	268	240
Place & Economy (P&E) – Scenario A	638	-	-	-	-
Total	16,485	13,048	14,365	14,718	14,724

- 2.6.1 In 2021-22 the Council expects to experience a minimum of £4m additional demand pressures as a result of COVID-19. These pressures are expected to reduce in the subsequent years of the Business Plan as the acute impacts of COVID-19 subside, however the Council is likely to see continued impacts throughout the period of the Business Plan with the residual pressure reducing to £2.2m by 2025-26.
- 2.6.2 It is recognised that service costs are driven by the number of service users, level of need, as well as cost (and method) of delivery of the support. Where appropriate this will be outlined in greater detail within the Directorate specific reports.
- 2.7 The scenario modelling undertaken has also considered the impacts of COVID-19 on the Council's income streams, including sales, fees and charges, commercial income and precept income. The figures below reflect the anticipated losses in scenario A, however for 'business rates modelling' a scenario B has been assumed due to the severity of the national picture and uncertainty surrounding expected reforms to the business rates system.

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
People and Communities (P&C)	662	-483	-179	-	-
Place & Economy (P&E)	3,113	-1,557	-1,556	-	-
Commercial & Investment (C&I)	2,083	-482	60	82	6
Council tax	2,865	4,606	4,727	3,612	1,869
Business rates	1,258	725	730	518	220
Total	9,981	2,809	3,782	4,212	2,095

- 2.8 The Council is facing a number of cost pressures that cannot be absorbed within the base funding of services. Some of the pressures relate to costs that are associated with responses to the pandemic, the introduction of new legislation and others as a direct result of changes to contractual commitments. These costs are included within the revenue tables considered by service committees alongside other savings proposals and priorities:

Service Block / Description	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
New Pressures Arising in 21-22					
P&C: Sleep-in Carers	400				
P&C: Deprivation of Liberty Safeguards	45				
P&C: Personal Protective Equipment (in house)	1,000				
P&C: Libraries to service new developments			50	50	
P&C: Home to School Transport - Special	800				
P&C: Home to School Transport - Mainstream	200				
C&I: Renewable energy – Soham			6	6	
C&I: Spokes Building Operating Costs	115				
CS: IT – Continued Remote Working	420	-420			
CS: IT – New Connections	102				
Subtotal – New Pressures	3,082	-420	56	56	-
Existing Pressures Brought Forward					
P&C: Impact of National Living Wage on Contracts	4,040	4,625	4,184	3,372	3,372
P&C: Potential Impact of Changing Schools Funding Formula	1,500				
P&C: Libraries to serve new developments	49				
P&C: Independent reviewing officers (numbers of children)	-85				
P&C: Coroner Service	-37				
P&E: Minerals and Waste Local Plan	-54				
P&E: Guided Busway Defects		-1,300			
C&I: Renewable energy – Soham	5	40			
C&I: East Barnwell Community Centre	100				

Service Block / Description	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
C&I: LGSS Law dividend expectation			-96		
C&I: St Ives Smart Energy Grid - operating costs		39	1	1	1
C&I: Babraham Smart Energy Grid - operating costs		45	2	3	
C&I: Trumpington Smart Energy Grid - operating costs			63	2	
C&I: Stanground Closed Landfill Site - operating costs		120	3	3	3
C&I: Woodston Closed Landfill Site - operating costs		48	1	2	
C&I: North Angle Solar Farm, Soham - operating costs		499	14	15	15
C&I: Babbage House dilapidation costs	-190				
CS: Repatriation of LGSS Services	750				
Subtotal – Existing Pressures	6,078	4,116	4,172	3,398	3,391
Total	9,160	3,696	4,228	3,454	3,391

3. SUMMARY OF THE DRAFT REVENUE BUDGET

- 3.1 In order to balance the budget in light of the cost increases set out in the previous section and uncertain Government funding, savings, additional income or other sources amounting to **at least** £32.8m are required for 2021-22, and a total of £75.7m across the full five years of the Business Plan. The following table provides a summary of the movements in the budget gap since the publication of the 2020-21 Business Plan:

Updated Items	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Opening budget gap per 2020-21 Business Plan	4,247	7,574	10,834	11,650	8,780
Inflation update	1,585	2,037	1,720	1,880	2,115
New pressures	3,208	-420	0	0	0
Changes to existing pressures	1,768	-610	566	-246	-296
Baseline demand update	943	860	1337	1,853	1,787
Scenario (A) demand pressures	4,065	-802	-459	-345	-273
Scenario (A) income pressures	9,981	-1,314	-1,549	-1,245	-2,035
New Investments	3,987	-120	-120	0	0
Impaired savings	5,316	-834	-28	2	-112
New savings	-1,074	-467	-122	-50	0
Financing Adjustments	-1,230	1,286	6	-9	24
Revised budget gap (Scenario A)	32,796	7,190	12,185	13,490	9,990

The Scenario A budget gap of £32.8m assumes a relatively swift recovery following the initial impacts of the pandemic on service delivery and is predicated on the following general assumptions:

- A low likelihood of a second peak requiring a further national lockdown
- Test and tracing is relatively successful in containing the spread of the virus
- A vaccine is available within 12 months
- A soft, open lockdown, with social distancing eased over summer 2020-21
- Demand does not return to pre-COVID levels due to economic and social impacts

3.1.1 Given the recent increase in the infection rate it is quite possible that the impact will be in excess of the scenario A model. It is also quite likely that elements of the various scenarios may arise meaning that the actual position is a hybrid of the options modelled. Scenarios B and C assume further peaks of the virus leading to periods of significant disruption on a national scale. The total savings projected in each scenario are as follows:

Scenario	2021-22 Savings Requirement £'000	5 Year Savings Requirement £'000 (2021-22 – 2025-26)
A	32,796	75,651
B	50,269	84,071
C	82,167	114,281

None of the scenarios assume any additional ongoing Government support in response to the pandemic in 2021/22, either through grant funding or compensation for foregone fees and charges.

3.2 The following table shows the total level of savings necessary for each of the next five years (assuming scenario A), the amount of savings attributed from identified savings and the residual gap for which saving or income has still to be found:

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Total Saving Requirement	32,796	16,425	15,312	14,302	10,097
Identified Savings	-	-1,702	-153	-	-
Identified additional Income Generation	-	-7,533	-2,974	-812	-107
Residual Savings to be identified	32,796	7,190	12,185	13,490	9,990

3.2.1 Given the scale of impact from COVID-19 it is believed that the actual position could fall somewhere between the scenarios A and B. For the purpose of setting a target to focus on it is felt prudent to assume that the gap for 21/22 will be in the region of £40m.

3.3 The actions currently being undertaken to close the gap include:

- Reviewing all the existing proposals to identify any which could be pushed further – in particular where additional investment could unlock additional savings, including reviewing all strategies.
- Reviewing all income generation opportunities.
- Identifying, through benchmarking, any areas across the organisation we could potentially look to find additional efficiencies whilst ensuring outcomes are maintained.

- Reviewing the full list of in-year and 2021-22 pressures – particularly in line with the scenarios to see if there are any opportunities to prevent assumed increases in demand being realised.
- Being clear on areas which we wish to invest in.

3.3.1 In addition, the Council has worked closely with local MPs in campaigning for a fairer funding deal for Cambridgeshire. We argued long and hard that given how much the Cambridgeshire economy was supporting the Treasury that a new approach to business rates that enabled councils to retain a greater element of the local tax take would help to underwrite the costs of supporting that growth. The implementation of both the CSR and the localization of business rates have been deferred on many occasions. With the pandemic and the uncertainty over the national position we cannot expect this position to change in the short term. However, as referenced in section 1.2.1 above, it is important to recognise that the Government have used one off interventions of additional finance in Adult Social Care (winter pressures settlement) and Highways (Roads Fund) to negate some of the growing pressure on Councils.

3.3.2 However, we will continue to campaign for additional resources. The focus of this will now need to take a slightly different approach. Whilst all the issues of growth and fairer funding still remain, the challenge is now more focused on simply being able to deliver basic service levels. Without some short term assistance from the Government, over and above the funding that has been provided to deal with the immediate impact of the pandemic (see above), the Council will be facing an unprecedented financial challenge which will unfortunately involve reductions to services upon which many of our residents have come to rely. We will of course do all we can to seek further support from the Government and will use all channels that we have at our disposal – including:

- Local M.P's (already regularly briefed)
- County Council Network
- Society of County Treasurers
- MHCLG officer communications

3.4 There are also a number of financing options available to the Council to contribute towards closing the gap for 2021-2022:

- Additional central Government funding *may* be forthcoming in response to the pandemic and previously announced funding (such as Roads Fund and support for Social Care) rolled forwards.
- Around £1.5m is available next year following an earlier change in how the Council accounts for the minimum revenue provision. These funds have previously been allocated into the Transformation Fund reserve, and decrease each year in value. This is available to the Council for a further three years before this becomes a pressure on the General Fund.
- Up to £1.5m may be available through deployment of existing grants, subject to local decision making about Public Health and Schools grant priorities.

- Funds could be re-allocated on a one-off basis from reserves. Whilst this would contribute to reducing the pressure for the 2021-2022 financial year, the pressure would be delayed until the next financial year as the option to use this funding could not be used again. As such, it is not considered that the General Fund Reserve could be reduced. Similarly, a decision could be taken to utilise the resources within the Transformation Fund, in full or in part, but this would also reduce the Council's ability to respond to any future national or local challenges and could ultimately put delivery of services at risk
- There is an option to increase the planned levels of council tax, further details are set out in section 3.6 below
- As a last resort in order to balance next year's budget the Council might have to utilise any reserves or provisions held on its balance sheet that are not a contractual commitment. This will leave the Council exposed as it would include potentially using the General Reserve resulting in little or no security against any unforeseen circumstances in 2021-2022. If this approach was adopted a clear plan would need to be in place to ensure that these provisions could be replenished in order to ensure the Council could meet future liabilities.

3.5 Through the scenarios we have identified a number of additional risks and assumptions with potential impacts on the numbers above and accompanying tables. These will be monitored closely and updated as the Business Plan is developed to ensure that any financial impacts are accurately reflected in Council budgets:

- The National Joint Council pay scales have not been confirmed for 2021-22 onwards and it is possible that the agreed uplifts will be greater than those modelled.
- The result of schools funding reforms, in particular the control of the Dedicated Schools Grant (DSG) shifting further toward individual schools. Potential additional funding from Government, and the local situation on the deficit held within the high needs block, is still under discussion. Changes in regulations mean that the Council is not permitted to support the deficit in the DSG from the General Fund, however DfE consideration of requests for cash flow support has been paused during the pandemic. Meanwhile, the deficit in the high needs block continues to rise, and authorities across the country continue to call for a significant increase in funding to this area to meet rising needs.
- Movement in current year pressures is being picked up via the scenario modelling work. We are putting monitoring measures in place so we can put in place mitigations before trigger points are met. Work is ongoing to manage our in-year pressures downwards however any change to the out-turn position of the Council will impact the savings requirement in 2021-2022. This is particularly relevant to demand led budgets such as children in care or adult social care provision.

- The inflationary cost increases set out above assume that inflation on the cost of bed-based care within Adults & Older People's Services will continue to be higher than general inflation in 2021-22.
- 3.6 The level of savings required is based on a 2% increase in the Adults Social Care precept and a 0% increase in Council Tax. It is likely, therefore, that the Council will be presented with the option to increase Council Tax by not less than a further 1.99% in 2021-22. The value of a 1.99% increase in the Council Tax equates to additional revenue of £6.1m.
- 3.6.1 The Government has not yet confirmed that Local Authorities will be granted the continued flexibility to levy the Adult Social Care precept in 2021-22 or announced the Council Tax limitation regulations for 2021-22. Local Authorities were permitted to increase general Council Tax by a maximum of 2.99% in 2018-19 and 2019-20 and 1.99% in 2020-21 without the requirement for approval from residents through a positive vote in a local referendum. Given the financial impacts of the pandemic and precedent set in previous years, it is possible that Government could elect to set a higher referendum threshold for 2021-22. It is estimated that the cost of holding a referendum for increases deemed to be excessive would be around £100k, rising to as much as £500k should the public reject the proposed tax increase (as new bills would need to be issued).
- 3.6.2 Were there no Council Tax limitations and the Council was free to raise local revenue to meet the potential budget gap of £40m it would need to raise the Council Tax by a further 13% to cover this sum. The total Council Tax increase required would therefore be 15% and as such would be unrealistic to pursue.

4. BUSINESS PLANNING CONTEXT FOR ADULTS COMMITTEE

Current Context

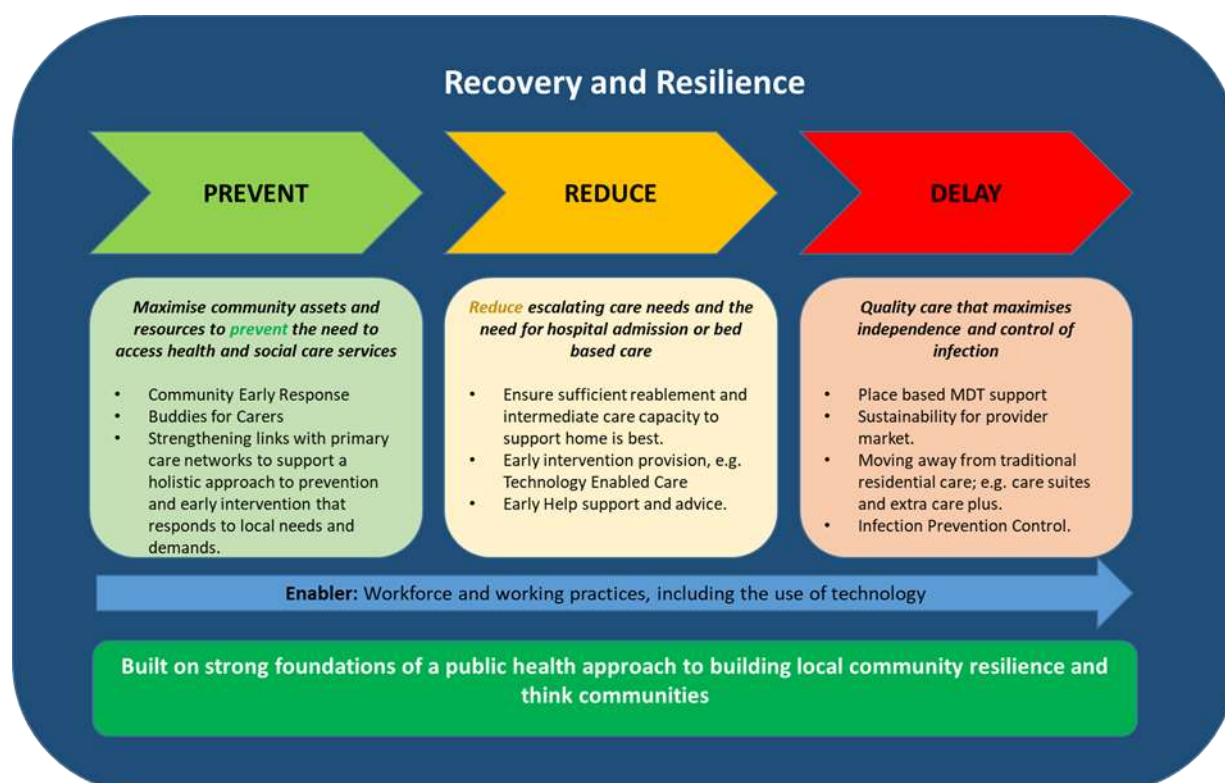
- 4.1 The Council is operating within a new context of a global pandemic, which has added a significant financial pressure to the local authority. The impact of COVID-19 on demand led services and budgets has been significant and has materially changed the cost of services alongside changes and shifts in public perceptions and behaviours. It is worth noting that pre COVID-19, Adults Social Care benchmarked as high performing – low spend against all statistical neighbours.
- 4.2 Whilst our outcomes for Adults have not changed, the environment we are operating in is significantly different to the pre-COVID-19 environment. It is continually changing and impacts on all of Adults services. Government funding and support has been welcome but falls well short of the real and ongoing demand. Government funding to support COVID-19 has also been allocated in a time limited, 'one off - with strings attached' basis and does not recognise the ongoing longer-term costs, demands and changes in behaviours. Examples include:
- Increased care costs (eg. lower utilisation)
 - Market resilience pressures (eg. NLW increases)
 - Unable to deliver planned savings
 - Infection prevention control & PPE
 - Loss of income opportunities (such as charging)
 - Significant latent demand
 - Loss of trust in traditional services (Residential and Home Care)
 - Winter pressures (including Flu)
 - NHS ramping up 'Business as usual'
- 4.3 We have seen significant pressure to the provision of care and support in the community, both due to the additional demand on services and the impact of the pandemic and governance guidance on the workforce.
- 4.4 There have also been changes to the care market which have been seen regionally and nationally and include:
- infection control measures now part of the cost base,
 - reduced bed based occupancy levels,
 - reduced alternative income streams of group based services such as self-funders,
 - legacy costs from the first wave of COVID-19 (Block beds), and
 - increased needs and therefore costs to meet those needs.
- 4.5 Previous demand modelling applied historical demand patterns to future demographic assumptions. COVID-19 is affecting demand in ways we have never experienced and there are many unknowns around what the longer-term impacts might be. We will face the following types of demand over the coming months as outlined below:

Displaced Demand	Significant numbers of people whose support has changed because of COVID-19 (e.g. closure of some services like day opportunities).
Discharge Demand	People who are not in receipt of the right support to maximise independence (e.g. at hospital discharge care was over-prescribed or the person was inadvertently put into a long term care bed).
Latent Demand	It is likely that significant levels of demand will present in the coming months (e.g. mental health, continued homelessness, carer breakdown, and deterioration of shielded people).
Self-Funders	We are likely to see a shift in the numbers of self-funders accessing the independent market care. In addition, we will have a number of self-funders requiring financial assessment for social care once NHS funding ceases.
Low Level Demand	We have stepped in to support shielded and vulnerable people, we may have created dependency for low-level support which was not there before. We may also see more low level demand related to COVID-19 as we move into a second wave.

Adults Recovery and Resilience

- 4.6 Our approach to recovery and resilience provides the overarching framework for business planning in Cambridgeshire and the full Strategy can be found at Appendix 1.
- 4.7 Building on learning and evidence to date from our initial response to the COVID-19 pandemic we will focus on reducing the need for bed based care by maximising the community and professional support available to people in their own homes and improving the process and flow of discharge from hospital. Where bed based care is needed, we will ensure this is delivered in such a way that it minimises the risk of group infection.
- 4.8 Whilst we need to respond to the immediate challenges we face over the coming months; including further waves of COVID-19, winter pressures and the impact on adult social care as the NHS resets to business as usual activity, we believe that our level of ambition needs to go beyond the immediate short-term 'recovery' process and we need a clear vision and plan for the next 18-24 months. COVID-19 has changed the push for change to a 'shove' and this is now a real opportunity for transformation.
- 4.9 We will build on the community mobilisation and response to date to embed the Think Communities principles and evolve integrated place based models of delivery and commissioning. In addition, the impact of COVID-19 on the independent provider market provides us with a key opportunity to reshape the market, to move away from the traditional offering of residential home provision to deliver more flexible, local, person centred solutions based around peoples' homes, that promote independence, such as 'extra care plus' and care suites.

- 4.10 To deliver this strategy, initial investment will be required to support some areas of transformation (e.g. care suites, operational social work capacity to continue to support bed-based care, place based commissioning and embedding the Think Communities approach). This investment will seek to minimise infections in bed-based care, reduce hospital admissions, the time people spend in hospital and reduce the need for residential care. In the longer term, this will manage down demand on more costly interventions, as well as enabling people to maintain their independence at home, in their local communities, for longer.
- 4.11 Although the outcomes for Adults and Older People haven't changed, our environment has and the strategy sets out a new model to "Prevent – Reduce – Delay" demand as described below:



- 4.12 This is in the context of Cambridgeshire remaining one of the councils in our statistical neighbour group with the lowest budgeted spend on adult social care per adult in the local population, whilst maintaining good outcomes:

(Total budget per adult resident vs statistical neighbours in 2020/21)

Local authority	ASC spend per adult
South Gloucestershire	460
Bath & North East Somerset	446
West Berkshire	446
Hertfordshire	441
Surrey	427
Suffolk	423
Essex	418
North Yorkshire	412
Central Bedfordshire	400
Warwickshire	391
Oxfordshire	389
Buckinghamshire	389
Hampshire	383
West Sussex	370
Somerset	358
Cambridgeshire	351
Worcestershire	350
Gloucestershire	328
Leicestershire	317

5. OVERVIEW OF ADULTS COMMITTEE'S DRAFT REVENUE PROGRAMME

5.1 Baseline Budget Increases – Inflation and legislative pressures

- 5.1.1 Sections 2.5 and 2.8 above show funding for pressures faced each year by adults services as a result of inflation and changes in legislation or national regulations.
- 5.1.2 Inflation on residential and nursing care before the pandemic was high in Cambridgeshire, at up to 8% per year. The accommodation strategy, including the purchase of more block beds, is intended to mitigate this over the medium term. In 2021/22, the need to retender a large number of block beds that have reached the end of contract will cause a one-off jump in inflation as those beds reset to something closer to the current market rate. Inflation in community care is generally controlled through fixed uplifts written into contracts.
- 5.1.3 Adults services are facing legislative/regulatory pressures, particularly through the projected 48p per hour increase in the national living wage, as well as an expected resolution to the lengthy Supreme Court deliberations over payment for sleep-ins.

5.2 Baseline Budget Increases – Demand and Demography

- 5.2.1 Following on from a detailed review of baseline budgets, including demand and scenario modelling to understand changing demand and the impact of COVID-19, significant additional investment in adults baseline budgets for 2021/22 has been identified. This will enable us to continue to support eligible adults who need services. Following a review of the likely demand profile facing services over the next five years, the amount of funding required in this

section has increased substantially compared to the 2020-25 business plan, with a review of COVID-19 impact showing even more funding needed.

An overview of the additional funding required for 2021/22 is provided below:

DEMAND AREA	DESCRIPTION	AMOUNT £000 2021/22
Older People (A/R.3.006)	Additional funding to ensure we meet the increased demand for care amongst older people, providing care at home as well as residential and nursing placements. Population growth in Cambridgeshire and the fact that people are living longer results in steeply increasing numbers of older people requiring care. We estimate that numbers will increase by around 5.6% each year and the current pattern of activity and expenditure is modelled forward to estimate the additional budget requirement for each age group and type of care. Account is then taken of increasing complexity of cases coming through the service. This work has supported the case for additional funding of £6,225k in 2021-22 to ensure we can continue to provide the care for people who need it.	6,225
Older People Mental Health (A/R.3.007)	Additional funding to ensure we meet the increased demand for care amongst older people with mental health needs, providing care at home as well as residential and nursing placements. The current pattern of activity and expenditure is modelled forward using population forecasts to estimate the additional budget requirement for each age group and type of care. We estimate that numbers will increase by about 3.3% each year. Some account is then taken of the recovery over time of clients in receipt of section 117 aftercare and the additional demand this is placing on social care funding streams. This work has supported the case for additional funding of £305k in 2021-22 to ensure we can continue to provide the care for people who need it.	305
Physical Disabilities (A/R.3.002)	The needs of people with physical disabilities are increasing and so care packages are becoming more complex. In particular, more hours of domiciliary care are being provided per person, and there is expected to be a rise in the number of residential placements. Funding has been redirected from the Older People's demand budget to allow service users over 65 to continue being supported within the Physical Disabilities service.	740
Autism and Adult Support (A/R.3.003)	Additional funding to ensure we meet the rising level of needs amongst people with autism and other vulnerable people. It is expected that 33 people will enter this service in 2021/22 with 8 leaving and so, based on the anticipated average cost, we are investing an additional £195k to ensure we give them the help they need. We are also investing an additional £64k to meet the increasing complexity in the needs of the people already cared for by the service and a further £45k to employ an additional social	303

DEMAND AREA	DESCRIPTION	AMOUNT £000 2021/22
	worker to help the team manage an unprecedented increase in the number of people accessing the service. This brings the total demand funding requested to £303k for 2021/22.	
Learning Disability Partnership (LDP) (A/R.3.004)	Additional funding to ensure we meet the rising level of needs amongst people with learning disabilities - we need to invest an additional £707k in 2021/22 to provide care for a projected 51 new service users (primarily young people) who outnumber the number of people leaving services. We also need to invest £1,768k in the increasing needs of existing service users and the higher complexity we are seeing in adults over age 25. A further £83k is need to increase the number of social workers, which has remained static for a number of years as service user numbers have increased. We're therefore allocating a total of £1,989k as the council's share to this pooled budget to ensure we provide the right care for people with learning disabilities.	1,989
Adult Mental Health (A/R.3.005)	Additional funding to ensure we meet the increased demand for care amongst working age adults with mental health needs. The current pattern of activity and expenditure is modelled forward using population forecasts and data relating to the prevalence of mental health needs, and we estimate that numbers will increase by about 1.5% each year. Some account is taken of the recovery over time of clients in receipt of section 117 aftercare and the additional demand this is placing on social care funding streams. This work has supported the case for additional funding of £212k in 2021-22 to ensure we can continue to provide the care for people who need it.	212
Funding for additional demand for Community Equipment (A/R.3.017)	Over the last five years, our social work strategy has been successful in supporting a higher proportion of older people and people with disabilities to live at home (rather than requiring residential care). Additional funding is required to maintain the proportion of service users supported to live independently, through the provision of community equipment and home adaptations. This requirement is patent in the context of a rising population and the increasing complexity of the needs of the people in question.	32
Scenario (Low) - Adult Social Care Demand (A/R.3.022)	In scenario A, adult social care is expected to face additional costs from COVID-19 mainly due to increased need over 2020/21. In older people, despite a reduction in people receiving care, and some expectation that bed-based care will be avoided where people can, more people are now receiving more expensive residential and nursing care than would otherwise have been the case due to the rapid discharging of people from hospitals creating a short-term pressure. Within working age adults with disabilities, there has been some deconditioning over the pandemic period and more breakdowns in placements resulting in increased	3,139

DEMAND AREA	DESCRIPTION	AMOUNT £000 2021/22
	need, as well as more community packages where day centres have closed.	

5.3 Additional Investment/Pressures

5.3.1 In addition to increases in baseline budgets to meet inflationary, legislative and demand pressures, a number of identified areas will require investment to support us to deliver our recovery and resilience plans. This investment will seek to minimise infections in bed-based care, reduce hospital admissions, the time people spend in hospital and reduce the need for residential care. In the longer term, this will manage down demand on more costly interventions, as well as enabling people to maintain their independence at home, in their local communities, for longer. An overview of the current identified investment requirements are outlined in the table below.

INVESTMENT AREA	DESCRIPTION	AMOUNT £000 2021/22
Permanent Funding for Investments into Social Work (A/R.5.001)	As part of the Adults Positive Challenge Programme, a number of investments were made from the Transformation Fund to deliver an ambitious package of demand management measures. This funding in 2021/22 is to provide a permanent basis for those investments that will need to continue, particularly investment in additional staff and equipment in Technology enabled Care, and the ongoing costs of a mobile working system for Reablement.	640
Investment in additional block beds (A/R.5.005)	Following review by Adults Committee, a large number of additional block beds are being commissioned to replace spot purchases. This investment is the small increase in cost that results as newly commissioned beds will replace older ones that had lower prices. Over the medium term, this will save the council money as price increases will be managed, reflected in saving A/R.6.185 below	107
Care Homes Team (A/R.5.006)	A two year pilot starting in October 2020, using a dedicated team of social workers to provide support to care homes. This is based on the learning from COVID-19, where a dedicated team was established from re-deployed staff to work with identified homes who needed support to sustain practice improvements and reduce outbreak risks. COVID-19 demands have increased the number of identified concerns and a practice based intervention that is needed to mitigate the risk to residents and staff.	240

Adult Social Care - Market Resilience (A/R.5.007)	COVID-19 has greatly increased the costs faced by providers of social care. In particular, costs have increased due to greater use of personal protective equipment, as well as infection control processes (such as reducing the extent to which staff move between care homes). These pressures were recognised in 2020/21 through council funding, and a government grant, but it is likely that this will continue into 2021/22. This investment would average a 2.5% increase in costs over the year.	4,000
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5.3.2 In addition to the above, business cases are being finalised for a number of other identified areas of investment, including Place Based Commissioning and developing alternative innovative models of commissioned care, such as care suites and extra care plus. Once finalised, these business cases will be incorporated into the business planning process where appropriate, or will progress with individual transformation bids where a one off pot of money is required.

6. OVERVIEW OF ADULTS COMMITTEE'S DRAFT REVENUE PROGRAMME - SAVINGS

6.1 Savings Impairment

6.1.1 The pandemic has had a significant impact on the delivery of savings planned for 2020/21. In many cases, the necessary work to deliver those savings can continue in the second half of the year or into 2021/22. In some cases, however, the planned saving is no longer possible due to COVID-19, or no longer fits with the recovery plan outlined above. For Adults Committee, the savings that need to be permanently reversed, fully or in part, are:

SAVINGS AREA	DESCRIPTION	AMOUNT £000 2021/22
Adults Positive Challenge Programme (A/R.6.176) Partial impairment – 33% of remaining saving	Through the Adults Positive Challenge Programme, the County Council has set out to design a new service model for Adult Social Care, which will continue to improve outcomes whilst also being economically sustainable in the face of the huge pressure on the sector. This programme had a savings target of £7.6m over two years, but delivery in 2020/21 was severely impacted by COVID-19. A full review of what opportunities identified by the programme remain deliverable is taking place, but initial estimates suggest part of the saving is permanently impaired. This will be updated as the review concludes. In later years, the effect of the Preparing for Adulthood workstream will continue to have an effect by reducing the level of demand on services from young people transitioning into adulthood.	1,095
Review of Supported	An ambitious saving was included in the 2018-23 Business Plan linked to a review of commissioning	124

Housing Commissioning (A/R.6.174) Full impairment of remaining saving	arrangements for supported housing. In 2021/22 there remains £124k of this saving left. Due to COVID-19 and other changes in legislation, it is not possible to deliver the rest of this saving.	
Review of commissioned domiciliary care (A/R.6.181) Full impairment of remaining saving	A saving was identified for 2020/21 around reviewing packages of domiciliary care to ensure that they were appropriate to meet people's needs. Following the impact of the COVID-19 pandemic, this saving is no longer achievable. The pandemic has highlighted that domiciliary care needs to be commissioned in a more outcomes focussed way, which minimises the savings opportunity originally identified. A further efficiency should be achieved once outcome focussed commissioning is established.	300

6.2 Savings

6.2.1 The list below provides a summary of the Adults savings proposals currently contained in the Business Plan for 2021/22. In each case the reference to the business planning table is included along with the anticipated level of financial saving or additional income. These savings are currently being reviewed to determine any risks to deliverability next year.

SAVINGS AREA	DESCRIPTION	AMOUNT £000 2021/22
Learning Disabilities Commissioning (A/R.6.114)	A programme of work commenced in Learning Disability Services in 2016/17 to ensure service-users had the appropriate level of care; some additional work remains, particularly focussing on high cost placements outside of Cambridgeshire and commissioning approaches, as well as the remaining part-year impact of savings made part-way through 2020/21.	-400
Mental Health Commissioning (A/R.6.179)	A retender of supported living contracts gives an opportunity to increase capacity and prevent escalation to higher cost services, over several years. In addition, a number of contract changes have taken place in 2019/20 that have enabled a saving to be taken.	-24
Review of commissioning approaches for accommodation based care (A/R.6.180)	We are exploring alternative models of delivery for residential and nursing care provision, including a tenancy based model that should deliver savings to the council.	-175
Revised commissioning	Provision of interim beds, particularly in older people's services, is being reviewed. A new	

approach for interim bed provision (A/R.6.184)	approach to interim bed provision should reduce delayed discharges from hospital and improve the reablement of people on leaving hospital. Therefore, more people will be able to return home instead of needing permanent residential or nursing care.	-150
Additional block beds - inflation saving (A/R.6.185)	Through commissioning additional block beds, referred to in A/R.5.005, we can reduce the amount of inflation funding needed for residential and nursing care. Block contracts have set uplifts each year, rather than seeing inflationary increases each time new spot places are commissioned.	-412

6.2.2 In addition to these savings in 2021/22, there are some savings planned for future years. New savings include the Cambridgeshire Lifeline Project which will deliver additional income from 2022/23, and there are some lines that show the impact of savings listed above over several years.

6.3 Additional opportunities are also being reviewed, including a review of non-delivered 2020/21 savings, to understand if these are permanently non-deliverable, or if savings can be profiled into 2021/22. This includes reviewing the Adults Positive Challenge work-streams to ensure re-profiling of savings opportunities is maximised. It is important to note that this work is ongoing and business cases will be developed for new savings proposals as part of the business planning process. Updated proposals will be presented to Committee again in December, at which point business cases and the associated impact assessments will be final for the Committee to endorse.

7. OVERVIEW OF ADULTS COMMITTEE'S DRAFT CAPITAL PROGRAMME

7.1 The Adults Committee capital plan is small, consisting of just three schemes. Schemes 'a' and 'b' are projected to continue through the full ten years of the capital programme, while scheme c is expected to continue through to 2022/23. If agreed, these proposals will form part of the final business plan that goes to Full Council in February.

a. Disabled Facilities Grant – this is a capital grant received from central government that forms part of the Better Care Fund. We are mandated to pass on this grant to district councils in defined amounts, except for a portion retained in recent years by agreement of districts to part fund the community equipment service. We prudently estimate that this grant will be just over £4m per year.

b. Community Equipment Service – £1.3m of the community equipment service has typically been capitalised, funded by prudential borrowing. This has enabled the service to pay for a number of more expensive special pieces of equipment that will have a long lifespan, as well as a rising number of pieces of general equipment. This service is a crucial preventative service, and is currently part of a pooled-budget with the NHS.

c. East Cambridgeshire Adult Service Development – this scheme is funded by £2m of NHS capital grant and £1m of council borrowing. It will provide

for the construction of a specialist development of six accommodation units for people with learning disabilities and/or autism with highly specific needs, enabling them to return from out of county care provision. The project was reviewed by Capital Programme Board in November 2019, and a site was approved for use by C&I Committee in May 2020.

8 LONGER TERM TRANSFORMATION TO CREATE A SUSTAINABLE SERVICE MODEL

- 8.1 This programme of work includes innovative approaches that will improve outcomes whilst continuing to deliver a further level of efficiency and significant savings.
- 8.2 A Transformation resource was established in 2016 to enable investment in longer term initiatives, identifying opportunities where better outcomes can be delivered at reduced cost and demand for services can be reduced. To date, savings of £26m have been released as a result of services using this resource.

9. NEXT STEPS

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

December	Business cases go to committees for consideration
January	General Purposes Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

10. ALIGNMENT WITH CORPORATE PRIORITIES

- 10.1 **A good quality of life for everyone**
10.2 **Thriving places for people to live**
10.3 **The best start for Cambridgeshire's children**

The purpose of the Business Plan is to consider and deliver the Council's vision and priorities and section 1 of this paper sets out how we aim to provide good public services and achieve better outcomes for communities, whilst also responding to the changing challenges of the pandemic.

- 10.4 **Net zero carbon emissions for Cambridgeshire by 2050**
The budget is reviewed at each stage of development to assess the carbon implications of any new investments or savings initiatives. Additionally, the Council is committed to reviewing the sufficiency of climate mitigation funds included in the Business Plan on an annual basis to deliver the Climate Change and Environment Strategy.

11. SIGNIFICANT IMPLICATIONS

- 11.1 **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 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.

11.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for the proposals set out in this report, any implications will be identified between now and the December Committee and will be recorded in the business cases.

11.3 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.

11.4 Equality and Diversity Implications

As the proposals are developed ready for December service committees, they will include, Equality Impact Assessments (EqIAs) that will describe the impact of each proposal, in particular any disproportionate impact on vulnerable, minority and protected groups.

11.5 Engagement and Consultation 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 GPC.

11.6 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.

11.7 Public Health Implications

We are working closely with Public Health colleagues as part of the operating model to ensure our emerging Business Planning proposals are aligned.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Tom Kelly, Stephen Howarth Yes
Have the procurement/contractual/Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Gus de Silva Yes

Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Fiona McMillan Yes
Are there any Equality and Diversity implications?	Beatrice Brown Yes
Have any engagement and communication implications been cleared by Communications?	Matthew Hall Yes
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Kelly Allen Yes
Have any Public Health implications been cleared by Public Health	Emily Smith Yes

APPENDIX 1: Financial summary – People and Communities Table 3