

Review of Draft Revenue and Capital Business Planning Proposals for 2022-27

To: Highways and Transport

Meeting Date: 7 December 2021

From: Steve Cox, Executive Director for Place & Economy

Electoral division(s): ALL

Key decision: No

Outcome: The committee is asked to consider:

- the current business and budgetary planning position and estimates for 2022-2027
- the principal risks, contingencies and implications facing the Committee and the Council's resources
- the process and next steps for the Council in agreeing a business plan and budget for future years

Recommendation: It is recommended that the Committee:

- a) Note the progress made to date and next steps required to develop the business plan for 2022-2027
- b) Comment on the budget and savings proposals that are within the remit of the Committee as part of consideration of the Council's overall Business Plan
- c) Comment on the proposed changes to the capital programme that are within the remit of the Committee as part of consideration of the Council's overall Business Plan
- d) Note the updates to fees and charges for 2022-23

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1. Purpose and background

- 1.1 The Council's Business Plan sets out how we will spend the resources we have at our disposal to achieve our vision and priorities for Cambridgeshire, and the outcomes we want for people. This paper provides an overview of the updates to the Council's financial position since October/Nov 2021 when Committees were last consulted on the draft Business Plan for 2022-27. The paper sets out the changes to key assumptions impacting financial forecasts, further risks and opportunities and next steps required to balance the budget and agree the Council's Business Plan for 2022-27.
- 1.2 The paper also seeks to highlight the environment within which the Business Plan has been developed this year, the added complexity of developing the business plan whilst continuing to be in the middle of a world-wide pandemic, and the challenges of being a relatively low spend but effective organisation has on the opportunities to reduce costs further to address the financial challenges caused by COVID-19.
- 1.3 Whilst the impact of COVID-19 continues to be felt by all councils across England, for Cambridgeshire this comes on the back of many years of under-funding compared to other councils. As one of the fastest growing counties in the country, Cambridgeshire has been managing disproportionate increases in demand over many years which have not been reflected in the revenue grant system.
- 1.4 This report builds on the information provided to this Committee during October/November and sets out the latest financial position regarding the Business Plan for the period 2022-27. A number of Business Cases have been developed which provide further details of the proposed changes to our budget, and these will be reviewed by their relevant Service Committees in December, prior to being reviewed by S&R in January for endorsement to full Council in February 2022.

2. Context

- 2.1 On 9 February 2021, Full Council agreed the Business Plan for 2021-2026. This included a balanced budget for the 2021-22 financial year with the use of some one-off funding but contained significant budget gaps for subsequent years as a result of expenditure exceeding funding estimates. These budget gaps (expressed as negative figures) were:

2021-22	2022-23	2023-24	2024-25	2025-26
balance	-£22.2m	-£14.7m	-£15.1m	-£12.0m

- 2.2 The impacts of COVID-19 on the Council have been unprecedented and the pandemic remains a key factor of uncertainty in planning our strategy and resource deployment over the coming years. The Council continues to take a central role in coordinating the response of public services to try and manage the complex public health situation, impact on vulnerable people, education of our children and young people and economic consequences. Looking ahead we know that challenges remain as the vaccination programme progresses, winter illnesses re-emerge and potential further mutations of the virus. We are already seeing the impacts of the pandemic on our

vulnerable groups as well as those who have become vulnerable as a result of health or economic impact of the pandemic. Longer term there will be significant increases and changes in the pattern of demand for our services alongside the economic aftereffects. In this draft business plan, there are COVID-19 impacts across demand for services, pricing and supplier changes, and impacts on funding and income. Emerging work is shifting the Council's decision-making framework to prioritise sustainable development for our county, whereby our citizens' social foundations are strengthened in the context of pandemic recovery and ongoing ecological emergency.

- 2.3 Predicting the on-going implications and financial consequences of COVID-19 remains challenging, particularly in terms of the impact on demand for council services. It is especially important this year that we keep these estimates under review as circumstances are so changeable over the course of this year. In this update there is a further re-baselining proposed to bring adult social care budgets in line with anticipated demand levels at the start of next year. While we expect demand growth in adult social care to be significant in 2022-27 and have allowed for such in the draft business plan, this will be from a starting point in April 2022 that is lower than previously budgeted.
- 2.4 Besides the pandemic, the other major risks and uncertainties in setting budgets for 2022-27 include the potential for national policy changes, such as reform of social care funding, the need for a multi-year funding settlement from government, the availability and sustainability of supply chains and resources, and changing patterns of demand for our services that has been a longer-term trend. The Council must make its best estimate for the effect of known pressures when setting its budget and retain reserves to mitigate against unquantifiable risks.
- 2.5 Government has announced that there will be significant reform of social care funding with effect from October 2023, this includes a cap on the amounts that people will have to contribute to their care costs during their lifetime and significant revisions to the asset thresholds for making contributions towards those costs. £5.4bn per annum has been identified nationally as the cost of these changes and further details are awaited in terms of how this will be operated. There are wide and complex changes for the Council as a result.

It is important to note that the new funds announced nationally do not address underlying funding issues for social care, such as historic funding or surges in demand and costs emerging from the pandemic.

- 2.6 With changes in local and national policy coinciding with hopes for a stabilisation of the public health response to the pandemic, the overarching themes we have identified to help us develop the Business Plan are as follows:
- Economic recovery
 - Prevention and Early Intervention
 - Decentralisation
 - Environment & climate emergency
 - Social Value
 - Efficiency and effectiveness of Council services

- 2.7 The Joint Agreement which explained the policy ambitions of the new administration was agreed in May 2021. The Joint Agreement prioritises COVID-19 recovery for all of

Cambridgeshire and puts healthy living and bringing forward targets to tackle the climate emergency, central to its agenda. It also signals a commitment to form strong and positive partnerships at a local level as members of the Combined Authority and the Greater Cambridge Partnership in the areas of public health, support for business, climate change, public transport, and building affordable, sustainable homes. This first business plan will begin to put into effect this new set of policies; concurrently a new Corporate Framework is being developed which recognises the importance of making decisions based on financial, social and environmental factors to ensure future sustainability. The plans for 2022-23 in the business plan are detailed and represent a transitional year ahead of reform and review of the budget allocation process for future years.

- 2.8 As per the Council's priorities, Cambridgeshire seeks to ensure that it provides high quality support to its citizens whilst ensuring best use of the taxpayers money. An indicator of how well it is doing this, is by reviewing benchmarking data on a regular basis. The most recent data highlights that compared to nearest neighbours the majority of our services are provided at a lower cost per person with the exception of Public Health and Adult Social Care. The impact of the pandemic for Adult Services within Cambridgeshire has been particularly notable. As mentioned above the Joint Administration is prioritising COVID-19 recovery and is closely monitoring the evolving needs of the citizens of Cambridgeshire. These needs have been taken into account when developing the budget proposals.

3. Financial Overview

- 3.1 The previous update to committees in October/November set out progress that had been made in closing the budget gap for 2022/23 and in refining the budgets for later years. After an increase in the opening budget gap resulting from rising demand projections and other service pressures, savings had been identified that brought the gap down to £19.5m.
- 3.2 Since the previous update, work has continued to identify ways to close the remaining budget gap in 2022/23 including additional savings work, further review of pressures and revision of funding assumptions. We have also identified several investments that are required into services. A further £5m of improvement has been made through this work.
- 3.3. In October, however, the Autumn Budget and Spending Review made clear that the Council would face several additional pressures in 2022/23. The cost of these is set out in the table below, but in summary relate to the expected rise in employer national insurance contributions, a rise in the minimum wage that was higher than expected, and the formal end of the public sector pay freeze which is expected to drive salary costs up. Additional funding for local government was announced to meet these pressures in the form of a further grant of £1.6bn a year nationally for three years, but the distribution methodology for this has not been announced and will not be until the Local Government Finance Settlement in mid-December 2021.
- 3.4 As well as those pressures and that further funding, the Autumn Budget also announced:
- Council Tax referendum limits to be set at 2% for general Council Tax and 1% for the Social Care Precept (SCP) 2022-23. It has also confirmed that authorities who carried-forward unused SCP from 2021/22 may use that in 2022/23. Cambridgeshire has a further 2% increase in SCP available from this.
 - £21bn for roads and £46bn for railways to connect towns nationally

- An increase in the core schools budget of £4.7bn nationally by 2024/25, with £2.6bn further being made available for places for children with special educational needs
- Business rates relief totalling £7bn, with Councils to be compensated for the effects through further grant

3.5 After factoring in the progress made towards closing the budget and the pressures resulting from the Autumn Budget, the revised budget gap is set out in the table below:

	£000				
	2022-23	2023-24	2024-25	2025-26	2026-27
Budget gap at November Committees	19,481	18,211	18,059	16,545	13,970
Budget Reviews and Re-baselining					
Budget rebaselining in Adults (offset by pressure below)	-3,345	0	0	0	0
Budget rebaselining in Children's	-600	0	0	0	0
Rebaselining of income budgets in Place & Economy	-500	100	150	0	0
Inflation and Demand Adjustments					
Demand updates in Children's	0	1,230	1,269	1,265	1,210
Service Pressures					
Pressures in Adults (Learning Disabilities)	2,500	0	0	0	0
Pressures in Children's	-924	750	0	0	0
Pressures in Place & Economy	407	-260	0	0	0
Pressures in Corporate Services	88	90	0	0	0
Service Investments					
Paying the real living wage to social care staff	1,187	4,408	3,619	409	543
Investment in the SAFE team	268	0	0	0	0
Investment in health in all policies	125	0	0	0	0
EGL investment	75	0	0	0	0
EGL investment	105	40	0	0	0
New or additional savings					
Savings in Place & Economy	-100	-20	0	0	0
Savings in Children's	-780	-570	-345	0	0
Savings in Corporate Services	-124	-9	-154	-132	-136
Savings in Adults	-357	-161	0	-478	0
Savings in Public Health	-100	0	0	0	0
Other changes					
Rephasing of income expected from NHS pooled budget contributions	750	-1,000	-1,000	0	0
Reduction in the revenue cost of capital	-1,325	398	0	0	0
Reduction in the revenue cost of capital - use of capital receipts from asset sales	-600				
Increase in Public Health Grant	-32	32	0	0	0
Increase in grant/funding estimates	-210	-15	0	0	0
Replace highways/footways revenue investment with capital	-1,300	-1,000	-1,000	-1,000	0
Energy schemes - phasing of spend and income	290	-549	111	-127	-32
Inflation update	23	0	0	0	0
Use of Public Health reserves to fund health-related pressures	-400	0	200	200	0
Impact of Autumn Budget					

Increase in national insurance - Council staff	998	0	0	0	0
Increase in national insurance - social care supply chain	1,000	0	0	0	0
Increase in minimum wage above estimate - impact on social care	3,019	1,762	-19	-19	-19
Staff pay inflation, increase in assumption	170	180	183	187	188
Revised budget gap in December	19,789	23,632	21,073	16,850	15,725
Change in budget gap	308	5,421	3,014	305	1,755

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

3.7 As well as some ongoing investments into services, there will be a need to fund temporary (short term) investments to move towards more sustainable services. These are expected to be funded from Council reserves. The specific proposals for this committee are set out within section 6.4 below.

3.8 The latest updates in table 3.5 (and equivalent tables in previous updates) only show the changes made compared to the current draft business plan. In some cases, there were already proposals affecting 2022-27 in the existing published 2021-26 business plan, or in previous drafts of the new business plan presented at previous committee meetings. The full set of all proposed budget changes is presented in Table 3 of the budget tables in Appendix 1.

4. Assumptions and Risks

4.1 The Council's medium-term 2021-2026 budget currently assumes a 2% increase in Council Tax in 2022-23 and 0% increase in the Adult Social Care precept.

There are a number of budgetary risks which are being monitored closely, these include:

- **High Needs Deficit**
If the Government changes the approach to funding, the Council will have to fund the high needs deficit, resulting in the exhaustion of unallocated reserves.
- **Staff Pay Award**
As mentioned in previous reports, unions have rejected the most recent offer. If staff pay award is negotiated higher than budgeted for, then costs will be higher than predicted resulting in a cost pressure. Some additional budget has been factored in following the Autumn Budget.
- **COVID-19**
As stated earlier in the report, COVID-19 remains a high risk to our budgets. The long-term impact continues to be unknown and if there are further waves of COVID-19 and additional restrictions, then services may face disruption resulting in additional cost pressures.
- **Central Government funding and reforms**
If Central Government brings in reforms/ changes funding, then costs to deliver services may increase/ funding received may reduce resulting in additional cost pressures.

- **Uncertainty about demand for services**
Predicting demand continues to be difficult due to COVID-19 and if demand projections are inaccurate due to COVID-19/ other reasons, then financial projections will be incorrect resulting in incorrect budget provision allocated for demand.
- **Inflation/ interest rates**
If inflation/interest rates increase by more than advisors are suggesting, then costs to deliver services and borrowing will increase, resulting in a cost pressure.
- **Adult Social Care Provider Sustainability and Variation**
If the ASC market continues to be unstable, there may be an increased number of provider failures or variation requests for additional funding, resulting in increased budget pressures for the service.
- **Funding from Partners**
Budgets are based on an assumption of a certain level of funding from our partners, such as the NHS. Close monitoring is taking place to understand whether assumptions are correct.
- **Implications of the Care Act and part 2 reforms.**
We are currently waiting for further details but implementing the Care Act could result in a number of potential risks to the authority e.g. proposal of a cap to contributions as mentioned above. The implications are being monitored closely.

5. Capital Programme Update

- 5.1 Following on from November service committees, further work was required on some schemes, as well as continuing revision and update of the programme in light of ongoing review by the Capital Programme Board, changes to overall funding, or to specific circumstances surrounding individual schemes. The changes made since November committee can be summarised as follows:

New Schemes

- (A&H) Independent Living Services (+£40,148k)
- (CS&I) Library Minor Works (+£85k)
- (CS&I) EverySpace - Library Improvement Fund (+£389k) [externally funded]
- (S&R) IT Education System Replacement (+£2,460k)

Increased Cost

- (CYP) Sutton Primary Expansion (+£385k)
- (CYP) Waterbeach new Town Primary (+£375k)
- (CYP) Alconbury Weald secondary and Special (+£1,617k)
- (CYP) Sir Harry Smith Community College (+£291k)
- (CYP) Cambourne Village College Phase 3b (+£850k)
- (CYP) Duxford Community C of E Primary (+£195k)
- (CYP) New SEMH Provision Wisbech (+£489k)

- (H&T) A14 (+£920k)
- (H&T) Carriageway & Footway Maintenance including Cycle Paths (+£1,500k)
- (H&T) Footpaths and Pavements (+£10,000k)

Removed Schemes

- (CYP) St. Neots secondary (-£11,130k)

Changed Phasing or funding

- (CYP) Isleham Primary relocation & expansion
- (H&T) B1050 Shelfords Road
- (E&GI) Waste – Household Recycling Centre (HRC) Improvements
- (E&GI) Waterbeach Waste Treatment Facilities

In addition, the Capitalisation of Interest and Variation budgets have been updated in line with the above changes.

- 5.2 The Council is still awaiting funding announcements regarding various capital grants, plus the ongoing nature of the capital programme inevitably means that circumstances are continually changing. Therefore, Services will continue to make any necessary updates in the lead up to the January S&R meeting where the Business Plan will be considered.

6. Overview of Highways and Transport draft Revenue Programme

- 6.1 This section provides an overview of the savings and income proposals within the remit of the Committee.
- 6.2 All of the proposals within the remit of the Committee are described in the business planning tables (Appendix 1) and business cases (Appendix 2).
- 6.3 The Committee is asked to comment on these proposals for consideration as part of the Council's Business Plan for the next five years. Please note that the proposals are still draft at this stage, and it is only at Full Council in February 2022 that proposals are finalised and become the Council's Business Plan. The following proposals can be found in Appendix 2

6.4

Permanent Pressures and Investments:		
Ref:	Name	2022-23 Amount
B/R.4.015	Place and Economy restructure	£260k
B/R.4.016	County Input to Nationally Significant Infrastructure Projects, and Transport and Works Act Orders	£147k
Savings and income:		
B/R.7.100	Traffic management Deployment of current surpluses in civil parking enforcement to transport activities	-£200k
B/R.7.101	Income from bus lane and moving lane enforcement	-£100k

B/R.6.220	Highway service delivery efficiencies	-£110k
B/R.7.102	Review and re-baselining of Place and Economy income	-£500k
B/R.6.215	Recycle asphalt, aggregates and gully waste	-£15k
B/R.6.216	Street lighting service review	-£10k
New savings being explored by service- proposals to be developed as necessary		
Saving inspections and route optimisations: Investigate potential savings to be derived from innovative technologies for highway condition surveys and safety inspections. Process efficiencies and effectiveness, including route optimisation for inspections/ winter service.		TBC
Drainage strategy savings: Kaarbontech asset and data collection of the gully and highway drainage system. This proposal would result in less risk to properties and flood mitigation		TBC
Exploring investment in an Active Travel Lead to develop strategic active travel pipeline. This is being discussed with Public Health given the cross-cutting objectives for the post.		£53k

7. Overview of Highways and Transport Draft Capital Programme

- 7.1 Committee was presented with the draft Capital Tables (budget and funding) in the November Committee and since then the only significant change is the £1m additional investment per annum for 4 years (£10m in total) on Footpaths and Pavements which has been switched from Revenue to Capital (to replicate the budgets for 2021/22). Also, £300K per annum for 5 years (£1.5m in total) of the £1m investment in Highways has been switched from Revenue to Capital (leaving £700K in revenue). In both these cases the funding source has changed but the actual spending power is unchanged

8. Next steps

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

November / December	Draft business cases are considered at service committees before they go forward to January 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

9. Alignment with corporate priorities

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

- 9.1 Communities at the heart of everything we do
- 9.2 A good quality of life for everyone
- 9.3 Helping our children learn, develop and live life to the full
- 9.4 Cambridgeshire: a well-connected, safe, clean, green environment
- 9.5 Protecting and caring for those who need us

10. Significant Implications

10.1 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.

10.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for the proposals set out in this report. Any implications within specific proposals will be included within the individual business cases within Appendix 2.

10.3 Statutory, Legal and Risk Implications

The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget. Cambridgeshire County Council will continue to meet the range of statutory duties for supporting our citizens.

10.4 Equality and Diversity Implications

Each business case will consider whether there are any impacts (positive or negative) to vulnerable, minority or protected groups and this information is included within each of the business cases in Appendix 2.

Full Equality Impact Assessments that will describe the impact of each proposal, in particular any disproportionate impact on vulnerable, minority and protected groups are being developed or refreshed where identified.

10.5 Engagement and Communications Implications

Our Business Planning proposals are informed by the CCC public consultation and will be discussed with a wide range of partners throughout the process. The feedback from

consultation will continue to inform the refinement of proposals. Where this leads to significant amendments to the recommendations a report would be provided to Strategy and Resources Committee.

10.6 Localism and Local Member Involvement

As the proposals develop, we will have detailed conversations with Members about the impact of the proposals on their localities. We are working with members on materials which will help them have conversations with Parish Councils, local residents, the voluntary sector and other groups about where they can make an impact and support us to mitigate the impact of budget reductions.

10.7 Public Health Implications

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

10.8 Environment and Climate Change Implications on Priority Areas

The climate and environment implications will vary depending on the detail of each of the proposals. The implications will be completed accordingly within each business case in Appendix 2.

Have the resource implications been cleared by Finance?

Yes

Name of Financial Officer: Sarah Heywood

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the CCC Head of Procurement?

Yes

Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?

Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?

Yes

Name of Officer: Beatrice Brown

Have any engagement and communication implications been cleared by Communications?

Yes

Name of Officer: Sarah Silk

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: Iain Green

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?

Yes

Name of Officer: Emily Bolton

8. Source Documents

Appendix 1a: Introduction to the finance tables

Appendix 1b: Place and Economy Revenue Tables 1-3

Appendix 1c: Place and Economy Capital Tables 4&5

Appendix 2a: Business Case Proposals - Savings / Income

Appendix 2b: Business Case Proposals - Pressure / Investment

Appendix 3a: P&E Statutory Fees and Charges

Appendix 3b: P&E Non statutory Fees and Charges

The fees and charges documents include the current charges for 2021-22 along with the proposed charges for 2022-23