Agenda Item No: 5b

BUSINESS PLAN 2013-14

To:	**Cabinet**
Date:	**29th January 2013**
From:	**Acting LGSS Director of Finance (Section 151 Officer)**
Electoral division(s):	**All**
Forward Plan ref:	**2013/001** *Key decision:* **Yes**

Purpose:

To present the Council's Business Plan (Appendix 1) covering the period 2013-14 in detail, and 2014-15 through to 2017-18 in outline for:

- **Cabinet consideration,**
- **Cabinet recommendation (with or without amendment) to Council for approval.**

Recommendation:

1. Consider the Business Plan (Appendix 1), including supporting Budget, Community Impact Assessments, Consultation Responses and other material, in the light of all planning activities undertaken to date.

2. Identify any final amendments and changes Cabinet wishes to make to the Business Plan prior to submission to Council.

3. Delegate responsibility for agreeing any further alterations to the Business Plan and Budget to the Leader of the Council, in consultation with the Section 151 Officer.

4. Recommend to Council the following:

a. That approval is given to the Service/ Directorate cash limits as set out in Section 3, Table 3.2 of the Business Plan.

b. That approval is given to a total County Budget Requirement in respect of general expenses applicable to the whole County area of £738,424,000 as set out in Section 3, Table 4.1 of the Business Plan.

Recommendation:

c. That approval is given to a recommended County Precept for Council Tax from District Councils of £226,400,292 (to be received in ten equal instalments in accordance with the fall-back provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995), as set out in Section 3, Table 4.1 of the Business Plan.

d. That approval is given to a Council Tax for each Band of property, based on the number of "Band D" equivalent properties notified to the County Council by the District Councils (205,805), as set out in Section 3, Table 4.2 of the Business Plan reflecting a 1.99% increase:

Band	Ratio	Amount (£)
A	6/9	733.38
B	7/9	855.61
C	8/9	977.84
D	**9/9**	**1,100.07**
E	11/9	1,344.53
F	13/9	1,588.99
G	15/9	1,833.45
H	18/9	2,200.14

e. That approval is given to the Prudential Borrowing, Prudential Indicators as set out in Section 3, Table 7.3 of the Business Plan.

f. That approval is given to the Treasury Management Strategy as set out in brief in Section 3 and comprehensively in Section 5 of the Business Plan.

g. That approval is given to the report of the Section 151 Officer on the levels of reserves and robustness of the estimates as set out in Section 3 of the Business Plan.

h. That approval be given to Capital Payments in 2013-14 up to £134.2m arising from:

i. Commitments from schemes already approved; and
ii. The consequences of new starts (for the five years 2013-14 to 2017-18) shown in summary in Section 3, Table 6.4 of the Business Plan.

5. Approving the priorities and aspirations set out in Section 1 and 2 of the Business Plan.

6. Authorising the Section 151 Officer, in consultation with the Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations 4a to 4h to the County Council, so as to take into account any changes deemed appropriate, including updated information on District Council Tax Base, Collection Funds and specific grants.

	Officer contact:		***Member contact***
Name:	Matt Bowmer	Name:	Cllr Nick Clarke
Post:	Acting LGSS Director of Finance (Section 151 Officer)	Portfolio:	Leader
Email:	mbowmer@northamptonshire.gov.uk	Email:	Nick.Clarke@cambridgeshire.gov.uk
Tel:	01604 366550/ 01223 706599	Tel:	01223 699619

1. BACKGROUND

1.1 It is a statutory requirement under the Local Government Finance Act 2003 for the Council to set a balanced budget before 14 March 2013. In doing so, the Council undertakes financial planning covering a five year timescale that creates links with its longer term financial modelling and planning for growth. The budgets set out in this report are firm for 2013-14 but they also suggest likely budget figures for 2014-15 and for the three years after this.

1.2 This paper is designed to take Cabinet through the key issues within the Business Plan prior to formal recommendation by Cabinet for Council decision in February.

2. BUSINESS PLANNING DOCUMENTATION

2.1 The Authority has a process of joined up planning that brings together the vision, strategy, priorities and budget into a single Business Plan. This approach has been commended by the External Auditors and is recorded as national best practice.

2.2 The Business Plan is the product of significant activity by members supported by officers between June 2012 and January 2013. The documentation has been further expanded and improved as a result of feedback from Cabinet, Overview and Scrutiny, and Managers.

3. VISION AND PRIORITIES

3.1 This introduction by the Leader of the Council, Cllr Nick Clarke, describes the work of the Council over the last year and the organisation’s vision for the five years of the Business Plan.

3.2 The Council’s vision remains “Making Cambridgeshire a great place to call home”. To deliver this vision, the Council will continue to focus on 3 key priorities:

- Developing the local economy for the benefit of all
- Helping people live healthy and independent lives
- Supporting and protecting vulnerable people.

4. STRATEGIC FRAMEWORK

4.1 The Strategic Framework sets out the Council's vision and high level priorities for the Business Plan period 2013-14 to 2017-18. Included within the Strategic Framework is detail around how the organisation intends to achieve its strategic aims, as well as the high level performance measures it will use. As well as covering the five year period of the Business Plan in particular, the Strategic Framework looks back at what the Council achieved last year and forward at key issues facing Cambridgeshire in the long term.

5. BUDGET STRATEGY

5.1 Budgetary Context

5.1.1 The general condition of the UK remains fragile with prospects for growth in the short term unlikely. The Government embarked on a programme of austerity in May 2010 with a mix of spending cuts and also tax increases, albeit to a lesser extent. The Public Sector spending cuts were immediate through an emergency budget followed up with a sustained programme through the four year Spending Review (SR10) announced in the autumn. This review sought to protect spending on health and schools and to reduce local government spending by 28% across the period with the brunt felt in the early years. The detail was made available for 2013-14 and 2014-15 in the Local Government Finance Settlement in December 2012.

5.1.2 Given the continued economic uncertainty and the temporary move back into recession it has been reasonable to assume that the deficit reduction strategy will be progressed. This has been confirmed in the Chancellor's 2012 Autumn Statement delivered on 5 December 2012 which signalled the broad position for 2013-14 unchanged but a greater burden for 2014-15 with a 2% reduction over and above the 2010 Spending Review figures. A Spending Review is intended for later in the year but it will in all likelihood only cover 2015-16, the final year of the current Parliament.

5.1.3 As well as contending with the spending pressures, 2013-14 sees a radical overhaul of the local government finance framework with a move to a business rates model. This new model sees business rate growth being returned to local authorities but in a form somewhat diluted from the original objectives set out in the Local Government Resource review. The introduction of the new arrangements has required complex changes to be made and consequently HM Treasury and DCLG were only able to release the Local Government Finance Settlement initially on 19 December 2012. There were errors in the data which required the detailed settlement for Cambridgeshire County Council to be withdrawn and not subsequently reissued until January 2013. This has naturally hampered the ability to plan financially with the level of assurance normally expected.

5.2 Revenue Budget 2013-14

5.2.1 For 2013-14, Cambridgeshire will receive £490.6m of funding excluding £247.8m grants to be delegated to its schools. The key sources of funding are Council Tax which is set to increase by 1.99% and Central Government grants (excluding grants to schools) which see a like for like reduction of 6.4% compared to 2012-13.

5.2.2 There has been the offer of a freeze grant from Government but this is only at 1% for two years which would leave the Council with a lower Council Tax yield over the longer term and put further pressure on the delivery of services.

5.2.3 Total expenditure is £490.6m which incorporates a one off transfer from reserves of £0.9m. The costs of the Council have risen primarily through inflationary pressures, demand pressures especially in respect of adult social care and increasing capital financing costs in response to growth in Cambridgeshire – investment in infrastructure and new schools.

5.2.4 In order to balance the budget in light of these pressures and reduced Government funding, savings of £32.0m have been required for 2013-14, and a total of £146.5m across the full five years of the Business Plan. In developing the proposed savings there has been a focus on the objectives set out in paragraph 3.1 above.

5.2.5 For further information, see subsections 2 and 3 of the Budget Strategy (Section 3) within the Business Plan.

5.3 Capital Programme

5.3.1 Including current commitments, the Council will be spending in excess of £1 billion on capital investment in the county over the period of the Business Plan. For 2013-14, the Council's proposed expenditure on its capital programme is £134.3m. This is financed by a combination of the following funding streams:

- Central government and external grants (£36.5m);
- Section 106 and external contributions (£33.3m);
- Prudential borrowing (£59.7m); and
- Capital receipts (£4.7m).

Current prudential borrowing includes £64.7m to 31 March 2013 to meet contract payments on the Guided Busway. It is anticipated that £19.3m of future developer contributions will be available to partly repay this debt, with the balance, plus interest, repaid by the contractor when the risk share process has been completed.

5.3.2 Additional investment proposals this year include the build of a residential care home in Adult Social Care, development of the Cambridge Science Park Station and meeting the increased demographic pressure for new schools and children's centres in the latter years of the Business Plan.

5.3.3 For further information, see subsection 6 of the Budget Strategy (Section 3) within the Business Plan.

6. TREASURY MANAGEMENT STRATEGY

6.1 The Council is required to approve Prudential Indicators for 2013-14 to 2017-18. These include external borrowing limits, indicators showing the cost of servicing debt as a percentage of revenue expenditure and the Council's underlying borrowing requirement. Fixed and variable Interest rate exposure and the maturity profile of debt are also reported.

6.2 An under borrowed position will be maintained throughout 2013-14. This means that the capital borrowing need has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used. As a result cash balances are generally low and the level of loan debt is lower than it might otherwise be. However loan debt is expected to rise significantly during the year and duration of the business strategy as a direct result of capital investment which the Council is funding.

6.3 The Council will continue to prioritise the security and liquidity of capital and achieve investment return that is commensurate with these priorities. A prudent investment strategy is followed and external advice provides a guide on the creditworthiness of institutions. The majority of the Council's investments are in liquid instruments and shorter term deposits with Money Market Funds and high credit quality banks.

7. COMMUNITY IMPACT ASSESSMENTS

7.1 The Equality Duty set out in S149 of the Equality Act requires the Council to consciously think about the following three aims as an integral part of developing policy, making decisions, and providing services:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it
- Foster good relations between people who share a protected characteristic and people who do not share it

7.2 The Council takes very seriously the need to be aware of the impact that our policies, decisions and services have on communities across Cambridgeshire, and the importance of using this information to inform the preparation of the Business Plan. Where relevant, for each of the detailed proposals, services have undertaken a Community Impact Assessment (CIA).

7.3 CIA's have been prepared alongside the development of detailed proposals and are published separately to the Plan.

8. BUDGET CONSULTATION

8.1 A number of consultation exercises were carried out as part of the County Council's Business Planning process for 2012. This included:

- Five focus groups carried out for the County Council by ORS Ltd (Opinion Research Services) in June 2012.
- A telephone survey carried out by for the County Council by MEL Ltd (Measuring, Evaluating, Learning) in June 2012.
- Workshops carried out during June / July 2012 with the following:
  - Business (in partnership with the local Chambers of Commerce);
  - Voluntary & Community Sector (VCS) Groups at a dedicated event attended by around 100 organisations;
  - Disabled adults and carers (through four existing groups);
  - Parents / Carers of children with special needs (five separate events carried out by Pinpoint);
  - Children and Young people (as part of a 'fun day').
- A total of 1,103 household interviews on budget setting using the 'You Choose' methodology, carried out for the County Council by MEL Ltd.

- An on-line budget setting survey using the 'You Choose' methodology completed by 618 people.

8.2 The consultation exercises carried out earlier in the year were particularly used to test what the County Council's spending priorities should be. They established broad support for three priorities covering developing the local economy, supporting vulnerable people and helping people to live healthy and independent lives. There was considerable discussion as to how the County Council would work with various groups in the county in order to support these priorities.

8.3 The specific budget consultation, using the 'You Choose Methodology', allowed people to indicate what level of Council Tax they would support and what their detailed spending priorities would be. As a starting point, respondents were given a budget that represented maintaining expenditure at current levels with a resulting rise of 14% in council tax. The vast majority of respondents did not want to see a rise of 14%, and were prepared to make cuts to budgets in order to achieve this. They reduced expenditure so that the average change in Council Tax was a rise of 6.6%. In general they were not prepared to cut budgets to the extent that there was no rise at all in council tax. 84% of all respondents chose a rise of between 1% and 15%.

9. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

The Business Plan’s purpose is to consider and review the Authority’s vision and priorities therefore no additional comments are made here.

9. SIGNIFICANT IMPLICATIONS

The Business Plan has significant, resource, partnership and similar issues so therefore no additional comments are made here.

Source Documents	**Location**
None	.