

Public Document Pack

NOTICE OF COUNCIL MEETING - 24 OCTOBER 2013

Dear Councillor,

A meeting of Cambridge City Council will be held in the Council Chamber - Guildhall on Thursday, 24 October 2013 at 6.00 pm and I hereby summon you to attend.

Dated 16 October 2013

Yours faithfully

A handwritten signature in black ink, appearing to read 'AP Jackson', written in a cursive style.

Chief Executive

Agenda

- 1 TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETINGS HELD ON 27 JUNE 2013 AND 18 JULY 2013.**
(Pages 11 - 50)
- 2 MAYORS ANNOUNCEMENTS**
- 3 PUBLIC QUESTIONS TIME - SEE AT THE FOOT OF THE AGENDA FOR DETAILS OF THE SCHEME**

4 TO CONSIDER THE RECOMMENDATIONS OF THE EXECUTIVE FOR ADOPTION

- 4a Mid-Year Financial Review (MFR) September 2013
(The Leader)**
(Pages 51 - 128)
- 4b Mid-Year Financial Review (MFR) - Treasury Management
Strategy Report 2013/14 to 2016/17 (The Leader)**
(Pages 129 - 156)
- 4c Housing Revenue Account Mid-Year Financial Review
(Executive Councillor for Housing)**
(Pages 157 - 212)
- 4d Additions to the Council's Capital and Revenue Project
Plan (Executive Councillor for Customer Services and
Resources)**
- Wide Area Network
 - Telephone payments upgrade and online payments Content Management System (CMS)
- (Pages 213 - 232)*

5 TO CONSIDER THE RECOMMENDATIONS OF COMMITTEES FOR ADOPTION

Civic Affairs - 19 September 2013

5a Budget Setting Timetable - proposals for 2014

(Pages 233 - 246)

5b Implementation of national pay award - amendment to scheme of delegations

(Pages 247 - 252)

6 TO DEAL WITH ORAL QUESTIONS

7 TO CONSIDER THE FOLLOWING NOTICES OF MOTION, NOTICE OF WHICH HAS BEEN GIVEN BY:

7a Councillors Price and Blencowe

Reversing Coalition cuts in affordable housing

This Council is committed to maximising the delivery of affordable housing in Cambridge given the thousands of Cambridge households in serious housing need.

We call on the Coalition Government and our 2 Cambridge MPs to achieve the removal of all provisions that damage local affordable housing delivery, particularly the repeal of the new Growth and Infrastructure Act 2013 'get out clauses' which gift the opportunity to some Cambridge developers to delete all affordable housing from their schemes.

7b Councillor Dryden

Following on from the Interim Planning Policy Guidance on the Protection of Public Houses in the City of Cambridge and the related policies in the draft Cambridge Local Plan 2014, the Council calls upon the Executive Councillor for Planning and Climate Change to designate, under article 4 of the Town and Country Planning General Permitted Development Order 1995, removing the right to demolish public houses within the City without the Council's prior approval.

7c Councillors Saunders and Dryden

The Council resolves to appoint His Honour Judge Gareth Hawksworth to the post of Honorary Recorder of Cambridge for as long as he holds the position of Resident Judge at Cambridge Crown Court.

7d Councillors O'Reilly and Roberts

Protecting Allotments

- i. This Council notes that in December 2008 this Council unanimously agreed a Labour motion in support of the importance of allotments in the City, the unmet demand for allotments and fulfilling the Council's duty to make available suitable and sufficient allotments to meet the needs of residents. Subsequently in October 2010 the then Executive Councillor for Arts and Recreation, Cllr Rod Cantrill, approved a new Management Policy for Allotments setting out what the Council wanted to achieve from its allotments provision in the City at Community Services Scrutiny Committee.
- ii. The Council further notes that the City Council owns 22 allotment sites, managing 8 of them directly, and that demand for them continues to grow. It considers that allotments are a unique resource and an intrinsic part of the City's green spaces with significance for wildlife and biodiversity and

providing many and socially inclusive benefits to allotment gardeners, communities and the wider environment. At a time of real financial hardship for many, they can also provide high quality, fresh and low cost food and the opportunity for a year-round healthy and active lifestyle.

- iii. Cambridge is a city where there is significant and ever increasing pressure for land to be developed for housing, education and employment purposes.
- iv. The Council notes that whilst Policy 67 of the draft new Local Plan offers good protection of open spaces in Cambridge, including allotments, the formal designation of an allotment site as 'statutory' rather than 'temporary' is also very important since, under Section 8 of the Allotments Act 1925, statutory status gives the further safeguard that a local authority must seek permission from the Secretary of State before selling or changing the use of a 'statutory' site. It also provides allotment tenants with greater confidence in their tenure. It is likely that many of the Council's allotment sites are 'statutory' sites but no formal designation has ever been given to them and so where any request for redevelopment or change of use is made, each site would have to be researched individually to determine its status.
- v. The Council therefore resolves to bring a report to Environment Scrutiny Committee, in line with the recommendation from the government some years ago, with the recommendation that all the City's current allotments and any future ones acquired or created in the urban extensions, be automatically formally designated as 'statutory' sites, and that in the event that any sites are suggested not to be given statutory status, details should be provided of the final use intended for the land and an indication of the likely date for change of use.

7e Councillor Smart

This Council notes that:

- i. The Office of National Statistics (ONS) has launched a consultation about the future of the National Census.
- ii. An option being considered is that information is collated from administrative data already held by Government and the National Census every ten years is abolished.
- iii. Government formulas use population as a factor when calculating grants to local authorities, the NHS, the police and many other public bodies.
- iv. Models, samples and estimates need regular independent checking to make them as accurate as possible.

Council further notes that:

- v. The ONS introduced a new model of estimating population in 2011 which under-estimated the population of Cambridge by 18,400.
- vi. The estimates done by the Cambridgeshire County Council's Research group were higher and (as shown by the Census) more accurate.
- vii. The DCLG only accepted the higher, more accurate, figure when the 2011 census data was released.
- viii. The ONS is continuing to use a variant of the model to estimate the population both of the city and of the sub-region and there is already a gap between the ONS and County estimates.

Therefore Council asks that the Chief Executive write to:

- ix. The Office of National Statistics to express our concern at the loss of the National Census as it has proved to be necessary to correct inaccurate estimates.
- x. The MPs for the City to express our concern that, if the Census is discontinued, there will cease to be this regular independent check.

8 WRITTEN QUESTIONS

No discussion will take place on this item. Members will be asked to note the written questions and answers document as circulated around the Chamber.

Information for the Public

Location The meeting is in the Guildhall on the Market Square (CB2 3QJ).

Between 9 a.m. and 5 p.m. the building is accessible via Peas Hill, Guildhall Street and the Market Square entrances.

After 5 p.m. access is via the Peas Hill entrance.

All the meeting rooms (Committee Room 1, Committee 2 and the Council Chamber) are on the first floor, and are accessible via lifts or stairs.

Public Participation Some meetings may have parts that will be closed to the public, but the reasons for excluding the press and public will be given.

Most meetings have an opportunity for members of the public to ask questions or make statements.

To ask a question or make a statement please notify the Committee Manager (details listed on the front of the agenda) prior to the deadline.

- For questions and/or statements regarding items on the published agenda, the deadline is the start of the meeting.
- For questions and/or statements regarding items NOT on the published agenda, the deadline is 10 a.m. the day before the meeting.

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<http://democracy.cambridge.gov.uk/ecSDDisplay.aspx?NAME=SD1057&ID=1057&RPID=42096147&sch=doc&cat=13203&path=13020%2c13203>

Fire Alarm

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COUNCIL27 June 2013
6.00 - 11.20 pm

Present: Councillors Saunders (Chair), Pippas (Vice-Chair), Abbott, Ashton, Benstead, Bird, Blackhurst, Blencowe, Boyce, Brierley, Brown, Cantrill, Dryden, Gawthrope, Hart, Herbert, Hipkin, Johnson, Kerr, Kightley, Meftah, Moghadas, O'Reilly, Owers, Pitt, Price, Reid, Reiner, Rosenstiel, Smart, Smith, Stuart, Swanson, Todd-Jones, Tucker, Tunnacliffe and Ward

Officers:

Chief Executive: Antoinette Jackson

Director of Environment: Simon Payne

Head of Legal: Simon Pugh

Head of Planning Services: Patsy Dell

Principal Planning Policy Officer: Joanna Gilbert-Wooldridge

Committee Manager: Glenn Burgess

Committee Manager: James Goddard

FOR THE INFORMATION OF THE COUNCIL**13/42/CNL Apologies for Absence**

Apologies were received from Councillors Bick, Birtles, Marchant-Daisley and McPherson.

13/43/CNL Declaration of Interests

Councillor	Item	Interest
Blencowe	13/45/CNLa	Personal: YMCA Football Club Chair
Smith	13/45/CNLa	Personal: Employed by University of Cambridge
Ward	13/45/CNLa	Personal: Regular user of the Cambridge Airport.

13/44/CNL Public Questions Time

Speaking on Agenda Item 4a: Local Plan 2014

Mr Hart addressed the Council and made the following points:

- i. The draft Local Plan would not adequately control development at the airport.
- ii. Cambridge Airport, Cambridge City Council and South Cambridgeshire District Council had been asked for details on the airport development, but information had not been provided.
- iii. Mr Hart had undertaken his own investigation into emissions and their impact on the environment.

The Executive Councillor for Planning and Climate Change asked the Head of Planning Services to liaise with Mr Hart after the meeting regarding his concerns.

Mr Hart asked if the 2014 Local Plan could ensure that airport development occurred in line with the Airport Strategic Plan.

The Executive Councillor for Planning and Climate Change undertook to liaise with Mr Hart after the meeting.

Mr Rix addressed the Council and made the following points:

- i. He and other people took issue with the inclusion of GB1 and GB2 sites in the Local Plan as sites for development.
- ii. Queried if CC911 would be included as a site for development.
- iii. He had requested information but this had not been supplied.

The Executive Councillor for Planning and Climate Change responded:

- i. Asked for details of information that had been requested.
- ii. This Council meeting would decide which sites would go forward to the Planning Inspector as proposed allocations for development.
- iii. GB1 and 2 were included as sites due to housing need pressure.

Mr Rix queried the likely response by the Planning Inspector if GB1 and GB2 were not included as sites for development.

The Executive Councillor for Planning and Climate Change said that if the Council could not provide sufficient sites to meet housing need then the Inspector would not approve the Local Plan. This meant that planning applications could be approved on appeal in the absence of a Plan.

Mr Gudgeon addressed the Council and made the following points:

- i. Sought clarification why GB1 was being used to meet the 14,000 housing target.
- ii. Suggested the 14,000 target was an arbitrary figure and open to challenge.

The Executive Councillor for Planning and Climate Change responded that economic forecasting was not an exact science. The data included a range of forecasts to generate a best estimate figure.

Mr Gudgeon queried what the forecast figure was based on.

The Executive Councillor for Planning and Climate Change said the forecast was based on evidence. He offered to liaise after the meeting if Mr Gudgeon requested.

Mr Meed addressed the Council and made the following points:

- i. He undertook bird surveys for the RSPB.
- ii. He had surveyed the area around Worts' Causeway. This was a habitat for red and amber list species (ie rare ones). Any loss of habitat was a threat to these species.
- iii. Requested that the Council repeat a bird/bat/plant survey as undertaken in the past.
- iv. Suggested the Local Plan showed a misunderstanding of the ecology of ground nesting birds, which would result in a net loss of species. This goes against planning policy and should be reviewed.

The Executive Councillor for Planning and Climate Change said the Nature Conservation Officer has been involved throughout the Local Plan process. The Council took nature conservation issues seriously and referred to Wildlife Trust representations. A survey had been commissioned to mitigate issues. The Executive Councillor for Planning and Climate Change said he would liaise with Officers regarding any further surveys that may be necessary.

Mr Meed took issue with the Council's advice from experts and referred to the Green Infrastructure Strategy which he felt proposed a better use for the area.

The Executive Councillor for Planning and Climate Change invited Mr Meed to input into the consultation process.

Mr Beresford addressed the Council and made the following points:

- i. Residents objected to Worts' Causeway being developed for housing.
- ii. The green belt is valued as a green and leisure space that should be protected.

Mr Jones addressed the Council and made the following points:

- i. He appreciated that more homes were needed.
- ii. Took issue with the evidence base for the Local Plan and development of GB1 and GB2 sites.
- iii. Queried the housing need figure.
- iv. Requested a public inquiry into the use of GB1 and GB2 as development sites because Central Government had not changed green belt protection.

The Executive Councillor for Planning and Climate Change responded

- i. Legal advice suggested that deferral of the Local Plan would lead to greater green belt development pressure.
- ii. The Planning Committee were responsible for implementing policy.
- iii. The Council was developing policy in a changing planning environment. It needed to balance needs and policy requirements.

Mr Jones said that nibbling away at the green belt was unacceptable. He asked for all background documents referred to in the Local Plan to be made available as he had experienced difficulty accessing them.

The Executive Councillor for Planning and Climate Change said the intention of developing GB1 and GB2 sites was to avoid nibbling away at the green belt. Background documents referred to in the Local Plan were available on the Council website.

Ms Barnard queried why GB1 and GB2 had been released as land for development. She suggested this went against planning policy regarding sustainability and access to services.

The Executive Councillor for Planning and Climate Change responded:

- i. Reiterated the Council needed to balance needs and policy requirements.
- ii. Site developers would have to address access to services in their planning applications.

Ms Barnard queried if housing needs trumped sustainability.

The Executive Councillor for Planning and Climate Change responded that housing needs had to be balanced with the desire not to develop the green belt.

Dr Peckham addressed the Council and made the following points:

- i. Stated the city had traffic flow and congestion issues.
- ii. Current traffic flow issues in Worts' Causeway and Babraham Road would be exacerbated by developing GB1 and GB2.

The Executive Councillor for Planning and Climate Change responded that transport challenges for the area around Worts' Causeway were well known. Any developer would have to explain how they would mitigate issues or they would not get planning permission.

Ms Göhler addressed the Council and made the following points:

- i. Welcomed some objectives of the Local Plan.
- ii. Suggested the Transport Strategy needed to be strengthened to be sustainable.
- iii. Referred to Cambridge Past Present & Future representations on the Local Plan.
- iv. Suggested avoiding green belt developments, keeping the city compact and avoiding urban sprawl.
- v. Said there was a need to strengthen green belt protection.

The Executive Councillor for Planning and Climate Change responded:

- i. Thanked Cambridge Past Present & Future for being a critical friend.
- ii. Officers had looked at all sites to develop in the city, no more were available hence the green belt proposals.

- iii. If any sites had been discounted from the Plan it was because they were unviable.

Ms Göhler reiterated her concerns regarding green belt development and requested that alternatives be looked at.

The Executive Councillor for Planning and Climate Change said that South Cambridgeshire District Council had their own housing needs to fulfil. Cross border shifting of housing developments had been explored through a Memorandum of Understanding.

Mr Parry-Jones addressed the Council and made the following points:

- i. Took issue with proposal to develop the green belt.
- ii. GB1 is important to Cambridge.
- iii. There was no evidence to justify the development of GB1 for housing.
- iv. The Council should protect its heritage assets such as listed buildings.
- v. Took issue with housing need figures.

The Executive Councillor for Planning and Climate Change responded:

- i. Reiterated the Council needed to balance needs and policy requirements.
- ii. The Worts' Causeway sites were not required under the 2006 Local Plan but were now.
- iii. Housing need figures were lower than previous ones.

Mr Parry-Jones said green belt sites would not be sustainable and would overspill into other areas of the green belt.

The Executive Councillor for Planning and Climate Change said the onus was on developers to provide sustainable developments or they would not get planning permission.

13/45/CNL To consider the recommendations of the Executive for Adoption

13/45/CNLa Local Plan 2014

Councillor Ward spoke to the amendment sheet as circulated around the Council Chamber. The amendment proposed related to the threshold on new development at which affordable housing requirements would be sought.

The amendment sheet is attached at appendix 1 to these minutes and is available via:

<http://democracy.cambridge.gov.uk/documents/b7289/Amendment%20Sheet%2027th-Jun-2013%2018.00%20Council.pdf?T=9>

Amendment From The Independent And Conservative Group

Councillor Hipkin proposed and Councillor Meftah seconded the following amendment:

That sites GB1 and GB2 are not released from the Green Belt and allocated for housing development, and that as a consequence the Council resolves to meet its housing needs elsewhere within its administrative area.

On a show of hands the amendment was lost by 32 votes to 2 with 3 abstentions.

Labour Amendment 1: Strengthen Sports And Leisure Facilities Provision, Including In Northern Fringe East

Councillor Blencowe proposed and Councillor Herbert seconded the following amendment:

1.1 Policy 14 - Northern Fringe East p57 of the Local Plan add ‘, leisure’ in second paragraph after ‘retail’.

1.2 Policy 73 Community, Sports and Leisure Facilities added text on Sports Facilities and Community Stadium.

Page 196 add ‘, Sports’ to the heading to read ‘Community, Sports and Leisure Facilities’

1.3 Add a new ‘d) Will be permitted if they are provided in sustainable locations.’

1.4 After new d) add wording ‘Proposals for new and improved sports and leisure facilities will be supported which improve the range, quality and access to facilities both within Cambridge and where appropriate in the sub region. This policy is relevant to a wide range of facilities from health clubs to serve parts of the city to leisure and sports provision to serve the city and sub region

such as a concert hall, community sports stadium and sports complex. In securing a suitable location for city wide or sub regional facilities developers will be expected to demonstrate use of the sequential test in considering sites for development. (With consequential addition of these facility types also to Table 200).'

On a show of hands the amendment was carried by 36 votes to 0.

Labour Amendment 2: Support Community Stadium And Investigate If Practical In City

Councillor Blencowe proposed and Councillor Herbert seconded the following amendment:

Add new paragraph above current Para 8.13 on p197 of the Local Plan.

The case and need for a sub-regional Community Stadium is evidenced by recent studies and analysis and is supported. Further proposals for an appropriately located Community Stadium site that meet the necessary requirements on combining a sports stadium with onsite community sports facilities will be investigated in the city.

On a show of hands the amendment was lost by 20 votes to 18.

Labour Amendment 3

Councillor Herbert proposed and Councillor Blencowe seconded the following amendment:

Jointly Investigate Community Stadium With South Cambridgeshire District Council

Add new paragraphs above current paragraph 8.13 on p197 of the Local Plan. 'A joint process will also be proposed and developed with South Cambridgeshire to jointly assess appropriate sites in both areas, with the aim of identifying an appropriate and deliverable site for a Community Stadium, including if a suitable city site is not identified and deliverable.

There is current under-provision of various sports facilities that a properly located and defined Community Stadium could contribute to, and why wider sports and leisure facilities should also be considered in appropriate Areas of Major Change.'

And Ensure Community Facilities Are Multi-Purpose

Add text at end of the current paragraph 8.13 'Flexible buildings such as community centres or halls should be designed to accommodate as many different community and leisure activities as possible. This would enable shared use, for example, dual use of school halls and sports facilities.'

On a show of hands the amendment was carried unanimously.

Councillor Ward proposed and Councillor Pitt seconded the following amendment:

'There is current under-provision of various sports facilities that a properly located and defined Community Stadium could contribute to, and why wider sports and leisure facilities should also be considered in appropriate Areas of Major Change **and other locations.**'

On a show of hands the amendment was carried unanimously.

Labour Amendment 4: Policy 68 Open Space And Recreation Provision Through New Developments

Councillor Herbert proposed and Councillor Hipkin seconded the following amendment:

New paragraph above paragraph 7.48 p184 of the Local Plan 'Onsite provision in significant new developments will be considered the norm and major new sites will need to meet their obligations on open space rather than claim that current well used facilities have spare capacity, given the need to add extra sports and recreation facilities and extra range of facilities for a growing and increasingly active population, **subject to wording being agreed through the democratic process.**'

The Executive Councillor for Planning and Climate Change said he would accept the amendment if the Mayor's amendment (shown in bold) was added to the Labour Group amendment.

On a show of hands the amendment was carried unanimously.

Labour Amendment 5a: Maximising Affordable Rented Housing Delivery

Councillor Price proposed and Councillor Herbert seconded the following amendment:

Page 147 Policy 45 of the Local Plan - Affordable Housing and Dwelling Mix insert new sentence after 'future household needs for Cambridge': A minimum of 75% of the affordable housing provided will be wholly for rent.

Add a new paragraph above paragraph 6.3 on p147 Policies in the Affordable Housing SPD will be applied to maximise affordable housing supply, and then strengthened in the planned review of the SPD to increase future affordable housing and define affordable rents, with a target percentage of under 60% compared to Cambridge market rents, provided this is not precluded by national policy and funding.'

On a show of hands the amendment was lost by 20 votes to 16 with 1 abstention.

Labour Amendment 5b: Lowering Affordable Housing Threshold

The meeting adjourned briefly for discussion including the extent of the amendment to the draft local plan policy already put forward in the amendment sheet and the advice from consultants that supported the approach being considered. Following this adjournment, there was a consensual amendment to lowering the affordable housing threshold. Councillor Price proposed and Councillor Herbert seconded the following amendment:

On the affordable housing threshold, subject to confirmation in the further analysis: 'Amend the categories so it reads 2 - 9 dwellings at 10% via commuted sums, 10 - 14 units at 25% and 15+ units at 40% in relation to on site provision. Where the percentage does not relate to whole houses, it would addressed by a commuted sum.'

On a show of hands the amendment was carried unanimously.

Labour Amendment 6

Councillor Herbert proposed and Councillor Blencowe seconded the following amendment:

Transport Links to Disadvantaged Areas of Cambridge

Improvements to Policy 5: To strengthen cross-referencing to Transport Strategy and improve connectivity of disadvantaged areas, as raised in the Sustainability Appraisal.

And Effective Transport Assessment

Add new two paragraphs above current paragraph 2.57 on p35 of the Local Plan:

‘A range of development proposed in this Plan will only be deliverable and supported if appropriate transport measures and investment are led, co-ordinated and where appropriate delivered by the County Council.

Development will ensure appropriate transport and wider connectivity to disadvantaged communities in Cambridge with the potential to benefit, so that the benefits extend to disadvantaged parts of the city. This will specifically include proposals for additional public transport links between major development locations and disadvantaged parts of the city.’

Policy 81 Mitigating the impact of development

Replace first sentence with: Developments will only be permitted where they do not have an unacceptable transport impact.

Add two paragraphs after paragraph 9.20 on Page 216:

‘All significant Cambridge development requires effective Transportation Assessment and appropriate prioritised and costed mitigation measures, with delivery plans and timescales to take effect at the time of new development.’

‘The Council is committed to ensuring that transport assessments which indicate ‘insufficient capacity’ on the local or strategic road network then lead to effective and adequate interventions or investment to achieve ‘appropriate mitigation’ of the additional transport impacts of the development.’

On a show of hands the amendment was carried unanimously.

On a show of hands Council unanimously agreed to carry on past 10:30 pm rather than adjourn to another day.

Labour Amendment 7: Effective Plans for Areas of Major Change and Opportunity Areas

Councillor Herbert proposed and Councillor Ward seconded the following amendment:

Add new paragraphs above current Para 3.27 on Page 56 Areas of Major Change and Opportunity Areas:

The appropriate planning policy guidance mechanism will be identified before work commences on design and delivery of development in each of the different and varied Areas of Major Change and Opportunity Areas.

On a show of hands the amendment was carried by 36 votes to 0 with 1 abstention.

Labour Amendment 8: Parking Management in Residential Areas

Councillor Blencowe proposed and Councillor Owers seconded the following amendment:

Amend Table L1 on Parking Management p340 of the Local Plan to add wording in the bottom right hand box (relating to 3 or more bedroom dwellings outside the controlled parking zone) to read:

Units of 3 bedrooms and above outside the Central Parking Zone, no less than a mean of 0.5 spaces per dwelling up to a maximum of 2 spaces per dwelling.

On a show of hands the amendment was carried by 30 votes to 3 with 3 abstentions.

Resolved (by 21 votes to 0) to:

- i. Approve the draft Cambridge Local Plan 2014, subject to the changes above, for the purposes of publication under Regulations 19 and 20 of the Town and Country Planning (Local Planning) (England) Regulations 2012.
- ii. Approve the Cambridgeshire and Peterborough Memorandum of Co-operation as part of the council's approach for plan making under the duty to co-operate as required in the Localism Act 2011 and the National Planning Policy Framework 2012;
- iii. Agree that the amendments and editing changes (as above) be made to the draft Local Plan (and associated Sustainability Appraisal and other appendices) and be agreed by the Executive Councillor for Planning and

Climate Change in consultation with the Chair and Spokesperson of Development Plan Scrutiny Sub-Committee.

The meeting ended at 11.20 pm

CHAIR

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Present: Councillors Saunders (Mayor), Pippas (Deputy Mayor), Abbott, Ashton, Benstead, Bick, Bird, Birtles, Blackhurst, Blencowe, Boyce, Brierley, Brown, Cantrill, Dryden, Gawthrope, Hart, Herbert, Hipkin, Johnson, Kerr, Kightley, Marchant-Daisley, McPherson, Meftah, Moghadas, O'Reilly, Owers, Pitt, Price, Reid, Reiner, Rosenstiel, Roberts, Smart, Smith, Stuart, Swanson, Todd-Jones, Tucker, Tunnacliffe and Ward

FOR THE INFORMATION OF THE COUNCIL

13/46/CNL To approve as a correct record the minutes of the meeting held on 23 May 2013

It was noted that Councillor Roberts had been omitted from the attendance list.

With this minor correction, the minutes of the meeting held on 23 May 2013 were confirmed as a correct record and signed by the Mayor.

13/47/CNL Mayors Announcements

1. APOLOGIES

None.

2. MAYOR'S DAY OUT

The Mayor reminded members that the Mayor's Day Out to Great Yarmouth would take place on Thursday, 5 September. It was noted that anyone wishing to steward a coach should contact Susie Fletcher in the Arts and Entertainments Team as soon as possible.

3. CAMBRIDGE OPEN WEEKEND

The Mayor confirmed that the City Council had again joined with the University of Cambridge to participate in the Open Cambridge weekend. The Council Chamber and civic suite would be open to the public on Friday 13 and Saturday 14 September with a timed talk about the civic history and insignia on both dates.

4. HARVEST FESTIVAL CIVIC SERVICE

The Mayor confirmed that the Harvest Festival Civic Service would take place on Sunday, 13 October at 9.30am at Great St. Mary's Church.

5. FUND RAISING EVENT FOR CENTRE 33

The Mayor confirmed that a fund raising event for Centre 33 would take place at the Guildhall on Wednesday, 16 October and details would be circulated in due course.

6. PRESENTATION OF RESOLUTION OF THANKS

The Mayor presented Councillor Sheila Stuart with a framed copy of the Council's 'Resolution of Thanks' for her year of mayoralty.

7. DECLARATIONS OF INTEREST

Councillor	Item	Interest
Dryden	13/53/CNL	Personal: Justice of the Peace. Chose not to vote on this item.
Johnson	13/53/CNL	Personal: Employee of the University.
Marchant-Daisley	13/53/CNL	Personal: Member of the Law Society.
Reid	13/53/CNL	Personal: Member of the Law Society.
Reiner	13/53/CNL	Personal: Member of the Law Society and a Member of Liberty.
Saunders	13/54/CNL	Personal: Niece employed by Oxford Hub.
Smith	13/53/CNL	Personal: Member of Cambridge University and a Director of Studies at Robinson College.

13/48/CNL Public Questions Time

Speaking on Motion 7b

Mr Carpen addressed the Council and made the following points:

- (i) Linked the motion to Cambridge Past, Present & Future's 2030 Vision.
- (ii) Suggested the Vision lacked a community feel, focussing instead on transport, economics and the environment.
- (iii) Local government was not at the heart of city life, when it should be instead of in a separate silo. The City could be greater than the sum of its parts.
- (iv) Requested that city institutions established better connections between themselves, charities and citizens. For example, through social media.
- (v) Requested a Single Community Development Strategy be developed to facilitate better connections between organisations and citizens.
- (vi) Referred to the County Council's Shape Your Place and asked how the City Council and voluntary services could link into this.
- (vii) Queried if current community development policies could be mapped.

The Executive Councillor for Community Wellbeing responded:

- (i) Noted Mr Carpen's points and supported his aims.
- (ii) Offered to liaise with Mr Carpen after the meeting.

Speaking on Motion 7b

Ms Saltzmore addressed the Council and made the following points:

- (i) Spoke on behalf of University of Cambridge Student Union.
- (ii) Welcomed the principle of links between organisations and student volunteers, but would like greater co-operation between the Council, Anglia Ruskin and University of Cambridge Student Unions.
- (iii) Referred to the proposed amendment to Motion 7b and suggested more collaboration could be achieved with appropriate student organisations.

The Executive Councillor for Community Wellbeing responded:

- (i) Noted Ms Saltzmore's points and supported her aims.
- (ii) Welcomed greater collaboration between the Council and student volunteers in future.
- (iii) Offered to liaise with Ms Saltzmore after the meeting.

Speaking on Motion 7b

Ms Foreman addressed the Council and made the following points:

- (i) Spoke on behalf of Anglia Ruskin University Student Union.
- (ii) Students were heavily involved in voluntary work, but she had only found out about Motion 7b by accident.
- (iii) Welcomed the proposed amendment, but would have preferred earlier involvement in the process.
- (iv) Proposed more collaboration between the Council and students in future.

The Executive Councillor for Community Wellbeing responded:

- (i) Noted Ms Foreman's points and supported her aims.
- (ii) Recognised that Anglia Ruskin and University of Cambridge Students were key players in voluntary work.
- (iii) Offered to liaise with Ms Foreman after the meeting.

Re-Ordering of the Agenda

Under paragraph 4.2.1 of the Council Procedure Rules, the Mayor altered the order of the agenda to take agenda item 7b next. However, for the ease of the reader the minutes will follow the order of the printed agenda.

13/49/CNL To consider the recommendations of the Executive for Adoption

13/49a/CNL 2012/13 Revenue and Capital Outturn, Carry Forwards and Significant Variances - General Fund - Overview - (The Leader)

Resolved (by 21 votes to 0) to:

Revenue:

a) Agree carry forward requests, totaling £717,250, as detailed in Appendix C of the officer's report, subject to the final outturn position.

Capital:

b) Carry forward (net) capital resources to fund re-phased capital spending of £11,967,000 as shown in Appendix D of the officer's report - Overview.

13/49b/CNL Annual Treasury Management report 2012/13 (The Leader)

Resolved (by 21 votes to 0) to:

Approve the Annual Treasury Management Report 2012/13, which included reporting of the Council's actual Prudential and Treasury Indicators for 2012/13.

13/49c/CNL Restructure of the Resources Department (The Leader)

Resolved (by 41 votes to 0) to:

- i. Create a new post of Head of Finance which will become the Council's Section 151 Officer on appointment.
- ii. Delete the post of Head of Accounting Services.
- iii. Create a new post of (provisionally titled) Director of Business Transformation.
- iv. Delete the post of Director of Resources and to approve notice of redundancy being given to the Director of Resources in the event that he is not appointed to another post.
- v. Delegate authority to the Chief Executive to amend the Council's Constitution and Scheme of Delegation to reflect these changes.
- vi. Delegate authority to the Chief Executive to take all steps necessary to implement the new structure (other than those delegated to the Employment (Senior Officer) Committee), including the timetable for implementation of the Director and Head of Service proposals and the final determination of the structure of the Finance service below Head of Service level.
- vii. Authorise the Chief Executive to designate and make arrangements for the section 151 role and Director role on an interim basis should this become necessary.
- viii. Make allocation from underspend in the 2012/13 budget to fund one-off redundancy and recruitment costs, should these be required.

13/50/CNL To consider the recommendations of Committees for Adoption

Civic Affairs 26 June 2013

Code of Corporate Governance

Resolved (unanimously) to:

- i. Approve the Code of Corporate Governance.

Review of Contract Procedure Rules (Part 4G of the Constitution)

Resolved (by 23 votes to 0) to:

Approve the changes to Part 4G of the Constitution, Contract Procedure Rules for implementation with effect from 1 November 2013.

Council Processes in Relation to Budget Setting / Medium Term Strategy

Resolved (unanimously):

- (i) That the Budget Setting Report should be the place where the Council sets out its medium term financial strategy in future years, rather than being produced as a separate Medium Term Strategy document.
- (ii) That the Council undertakes a Mid-Year Financial Review in its autumn cycle comprising the following core elements:
 - a) To consider the implications of year-end actuals on both revenue and capital expenditure going forward and level of reserves and first quarter performance against agreed budget
 - b) To consider any implications from the Annual Statement
 - c) To reflect any changes from the Government's Budget and Spending Review Announcements
 - d) To test underlying assumptions about inflation and interest rates in the light of latest information and conditions
 - e) To review forecasts on retained business rate and Council Tax in light of actual growth and latest projections
 - f) To consider what impact all of the above have on reserves and future savings targets
- (iii) That the proposed Mid-Year Financial Review document should be considered by Strategy & Resources Scrutiny Committee before the Leader makes a recommendation to Council.
- (iv) To delegate authority to the Chief Executive to amend the Council's Constitution to reflect these new arrangements.

13/51/CNL To deal with Oral Questions

1. Councillor Owers to the Executive Councillor for Environmental and Waste Services

In light of the workload in a city the size of Cambridge in terms of issues related to dogs, such as dealing with dangerous dogs and strays, enforcing against dog fouling and the welfare of dogs, is it appropriate to have only a part-time dog warden?

The Executive Councillor responded that she recognised how important the control of dogs in the City was and that this was one of the reasons why Dog Control Orders had been introduced to assist in the management of stray dogs and irresponsible dog owners. Although the Dog Warden's post was part time (18.5 hours per week) this post is supported by 3 Full Time Enforcement Officers and the Public Realm Manager all of whom had been trained in handling stray dogs and dog owners. In addition the City Council was engaging with the police and PCSO's to offer support in issuing Fixed Penalty Notices. An out of hours contract with an external contractor to manage stray dogs out of hours was also in place.

2. Councillor Moghadas to the Executive Councillor for Public Places

What happened to the Council's application for the 'Piece' to be officially designated a Town Green under the 1965 Registration of Commons Act?

The Executive Councillor responded that the application for registration of Christ's Pieces as a Town Green was made in 2006. The County Council, to whom applications were made under the Commons Registration Act 1965, rejected the application as Christ's Pieces did not meet the terms required under the Act.

3. Councillor Pitt to the Executive Councillor for Environmental and Waste Services

Now that Dog Control Orders have been introduced could the Executive Councillor explain the next steps?

The Executive Councillor responded that the recently introduced Dog Control Orders came into force with effect from 8th July 2013.

Notices had been placed on sites, as appropriate, informing the public which Orders are in place for those areas. A fortnight of educational work is being undertaken, with the support of the Police, informing and advising dog owners of their responsibilities. Internal training and advice with the Rangers, Customer Services and Open Space Officers has also been carried out so that officers can advise the public appropriately.

It was noted that the Council would continue working with the Police and would be seeking support from PCSO's in the issuing of Fixed Penalty Notices along with the Dog Warden and Enforcement Team after the educational period has finished.

Moving forward in the use of Dog Control Orders, the Council would assess and review their usage and successfulness in combating the issues of dog fouling and irresponsible dog owners and review and amend as required.

4. Councillor Herbert to the Leader

On the Greater Cambridge City Deal:

a) when is the Government promising to make a final decision on successful proposals?

and

b) based on the first round of City Deals, when is most likely date that the proposed City Deal could first start?

The Leader confirmed that he had attended a meeting in July to make a presentation to Central Government Ministers regarding the City Deal. It was noted that:

- a) The Government has said that it intends to conclude deals with successful second wave cities by early 2014.

It was possible that the Council would conclude the deal sooner, but experience of the first wave was that the more complex proposals (for instance those most similar to the Council's "GainShare" proposal) took longest to conclude.

- b) The first wave deals have been implemented to varying timescales, with different elements within individual deals taking effect sooner than others, depending on the complexity and the degree of change from previous arrangements.

It was anticipated that partners in the Greater Cambridge Deal would aim to start operating as a "shadow Board" shortly after the conclusion of the deal, and it may be that some elements of the proposal can start to be implemented from next Spring. However, the governance model the Council is proposing would require primary legislation and decisions from each participating Council.

It was therefore estimated, that the City Deal Board may not be fully established and formally constituted before Spring 2015 or possibly later.

In any event, the Council would need to develop a detailed implementation plan as part of the work to conclude the deal with Government, which will set out what will happen, and when, more clearly.

As highlighted in the two reports to Strategy & Resources Scrutiny Committee, any major changes to the exercise of the City Council's current powers would be brought through scrutiny committee and then to full Council for proper debate and decision.

5. Councillor Bird to the Executive Councillor for Housing

Can the Executive Councillor say if the Housing Department, or any other department, has done an Equalities Impact Assessment (EQIA) on social rented or private sector tenants hit by multiple welfare changes such as the bedroom tax, the localisation of council tax benefit, the benefit cap, Personal Independence Payments and Universal Credit?

Can she say how many tenants have been affected by more than one change and what help is being given? Does she also agree that the sweeping statement by Julian Huppert on 16 July in the Cambridge News that disabled people are exempted from the Benefit Cap was misleading as the Carers Allowance is included in the cap as are some aspects of the Employment and Support Allowance both of which affect many disabled people or those with disabled adults or children in their household?

The Executive Councillor for Housing responded that she was not aware that the Council had undertaken an Equalities Impact Assessment (EQIA) and assumed that the Department for Work and Pensions (DWP) would have done so. If this had not happened they would have been challenged by lobby groups.

The Executive Councillor expressed surprise that localisation of council tax had been submitted as an Oral Question when mitigation measures had already been discussed at the recent Special Meeting of Council.

It was noted that the 'Bedroom Tax' and benefits cap were now in effect, and that Personal Independence Payments were being handled by the DWP. The Executive Councillor therefore did not have the information to judge the cumulative impact of benefit changes on council tenants.

6. Councillor Tunnacliffe to Executive Councillor for Community Wellbeing

Can the Executive Councillor provide an update on preparations for the 2014 Tour de France?

The Executive Councillor for Community Wellbeing responded that the City Council was leading on project management in liaison with Leeds City Council, Yorkshire County Council and Sport England.

It was confirmed that the City Steering Group had been established and would co-ordinate transport and safety, and that a separate multi agency group had also been established.

The Executive Councillor confirmed that the intention was to make the most of opportunities and develop a sports legacy.

7. Councillor Dryden to the Executive Councillor for Public Places

Could the Executive Councillor for Public Places explain why she stopped the proposed public art to commemorate the first Football Association written rules memorial, that was to be constructed on Parker's Piece after it had been agreed by her predecessor and what is more, the consultation period had not yet finished?

The Executive Councillor responded that the project was reviewed following her appointment, which highlighted issues of a commercial nature, some of which could be overcome. For example there had been a claim which asserted that the subbuteo figure infringed the copyright of a large American toy company. This claim was ultimately dropped, but the fact remained that the subbuteo figure was arguably a commercial representation.

These events put into question the underlying commercial references that the artwork could have deemed to signify, and the Executive Councillor therefore concluded that a commercial figure was not an appropriate subject for a major piece of art on Parker's Piece.

Consultation had not yet begun, and the Executive Councillor did not think this proposal was an appropriate subject for consultation given the commercial representation of the central figure. Taking into account the above issues as well as input from the project board, a decision was made that this concept could not be pursued any further and a process to seek alternative concepts should take place followed by a public consultation of shortlisted concepts.

8. Councillor Pippas to the Leader

What are your reactions to the report "2030 Vision for the Cambridge sub-region" which was published last week?

The Leader responded that he welcomed the report which included impressive examples of people coming together to help the city grow. It was noted that various workshops had taken place that were helpful in the production of the Local Plan and the City Deal. This showed the need for connectivity and joined up thinking.

The following Oral Questions were also tabled, but owing to the expiry of the period of time permitted, were not covered during the meeting:

9. Councillor Johnson to the Executive Councillor for Planning and Climate Change

What was the cost to the City Council of two consultant reports requested as part of the work towards the 2014 Local Plan, namely the 2009 'Cambridgeshire Development Study Final Report' by WSP, and the 2012 'Infrastucture Delivery Study' by Peter Brett Associates. Both reports identified risks associated with growth beyond the current development strategy.

10. Councillor Moghadas to the Executive Councillor for Public Places

A local resident to Coldhams Common believes some of the new fencing on the common is being illegally erected, as it has not had Secretary of State approval as required, and that which has had approval has not strictly followed the plan as agreed. Can the Executive Councillor assure the Council this is not the case and update the Council on details of the management plan for the common?

11. Councillor Owers to the Executive Councillor for Environmental and Waste Services

Can the Executive Councillor give an update on the investigation into alleged deliberate overfilling of trade bins by some of the Council's refuse collectors?

13/52/CNL To consider the following Notices of Motion, notice of which has been given by:

13/53/CNL Councillors Cantrill and Reiner

Councillor Cantrill proposed and Councillor Reiner seconded the following motion:

This Council notes:

- That the Justice Secretary has recently held a consultation on the future of civil and criminal legal aid funding.
- All political parties have agreed that the current system can be made more efficient.
- That it is an important principle that people should be able to hold government to account when it makes unlawful decisions. Restrictions on the availability of civil Legal Aid which may prevent people from being able challenge an employer, public authority or government decision can be detrimental.
- That the Justice Secretary is proposing to restrict legal aid to those who have been lawfully in the UK for over 12 months continuously and who have documentary evidence to prove this.
- There is a risk that cutting back on criminal legal aid support may make it harder for people to be able to defend themselves.
- The proposed changes will have a material impact on Cambridge Citizens Advice Bureau and other agencies across the city who provide a critical role for the vulnerable.
- That the City Council acknowledges the crucial work that the CAB undertakes and provides on going financial support to the Cambridge CAB.

This Council believes:

- That the proposed changes to civil legal aid will make it harder for vulnerable people to have access to justice and is likely to exclude even more people from enforcing their rights to fair treatment at work.
- That the Justice Secretary was right to respond to pressure from lawyers, Liberal Democrat MPs and others to end his proposal of removing choice in criminal legal aid.

- That there are alternative ways of saving money from the criminal legal aid budget, such as those proposed by the Law Society, using frozen assets to pay for legal expenses, and having Director's insurance to cover the costs of legal aid in corporate fraud cases.

This Council resolves:

- That the leader writes to the Justice Secretary urging him to look at alternative models for criminal legal aid, such as that proposed by the Law Society, to abandon the proposed residency test and ensure that funding for judicial reviews is continued.
- That the Leader writes to the two city MPs calling on them to lobby the Justice Secretary to achieve these aims.
- That the Council works with Cambridge CAB and other agencies to minimise the impact of the changes should they go through.

Councillor Birtles proposed and Councillor Marchant-Daisley seconded the following amendment:

Changes underlined – deletions ~~struck through~~

This Council notes:

- That the Justice Secretary has recently held a consultation on the future of civil and criminal legal aid funding.
- All political parties have agreed that the current system can be made more efficient.
- That it is an important principle that people should be able to hold government to account when it makes unlawful decisions. Restrictions on the availability of civil Legal Aid which may prevent people from being able challenge an employer, public authority or government decision can be detrimental.
- That the Justice Secretary is proposing to restrict legal aid to those who have been lawfully in the UK for over 12 months continuously and who have documentary evidence to prove this.
- There is a risk that cutting back on criminal legal aid support may make it harder for people to be able to defend themselves.
- The proposed changes to criminal legal aid, and the withdrawal of the Legal Help scheme earlier this year for debt, housing and welfare benefit advice have, and will continue to have an impact on the vital work of the Cambridge Citizens Advice Bureau, and other providers of social welfare law advice in our city. Access to free advice can be critical for the most vulnerable. The proposed changes will have a

material impact on Cambridge Citizens Advice Bureau and other agencies across the city who provide a critical role for the vulnerable.

- That the City Council acknowledges the crucial work that the CAB undertakes and provides on-going financial support to the Cambridge CAB.

This Council believes:

- That the proposed changes to civil legal aid will make it harder for vulnerable people to have access to justice and is likely to exclude even more people from enforcing their rights to fair treatment at work.
- That the Justice Secretary was right to respond to pressure from lawyers, MPs from all parties ~~Liberal Democrat MPs~~ and others to end his proposal of removing choice in criminal legal aid.
- That there are alternative ways of saving money from the criminal legal aid budget, such as those proposed by the Law Society, using frozen assets to pay for legal expenses, and having Director's insurance to cover the costs of legal aid in corporate fraud cases.

This Council resolves:

- That the leader writes to the Justice Secretary urging him to look at alternative models for criminal legal aid, such as that proposed by the Law Society, to abandon the proposed residency test and ensure that funding for judicial reviews is continued.
- That the Leader write to the two city MP's calling on them to lobby the Justice Secretary to resist the changes to criminal legal aid and support the provision of free advice on Social Welfare Law following the removal of Legal Aid in such cases by the Coalition Government. ~~That the Leader writes to the two city MPs calling on them to lobby the Justice Secretary to achieve these aims.~~
- That the Council works with the Cambridge CAB to minimise the impact of the withdrawal of legal help funding for Social Welfare Law advice and liaises with local providers of criminal law advice under the current legal aid scheme to minimise the impact of those changes should they go through. ~~That the Council works with Cambridge CAB and other agencies to minimise the impact of the changes should they go through.~~

On a show of hands the vote was tied at 21 votes to 21 and lost on the Mayor's casting vote.

Councillor Cantrill proposed and Councillor Pitt seconded the following amendment:

Changes underlined

This Council notes:

- That the Justice Secretary has recently held a consultation on the future of civil and criminal legal aid funding.
- All political parties have agreed that the current system can be made more efficient.
- That it is an important principle that people should be able to hold government to account when it makes unlawful decisions. Restrictions on the availability of civil Legal Aid which may prevent people from being able challenge an employer, public authority or government decision can be detrimental.
- That the Justice Secretary is proposing to restrict legal aid to those who have been lawfully in the UK for over 12 months continuously and who have documentary evidence to prove this.
- There is a risk that cutting back on criminal legal aid support may make it harder for people to be able to defend themselves.
- The proposed changes to criminal legal aid, and the withdrawal of the Legal Help scheme earlier this year for debt, housing and welfare benefit advice have, and will continue to have an impact on the vital work of the Cambridge Citizens Advice Bureau, and other providers of social welfare law advice in our city. Access to free advice can be critical for the most vulnerable. The proposed changes will have a material impact on Cambridge Citizens Advice Bureau and other agencies across the city who provide a critical role for the vulnerable.
- That the City Council acknowledges the crucial work that the CAB undertakes and provides on-going financial support to the Cambridge CAB.

This Council believes:

- That the proposed changes to civil legal aid will make it harder for vulnerable people to have access to justice and is likely to exclude even more people from enforcing their rights to fair treatment at work.
- That the Justice Secretary was right to respond to pressure from lawyers, MPs from all parties and others to end his proposal of removing choice in criminal legal aid.
- That there are alternative ways of saving money from the criminal legal aid budget, such as those proposed by the Law Society, using frozen assets to pay for legal expenses, and having Director's insurance to cover the costs of legal aid in corporate fraud cases.

This Council resolves:

- That the leader writes to the Justice Secretary urging him to look at alternative models for criminal legal aid, such as that proposed by the Law Society, to abandon the proposed residency test and ensure that funding for judicial reviews is continued.
- That the Leader writes to the two city MPs calling on them to lobby the Justice Secretary to achieve these aims.
- That the Council works with Cambridge CAB and other agencies to minimise the impact of the changes should they go through.

On a show of hands the amendment was carried by 41 votes to 0.

Councillor Marchant-Daisley proposed and Councillor Cantrill seconded the following amendment:

Changes underlined – deletions ~~struck through~~

This Council notes:

- That the Justice Secretary has recently held a consultation on the future of civil and criminal legal aid funding.
- All political parties have agreed that the current system can be made more efficient.
- That it is an important principle that people should be able to hold government to account when it makes unlawful decisions. Restrictions on the availability of civil Legal Aid which may prevent people from being able challenge an employer, public authority or government decision can be detrimental.
- That the Justice Secretary is proposing to restrict legal aid to those who have been lawfully in the UK for over 12 months continuously and who have documentary evidence to prove this.
- There is a risk that cutting back on criminal legal aid support may make it harder for people to be able to defend themselves.
- The proposed changes to criminal legal aid, and the withdrawal of the Legal Help scheme earlier this year for debt, housing and welfare benefit advice have, and will continue to have an impact on the vital work of the Cambridge Citizens Advice Bureau, and other providers of social welfare law advice in our city. Access to free advice can be critical for the most vulnerable. The proposed changes will have a material impact on Cambridge Citizens Advice Bureau and other agencies across the city who provide a critical role for the vulnerable.

- That the City Council acknowledges the crucial work that the CAB undertakes and provides on-going financial support to the Cambridge CAB.

This Council believes:

- That the proposed changes to civil legal aid will make it harder for vulnerable people to have access to justice and is likely to exclude even more people from enforcing their rights to fair treatment at work.
- That the Justice Secretary was right to respond to pressure from lawyers, MPs from all parties and others to end his proposal of removing choice in criminal legal aid.
- That there are alternative ways of saving money from the criminal legal aid budget, such as those proposed by the Law Society, using frozen assets to pay for legal expenses, and having Director's insurance to cover the costs of legal aid in corporate fraud cases.

This Council resolves:

- That the leader writes to the Justice Secretary urging him to look at alternative models for criminal legal aid, such as that proposed by the Law Society, to abandon the proposed residency test and ensure that funding for judicial reviews is continued.
- That the Leader writes to the two city MPs calling on them to lobby the Justice Secretary to achieve the aim of challenging the legal aid cuts ~~these aims~~.
- That the Council works with Cambridge CAB and other agencies to minimise the impact of the legal aid changes should they go through.

On a show of hands the amendment was carried unanimously.

Resolved (unanimously) that:

This Council notes:

- That the Justice Secretary has recently held a consultation on the future of civil and criminal legal aid funding.
- All political parties have agreed that the current system can be made more efficient.
- That it is an important principle that people should be able to hold government to account when it makes unlawful decisions. Restrictions on the availability of civil Legal Aid which may prevent people from being able challenge an employer, public authority or government decision can be detrimental.

- That the Justice Secretary is proposing to restrict legal aid to those who have been lawfully in the UK for over 12 months continuously and who have documentary evidence to prove this.
- There is a risk that cutting back on criminal legal aid support may make it harder for people to be able to defend themselves.
- The proposed changes to criminal legal aid, and the withdrawal of the Legal Help scheme earlier this year for debt, housing and welfare benefit advice have, and will continue to have an impact on the vital work of the Cambridge Citizens Advice Bureau, and other providers of social welfare law advice in our city. Access to free advice can be critical for the most vulnerable. The proposed changes will have a material impact on Cambridge Citizens Advice Bureau and other agencies across the city who provide a critical role for the vulnerable.
- That the City Council acknowledges the crucial work that the CAB undertakes and provides on-going financial support to the Cambridge CAB.

This Council believes:

- That the proposed changes to civil legal aid will make it harder for vulnerable people to have access to justice and is likely to exclude even more people from enforcing their rights to fair treatment at work.
- That the Justice Secretary was right to respond to pressure from lawyers, MPs from all parties and others to end his proposal of removing choice in criminal legal aid.
- That there are alternative ways of saving money from the criminal legal aid budget, such as those proposed by the Law Society, using frozen assets to pay for legal expenses, and having Director's insurance to cover the costs of legal aid in corporate fraud cases.

This Council resolves:

- That the leader writes to the Justice Secretary urging him to look at alternative models for criminal legal aid, such as that proposed by the Law Society, to abandon the proposed residency test and ensure that funding for judicial reviews is continued.
- That the Leader writes to the two city MPs calling on them to lobby the Justice Secretary to achieve the aim of challenging the legal aid cuts.
- That the Council works with Cambridge CAB and other agencies to minimise the impact of the legal aid changes should they go through.

13/54/CNL Councillors Roberts and Gawthrope

Councillor Roberts proposed and Councillor Gawthrope seconded the following motion:

This council acknowledges that for many people in Cambridge there appears to be a substantial gap between the life experiences of the permanent community and those of the student population, which is not conducive to the wellbeing and future of our city.

This council recognises the essential role of both universities - Anglia Ruskin University and the University of Cambridge - in the city and their central contributions to Cambridge's economic success, but acknowledges that more could be done to foster social links.

The council notes, in particular, that there is a tangible disparity between the daily lives and life chances of those within the most deprived parts of our city and many of the students who, fortuitously, have the chance to study in Cambridge.

This council acknowledges the valuable work being done by Cambridge Hub, which recruits student volunteers and encourages their participation - locally, nationally and internationally - in a range of essential social, environmental and charitable activities.

The council notes that Cambridge is blessed with a rich civil society, but community projects and community-based groups in some of the most deprived parts of our city often lack one or more of the following:

- A large pool of volunteers
- Time-rich/flexible volunteers
- Access to help in range of fields crucial for effective social action, such as:
 - Website design
 - Fundraising
 - Event organisation
 - Social media and communication training.

This council notes that the Cambridge Hub works with partners to recruit, support and connect student volunteers to available community opportunities. However, the council notes that it has been difficult for the Cambridge Hub to expand its local activism in the more deprived parts of Cambridge because of a lack of local coordination, knowledge and help in directing activities towards the greatest needs.

This Council resolves to:

- Request that Cambridge City Council Community Development team meet with Cambridge Hub during the summer to discuss where and how the Hub can help community groups before the bulk of the student population returns to Cambridge.
- Write to community groups currently receiving, or who have received, financial assistance and/or wider support in the last two financial years, advertising the help Cambridge Hub can provide with an invitation to a community event in September to meet and discuss partnering opportunities further.
- Email all councillors the list of local organisations that will be contacted, so that each councillor has the chance to suggest additional community projects and groups in their own ward that they believe could benefit from building a relationship with Cambridge Hub.
- Lastly, recognise that more needs to be done by the council, especially in the current economic climate, to reduce the social divide between town and gown.

While acknowledging that council finances are under unprecedented pressure, the Chief Executive is asked to arrange a discussion including both universities on presenting an annual award - on behalf of us all - to one student and one community volunteer who have worked most successfully to bridge the divide between 'town and gown'.

Councillor Brown proposed and Councillor Pitt seconded the following amendment:

Delete all and replace with:

This council acknowledges that the life experiences of city residents can vary greatly, with many in more deprived areas of the city experiencing fewer opportunities than students and other residents.

The council recognises the essential role of the city's universities to the city's reputation and economic and social success.

The council notes the contribution of Cambridge Student Community Action, which for more than forty years has promoted voluntary activity amongst students, and worked to enhance "town and gown" relationships. Such activity includes, but is not limited to:

- Homework clubs at schools across the city, including the Manor and Coleridge schools, where students from the universities assist with homework.
- The Big Siblings project, where children from single parent families, or with learning disabilities, are matched with a student volunteer for weekly activities.
- Providing free sports activity every morning at schools such as the Manor School for the first 3 weeks of the holiday.
- Befriending activities for older people and those experiencing depression and other mental health problems.
- Running a “Children’s University”
- Teaching English as an additional language.
- Providing assistance for physically disabled people.
- Helping manage gardens for elderly people.
- Providing musical and singalong entertainment evenings in local care homes.

The Council notes that it has provided many years of grant funding to Cambridge Student Community Action for children and family community work.

The Council further notes the contribution to community voluntary activity of Anglia Ruskin students through the ARU Students’ Union Volunteering Service. Over 500 Anglia students regularly give their time to volunteer with the Citizens’ Advice Bureau, Mencap and many other organisations.

The Council also notes the significant contribution to facilitating voluntary activities amongst students in Cambridge of Cambridge University Students’ Union.

The Council acknowledges the valuable work being done by Cambridge Hub, which works closely with Student Community Action and recruits volunteers and encourages their participation in a range of social, environmental and charitable activities.

The Council notes that it can be challenging to coordinate and manage activities and volunteers in more deprived parts of Cambridge.

Council resolves to:

- Request that Cambridge City Council Community Development team meet with Cambridge Hub, Cambridge Student Community Action, Cambridge University Students Union and Angila Ruskin Students' Union to discuss where and how they can help before the bulk of the student population returns to Cambridge.
- Write to appropriate groups and individuals currently receiving, or who have received, financial assistance and/or wider support in the last two financial years, advertising the help student volunteer services can provide.
- Email all councillors the list of local organisations that will be contacted, so that each councillor has the chance to suggest additional community projects and groups in their own ward that they believe could benefit from building a relationship with student volunteering organisations.
- Recognise that the Council sponsored Cambridge Evening News Community Awards provide a mechanism for recognising the efforts of students and community volunteers who seek to join up town and gown more effectively; and that councillors and student organisations should be encouraged to nominate student and community volunteers that they believe have made an outstanding contribution to relations between town and gown.

On a show of hands the amendment was carried by 22 votes to 0.

Resolved (unanimously) that:

This council acknowledges that the life experiences of city residents can vary greatly, with many in more deprived areas of the city experiencing fewer opportunities than students and other residents.

The council recognises the essential role of the city's universities to the city's reputation and economic and social success.

The council notes the contribution of Cambridge Student Community Action, which for more than forty years has promoted voluntary activity amongst students, and worked to enhance "town and gown" relationships. Such activity includes, but is not limited to:

- Homework clubs at schools across the city, including the Manor and Coleridge schools, where students from the universities assist with homework.
- The Big Siblings project, where children from single parent families, or with learning disabilities, are matched with a student volunteer for weekly activities.

- Providing free sports activity every morning at schools such as the Manor School for the first 3 weeks of the holiday.
- Befriending activities for older people and those experiencing depression and other mental health problems.
- Running a “Children’s University”
- Teaching English as an additional language.
- Providing assistance for physically disabled people.
- Helping manage gardens for elderly people.
- Providing musical and singalong entertainment evenings in local care homes.

The Council notes that it has provided many years of grant funding to Cambridge Student Community Action for children and family community work.

The Council further notes the contribution to community voluntary activity of Anglia Ruskin students through the ARU Students’ Union Volunteering Service. Over 500 Anglia students regularly give their time to volunteer with the Citizens’ Advice Bureau, Mencap and many other organisations.

The Council also notes the significant contribution to facilitating voluntary activities amongst students in Cambridge of Cambridge University Students’ Union.

The Council acknowledges the valuable work being done by Cambridge Hub, which works closely with Student Community Action and recruits volunteers and encourages their participation in a range of social, environmental and charitable activities.

The Council notes that it can be challenging to coordinate and manage activities and volunteers in more deprived parts of Cambridge.

Council resolves to:

- Request that Cambridge City Council Community Development team meet with Cambridge Hub, Cambridge Student Community Action, Cambridge University Students Union and Angila Ruskin Students’ Union to discuss where and how they can help before the bulk of the student population returns to Cambridge.
- Write to appropriate groups and individuals currently receiving, or who have received, financial assistance and/or wider support in the last two financial years, advertising the help student volunteer services can provide.

- Email all councillors the list of local organisations that will be contacted, so that each councillor has the chance to suggest additional community projects and groups in their own ward that they believe could benefit from building a relationship with student volunteering organisations.
- Recognise that the Council sponsored Cambridge Evening News Community Awards provide a mechanism for recognising the efforts of students and community volunteers who seek to join up town and gown more effectively; and that councillors and student organisations should be encouraged to nominate student and community volunteers that they believe have made an outstanding contribution to relations between town and gown.

13/55/CNL Written Questions

Members noted the written questions and answers circulated around the chamber.

13/56/CNL Special Urgency Decision

The Chair ruled that under 100B(4)(b) of the Local Government Act 1972 the following item be considered despite not being made publicly available for the Committee five clear working days prior to the meeting. Under the Council's Access to Information Procedure Rules, a decision taken under special urgency must be reported to Council quarterly. It was deemed preferable to report to this meeting and not wait until the next meeting on 24 October 2013.

The following decision of the Executive Councillor for Public Places was noted:

- Approved the commencement of the project, which was already included in the Council's Capital & Revenue Project Plan (SC573).
- The total cost of the project was **£34,480**, funded from Reserves, of which **£25,000** had been approved.
- Approved the additional funding of **£9,480**.

The meeting ended at 10.00 pm

CHAIR

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MID-YEAR FINANCIAL REVIEW (MFR) SEPTEMBER 2013

This report presented and recommended the budget strategy for the 2014/15 budget cycle and specific implications, as outlined in the Midyear Financial Review (MFR) September 2013 document, for agreement. New capital items and changes to phasing and funding proposals of the Council's Revenue and Capital Projects Plan were also recommended for approval.

The Scrutiny Committee considered and approved the following recommendations by 4 votes to 0:

Accordingly, Council is recommended to:

General Fund Revenue

- i. Agree the budget strategy, process and timetable for the 2014/15 budget cycle as outlined in Section 7 [pages 27 to 32 refer] and Appendix A of the MFR document.
- ii. Agree the revised General Fund revenue, funding and reserves projections as shown in Appendix D, and the associated decisions in Section 7 [pages 27 to 32 refer], of the MFR document.

Capital

- iii. Agree changes to the Capital & Revenue Projects Plan as set out in Section 6 [pages 24 to 26 refer] and proposed amendments to the plan as set out in Appendix G(a).
- iv. Agree the revised Capital & Revenue Projects Hold List, Plan and Funding as shown in Appendices G(b), G(c) and G(d), respectively, of the MFR document.

The Scrutiny Committee considered and approved the following recommendation by 4 votes to 4 (passed on the Chairs casting vote):

Accordingly, Council is recommended to:

Other

- v. Approve the setting up of a new earmarked reserve "Keep Cambridge Moving" as detailed in Section 5 [pages 22 to 23 of the MFR document refer].

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To: Executive Councillor for Strategy / Leader:
Councillor Tim Bick

Report by: Director of Resources

Relevant scrutiny committee: Strategy & Resources 30 September 2013

Wards affected: All Wards

MID-YEAR FINANCIAL REVIEW (MFR) SEPTEMBER 2013

Key Decision

1. Executive Summary

- 1.1 This report presents and recommends the budget strategy for the 2014/15 budget cycle and specific implications, as outlined in the Mid-year Financial Review (MFR) September 2013 document, which is attached and to be agreed.
- 1.2 This report also recommends the approval of new capital items and changes to phasing and funding proposals of the Council's Revenue and Capital Projects Plan.
- 1.3 At this stage in the 2014/15 budget process the range of assumptions on which the Budget-Setting Report (BSR) published in February 2013 was based need to be reviewed, in light of the latest information available, to determine whether any aspects of the strategy need to be revised. This then provides the basis for updating the 2013/14 revised and 2014/15 budgets. All references in the recommendations to Appendices, pages and sections relate to the MFR Version 1 – Strategy & Resources.
- 1.4 The recommended budget strategy is based on the outcome of the review undertaken together with financial modelling and projections of the Council's expenditure and resources, in the light of local policies and priorities, national policy and economic context. Service managers have identified financial and budget issues and pressures and this information has been used to inform the MFR.

2. Recommendations

The Executive Councillor is asked to recommended to Council:

General Fund Revenue

- 2.1 To agree the budget strategy, process and timetable for the 2014/15 budget cycle as outlined in Section 7 [pages 27 to 32 refer] and Appendix A of the MFR document.
- 2.2 To agree the revised General Fund revenue, funding and reserves projections as shown in Appendix D, and the associated decisions in Section 7 [pages 27 to 32 refer], of the MFR document.

Capital

- 2.3 To agree changes to the Capital & Revenue Projects Plan as set out in Section 6 [pages 24 to 26 refer] and proposed amendments to the plan as set out in Appendix G(a).
- 2.4 To agree the revised Capital & Revenue Projects Hold List, Plan and Funding as shown in Appendices G(b), G(c) and G(d), respectively, of the MFR document.

Other

- 2.5 To approve the setting up of a new earmarked reserve “Keep Cambridge Moving” as detailed in Section 5 [pages 22 to 23 refer].

3. Background

Mid-year Financial Review

- 3.1 The purpose of this report is to outline the overall financial position of the Council and to consider the prospects for the 2014/15 budget process within the context of projections over the medium-term. The detailed analysis undertaken to fulfil this is presented in the Mid-year Financial Review (MFR) September 2013 document appended to this report.
- 3.2 The document considers the General Fund revenue position and the Council’s overall Capital & Revenue Projects Plan, which includes an outline of the capital programme and funding for the Housing Revenue Account.

- 3.3 Revenue forecasts are presented for the 5-year projection period through to the year 2017/18, demonstrating the sustainability of the Council's financial planning with reference to the level of reserves held throughout this period. Underpinning this is a full 25-year financial model, and associated risk analysis.
- 3.4 The report considers the effects of external factors affecting budget preparation, including the overall economic climate, and external funding levels which can reasonably be expected; as well as the existing commitments of the Council.
- 3.5 The MFR also highlights areas of uncertainty, provides a sensitivity analysis of key budget components and presents a high-level risk analysis.
- 3.6 Included are recommendations for approval of specific revenue and capital costs as identified.
- 3.7 The analysis undertaken leads to a recommended integrated financial strategy for the 2014/15 detailed budget-setting process.

4. Implications

- 4.1 These are incorporated in the document and will be taken account of in the subsequent budget reports to all Executive Councillors / Scrutiny Committees.

5. Background Papers

These background papers were used in the preparation of this report:

MFR Working Papers on the 2013/14 and 2014/15 files

6. Appendices

MFR September 2013 – 2013/14 to 2017/18 Document

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: David Horspool
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Version 1
Strategy &
Resources

General Fund Mid-Year Financial Review

October
2013

2013/14 to 2037/38

Cambridge City Council



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Foreword by the Leader of the Council

The City Council of the Future

The ongoing trend of reduced resources, which this Mid-Year Financial Review confirms, takes us into new territory.

Because of its civic history and its position as the focal point for a large surrounding area, Cambridge City Council has always been more ambitious than the average district council. The Council has provided many non-statutory services and done much more than the minimum. The city has high expectations. The pressures on local government finance are now such that radical new approaches are needed if expectations are to continue to be met.

For more than 10 years the Council has had an engrained process of service reviews which have yielded very substantial savings. These have successfully enabled it to keep pace with reductions in central government funding under this government and the last. They have also provided it with the means to re-invest, to innovate and to meet new service demands.

The impact of these reviews has been to enable services to continue or be improved by more resource-efficient means: through new organisational models such as the Customer Service Centre and the re-routing of our waste collection service.

This proven approach of inventing and re-inventing for efficiency must remain fundamental to the way we deliver services for the future. But this on its own it will not any more be sufficient to match the pace of funding reductions we face from central government.

This is why over the past year a number of initiatives have been put in place which question more fundamentally how the Council functions and what type of organisation it will be. The results of these will flow forward for scrutiny over the next 18 months. But it is important to set broad expectations now, as the future is likely to look and feel very different.

Organisationally the City Council is likely to be smaller and, on its own, doing less. But it will

remain the primary democratic forum for the city, representing the public will. Its influence over city affairs will increasingly rest on its leadership in rallying opinion and tackling issues in partnership, more than simply throwing its own resources at issues. This is what we already demonstrate in our commitment to mitigate climate change for example.

The Council will need to be more creative in using the resources that are available. It will need to give priority to tackling the underlying issues that could prevent the problems which drive demand for some of our services. It will need to work with partners to make better use of resources across public agencies through techniques such as community budgeting.

Our work in shaping the growth of the local economy, its housing, jobs and infrastructure, whilst acting in stewardship of our historic and natural environment will remain a major and active task for us. We need to keep all elements of this equation in balance using our strategic planning and our regulatory powers .

The economy of Greater Cambridge has national importance. We aim to support its growth with vital infrastructure investment in the city region through the City Deal we are negotiating with central government. This is likely to see the Council embracing more complex funding arrangements and taking on a direct stake in joined-up decision making with our partners over a broader geography than our own. It will also include policy areas, notably transport, which are currently separated between different organizations. We need to be equipped for this.

Our basic services will increasingly be delivered with, or through, others in order to achieve economy of scale. We already deliver a number of services in joint arrangements with other councils such as Internal Audit and Home Aid and are exploring the potential for more services being shared. This will add up to a new web of relationships behind service delivery, probably leading to us having much wider operational responsibility over some services and much less over others. It is important for our own Council to remain the glue between them and the instrument of accountability to our residents.

We also have some services delivered through the private sector where the Council buys in the service on behalf of the public. We will continue to consider this a pragmatic option where the sector can deliver services more effectively or economically or can provide greater operational resilience, for example in managing leisure facilities and ICT.

With individual councils delivering services less autonomously than before, the added value of two tiers of council will be difficult to sustain. We should in the foreseeable future plan to be part of a unitary authority for Greater Cambridge, which would make much more sense as an organisational and a strategic unit.

With all our services, including those which are statutory in nature, we need to consider the specification that is required and to ensure we are focused on what makes a difference to our residents and minimises risk of harm, not unnecessarily gold-plating the service.

With diminished resources, the Council's provision of non-statutory services such as arts, leisure and community development will need to be focused on those areas where only the Council can make a difference and which are important to ensure our city is inclusive. In a prosperous city some needs can, are and will be met through voluntary community effort and the market. Council resources will be channelled to address needs that are not met or not met well in these ways. We expect the Council to continue to maintain its role as a major provider of social housing and to give priority to services for the disadvantaged.

The Council should be aspiring to empower and enable people and groups themselves to act in the interests of the community. This will call for a mindset change for the Council, so it is doing less on behalf of people - doing more to help them to do it for themselves wherever they can in what will be quite a different dialogue.

As government funding shrinks the Council's ability to raise income from other sources becomes increasingly important to provide investment in those services which the market does not provide. The Council has a track record in investment in commercial property, for example, which provides an important income stream to fund other services. The Council will continue to be entrepreneurial in its approach so we can maximise the returns we get from our commercial activities whilst supporting our wider policy objectives,

These dynamics will unavoidably mean a lot of change within the local government sphere. Letting go of traditional ways of doing things and adjusting established relationships is never easy. Longstanding expectations are likely to be challenged. But we live in a more individualistic and less paternalistic society than we used to and it is natural that this is reflected

in the way the city is governed, so long as provision for those unable to help themselves is protected.

Our staff will continue to face the stresses of organisational change and new ways of working. They will need our support in making these changes.

As strong advocates of power at local level, we approach this underlying change in local public resources less with relish than realism. The combination of positive and imaginative leadership, a direction of travel and a strong sense of unchanging values is most likely to deliver the best results for our residents and the city. That is the way we intend to continue as the Council and its committees start to contemplate the important choices ahead.

A handwritten signature in blue ink that reads "Tim Bick". The signature is written in a cursive, slightly slanted style.

Tim Bick

Leader of the Council

Section 1

Introduction to the Mid-Year Financial Review (MFR)

Background

This mid-year review of the General Fund (GF) financial position replaces the previously produced annual Medium Term Strategy (MTS). The Mid-Year Financial Review (MFR) is part of a more streamlined forecasting and budget setting process which will culminate in the Budget Setting Report (BSR) presented to Council in February each year, at which time the Council Tax level for the following financial year is set.

The BSR sets out the Council's financial strategy over the medium-term, based on a range of assumptions and forecasts. This review takes the BSR as the effective 'direction of travel', and reviews the key assumptions on which it is based to identify whether there are any material changes which need to be incorporated at this time, in advance of the detailed 2014/15 budget setting process.

This report also makes proposals for the process leading to the development of both revenue and capital budgets for 2014/15, providing an indication of the medium-term and longer-term impact of any changes on the General Fund's 25-year financial projections.

These changes may include changes in assumptions made (for example inflation and interest rates) either as a direct result of changes in external factors, economic climate, national policy, legislation and decisions taken locally.

The GF MFR incorporates a review of the current year budget position (2013/14), and updated projections for the 5 years from 2014/15 to 2017/18, to demonstrate the full-year effects of any changes in assumptions made and of their impact in terms of savings requirements and potential changes required in services and their delivery.

A key part of the mid-year review processes is the identification of:

- Items which require immediate action or approval (which may include net changes to existing budgets)
- Items which provide context for decisions on the strategy or process, influencing:
 - The level at which any Priority Policy Fund (PPF) is set
 - Resources to be made available for funding the Capital & Revenue Projects Plan
 - The level of spending reductions required
 - The level of the GF general Reserves

Timetable

The detailed financial planning and budget preparation timetable is included at Appendix A. Key dates and decision points are set out below:

Date	Task
2013	
30 September	Strategy & Resources Scrutiny Committee consider the GF MFR for recommendation to Council by the Leader
24 October	Council considers both GF and HRA MFR reports
2014	
8 January (Provisionally)	Budget Setting Report (BSR) published
20 January	BSR considered by Strategy & Resources Scrutiny Committee
23 January	The Executive consider and recommend the BSR and Council Tax level to Council
7 February	Special Strategy & Resources Scrutiny Committee to consider any budget amendment proposals
27 February	Council approves Budget Setting Report and sets the level of Council Tax for 2014/15

Section 2

Local Policy Context & Priorities

Annual Statement

The local policy context and priorities for the Council are agreed in May each year through the adoption by Council of an Annual Statement. The Annual Statement for 2013/14 was approved in May 2013, and can be accessed on the Council's web site at:

<http://tinyurl.com/pohd76s>

The 2013 Annual Statement did not involve any material changes to the Council's spending plans, as approved in the February 2013 Budget Setting Report.

The Leaders Foreword now supplements the Annual Statement by setting a direction of travel for the Council which responds to the future financial outlook.

Partnership Working

The Council works in partnership with a range of other bodies where this can bring additional benefits to the people who live work and study in our area, especially when this leads to a pooling of resources and skills to achieve a common aim. The following paragraphs significant changes in partnership working since publication of the February 2013 BSR.

City Deal

Key challenges that are limiting Greater Cambridge's potential future economic success include transport infrastructure constraints and a shortage of available and affordable housing. To address these challenges Cambridge City Council has been working with Cambridgeshire County Council, South Cambridgeshire District Council, the University of Cambridge and the Greater Cambridge Greater Peterborough Local Enterprise Partnership to develop proposals for a Greater Cambridge City Deal with Government.

Such a deal would see the partners pool resources and powers to create a unified strategic vision for the area, backed by significant investment in infrastructure to facilitate sustainable growth. We are asking Government to allow us to share in the financial dividend of this further economic growth, in order to cover the costs of that infrastructure investment.

The Greater Cambridge Greater Peterborough Local Enterprise Partnership (LEP)

Cambridge City Council is a partner in the Greater Cambridge Greater Peterborough Local Enterprise Partnership. The LEP aims to tackle key barriers to growth, such as skills development, infrastructure issues and funding. Government is proposing to allocate some funding which has previously come direct to local authorities such as the City Councils to Local Enterprise Partnerships.

The City Council will work closely with partners on the LEP to ensure its funding achieves the greatest impact, including by engaging closely in work to develop the LEP's Local Growth Strategy and European Funding Strategy.

Demographic Factors

Demographic factors impact on the Council's financial strategies in terms of their effect on the level of demand for services, the specific types and nature of services and the income available to the Council through Council Tax. Previously total population was also a key influence on the Council's entitlement to Government funding in terms of both formula grants and share of the national business rates pool, however, the new Government methodology for funding distribution effectively breaks this link.

Given the projected level of growth projected for the City over the medium term the ending of the link to the annual funding distribution by Government is significant as it creates a time lag between any recognition of increased costs and the periodic re-basing of the funding mechanism (initially after 7 years and thereafter every 10 years).

Section 3

The National Policy Context and External Factors

National Policy Context

The impact that National Policy announcements, outside of the control of the organisation, have on financial forecasts are shown below.

Government Spending Announcements

The Chancellor published the Budget Settlement on 20 March 2013, which set out the position on the national finances and a number of measures that the Government were intending to take.

Spending Round 2013 was announced on 26 June 2013. This covered the period 2014/15 and 2015/16 only and replaced the anticipated full spending review which would have covered a longer period.

The elements of these announcements that impacted on the Council were:

- Confirmation of additional reductions to Central Government department spending plans equivalent to a 1% cut in 2014/15 in most cases.
- The announcement of a 10% real terms cut in funding for local government in 2015/16. This would include Revenue Support Grant, business rates and New Homes Bonus.
- Confirmation that total spending in 2015/16, 2016/17 and 2017/18 will continue to fall in real terms at the same rate as during the spending review 2010 period.
- The announcement of funding for Council's implementing a Council Tax freeze in 2014/15 and/or 2015/16.
- Plans to set a threshold to require a Council Tax referendum to be held where rises of more than 2% are proposed.
- That there would be a public sector pay restraint policy of 1% for 2015/16.

- The proposal to create a Single Local Growth Fund (SLGF) from April 2015 which Local Enterprise Partnerships would be able to bid for, from 2015/16.
- That part of local authorities New Homes Bonus funding would be added to a new SLGF, This would involve some £400m nationally.
- The reallocation of £3b a year from 2015/16 from revenue to capital.

Local Government Finance Settlement Consultation

On 25 July 2013, detailed consultation papers on the proposed Local Government Finance Settlement for 2014/15 and 2015/16 and New Homes Bonus were published

Core Government Funding

The Spending Round announcement together with the proposed Finance Settlement consultation document has given the first indications of the likely core funding levels for 2014/15 and 2015/16 at a local authority level. However, there is still no real clarity about the likely levels for future years.

2014/15 and 2015/16

The exemplifications included with the consultation suggest that the core grant funding which the Council will receive in respect of 2014/15 will be around £86,360 less than the level that had been forecast in the February 2013 Budget-Setting Report (BSR).

In the BSR the Council had included initial assumptions of 2.3% grant reductions in both 2015/16 and 2016/17. The exemplifications provided with the recent consultation indicates a reduction equivalent to 14.78% for 2015/16. This implies a further reduction in core grant of £1,010,700 compared with the projection included in the BSR.

When including the effects of revised projections for other aspects of the overall Settlement Funding Assessment (SFA), the effects on the projections included in the February 2013 BSR are shown in the table below:

	2014/15 £	2015/16 £
Total Settlement Funding Assessment (SFA) - per Feb 2013 BSR	8,198,630	8,010,060
Total SFA – per consultation exemplification	8,112,270	6,913,000
Increase / (Reduction) in funding	(86,360)	(1,097,060)
Additional ongoing Savings pressure implied in year	86,360	1,010,700

Unless compensating changes are made to the Council's current spending plans, then the effect of these reductions in core grant will be to increase the level of Net Revenue Savings required in each of the years.

2016/17 and Future Years

Previous Government announcements had not given any clear indications on the likely levels of core funding in 2016/17 and subsequent years, and the February 2013 BSR had assumed a cash standstill position.

In order to plan effectively over the medium and longer-term the Council needs to determine whether this remains a sound basis for projections in the context of the latest Government announcements and the overall economic position. This is particularly important given the need to ensure that lead times associated with the more fundamental type of changes to services and their delivery which the Council will need to employ going forward.

Although there are some early positive signs of recovery within the economy as a whole, the rebalancing exercise that the Government had committed to is still struggling to remain on track. The implications of this are that it would appear highly likely that there will be continued pressure on core funding for local authorities throughout the period of the next Parliament – with little scope for change to public spending plans relating to District Councils whatever the outcome of the next General Election.

Modelling has, therefore, been undertaken which can analyse a number of high-level scenarios. The basis that has been used for the projections in this MFR document assumes that:

- the level of the SFA continues to reduce at a rate similar to that over the last two years until such time as all of the Revenue Support Grant (RSG) element has been removed (effectively a 13% reduction on SFA in each of the 4 years from 2016/17)

- this is the limit of the ability to reduce Government support under the current funding mechanism
- There is no net increase in entitlement through locally retained share of Business Rates

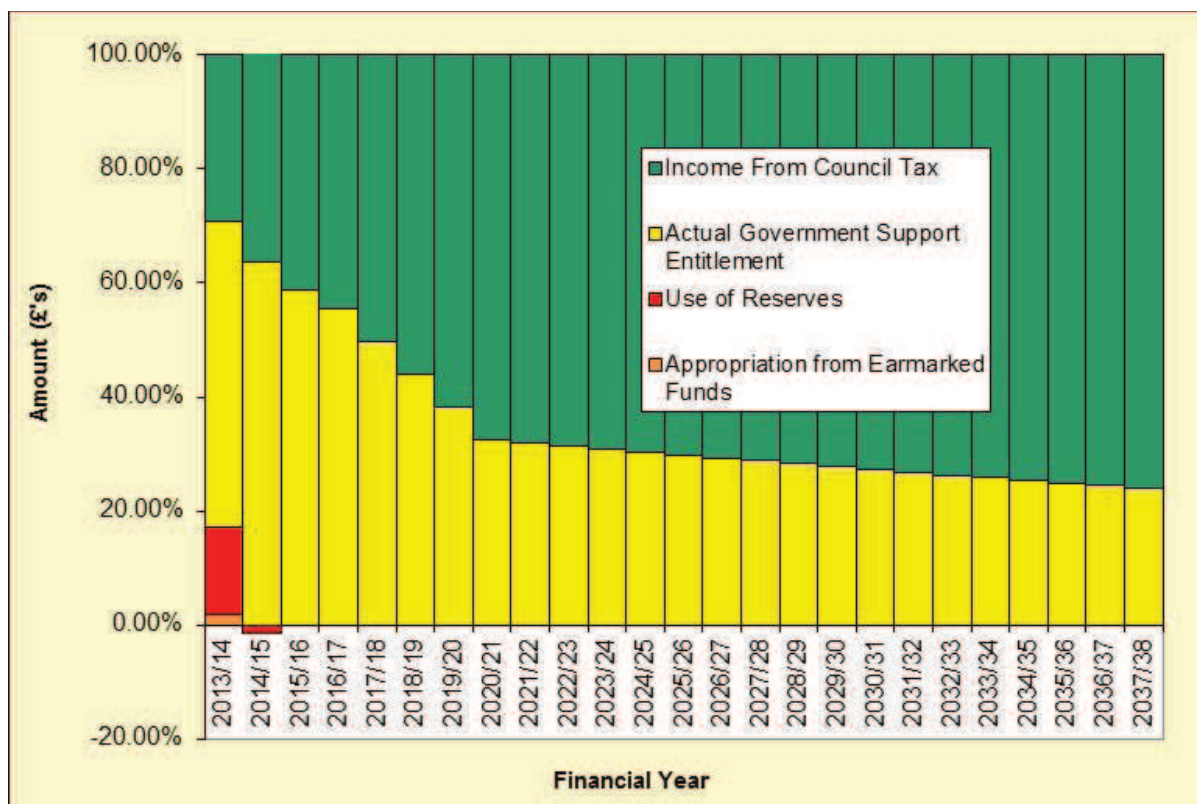
It does not allow for the potential for a new funding mechanism to be introduced once local authorities reach a point where their RSG is zero, although this may be considered by Government at some point in the future.

This is illustrated in the table below:

Portfolio	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
SFA per Feb 2013 BSR	7,825,830	7,825,830	7,825,830	7,825,830	7,825,830
Revised SFA projection	6,014,300	5,232,400	4,552,200	3,962,000	3,962,000
Increase / (Reduction) in funding	1,811,530	2,593,430	3,273,630	3,863,830	3,863,830
Additional ongoing Savings pressure implied in year	714,470	781,900	680,200	590,200	0

This shows that the Council would face significant increases in the Net Savings Requirement pressures over the 4 year period, before returning to the previously projected levels from 2020/21 once RSG entitlement reaches zero.

It should also be noted that this scenario reflects a continuation of the material shift in the balance of funding that the Council receives, as shown graphically below:



This clearly demonstrates the significant reduction in the proportion of the Council's spending (after fees and charges) which is being met from core Government grant.

New Homes Bonus

The New Homes Bonus (NHB) was launched in 2010 as a non-ringfenced payment (via a Section 31 grant) to all local authorities based on the number of new homes added each year within its area. The eligible amount is then paid for each of a period of 6 years. Between 2011/12 and 2013/14 this has resulted in payments totalling some £1.3b being made to local authorities.

The NHB scheme, as originally announced, was projected to run up to and including 2014/15. There had been indications of the intention of Ministers to continue NHB in some form from 2015/16, but without any details being published.

As part of the Spending Round 2013 announcement the Treasury published a document entitled 'Investing in Britain's Future' which identified that part of the NHB funding would be added to a new Single Local Growth Fund (SLGF) which Local Enterprise Partnerships (LEPs)

would be able to bid for. This includes the proposal that NHB would continue to be allocated from 2015/16 on its current basis, i.e. for increases in effective housing stock.

The document, and subsequent detail as part of the Government's consultation package, has confirmed that it is the intention to 'pool' £400m nationally within LEP areas to support strategic, locally-led economic growth priorities, including housing. It is stated that the pooling will remain within LEP areas in order to reassure authorities that the resources will be used for local housing and growth priorities. One of the claimed benefits of this new approach is to give authorities an indirect financial stake in new housing built near but outside their own boundary – seeking to address the claim that there has been no mitigation for developments which result in pressures on neighbouring authorities.

It is suggested that authorities Local Plans would be the focus for where development should go, and that the pooling arrangement is designed to complement the duty to cooperate and the abolition of Regional Strategies introduced through the Localism Act. A particular aim is to encourage authorities to work together on new developments which cross boundaries and help unlock the provision of cross-boundary infrastructure.

In practice it is proposed that NHB payments are still made to individual authorities, but that they then be required (via a condition within the Section 31 grant) to pool a centrally prescribed element within their LEP area.

Two possible methods are being consulted upon for the identification of the element of NHB to be included in the Single Local Growth Fund. In two-tier areas, the first is based on an equal proportion of NHB being contributed by all tiers of authority. This is currently estimated as being 35.09% in order to generate the planned £400m nationally. The second approach would be that the upper-tier authority (Cambridgeshire County Council, in our case) would contribute 100% of their NHB allocation in the year, whilst lower-tier authorities would only be required to pool 18.9% of their allocation. This is designed to reflect the upper tier role in the provision of services and infrastructure and the contribution that they make to strategic planning.

For the City Council, our NHB receipt projections to 2015/16 are shown below:

	2012/13 £	2013/14 £	2014/15 £	2015/16 £
2011/12 allocation (Housing Completions & Empty Homes)	(786,646)	(786,646)	(786,646)	(786,646)
2012/13 allocation	(734,898)	(734,898)	(734,898)	(734,898)
2013/14 allocation		(563,739)	(563,739)	(563,739)
Confirmed New Homes Bonus Funding at February 2013 BSR	(1,521,544)	(2,085,283)	(2,085,283)	(2,085,283)
add				
Projected NHB Receipts for 2014/15 based on projection of future housing completions & empty homes			(1,038,000)	(1,038,000)
Projected NHB Receipts for 2015/16 based on projection of future housing completions & empty homes				(1,074,000)
Potential New Homes Bonus Total	(1,521,544)	(2,085,283)	(3,123,283)	(4,197,283)

This would imply a need to transfer £1,472,827 to the Single Local Growth Fund in 2015/16 on an equal percentage basis, or £793,286 on the alternate approach where County's would pay over 100%.

The implications for the Council's financial plans as agreed in the February 2013 BSR need to be considered in the context of commitments against the projected receipts :

Projected Effect in 2015/16	£	£
Total Receipts under current scheme (i.e. to 2014/15)		3,123,290
Less Commitments		
- Posts to deliver growth	(785,000)	
- Contribution to cover base budget costs	(564,000)	
- Contribution to fund capital spending	(880,000)	(2,229,000)
Total uncommitted available from current scheme		894,290
Add Projected receipt under new scheme for 2015/16		1,074,000
Total uncommitted available		1,968,290

This suggests that the Council could still meet the commitments included in the BSR in 2015/16 even at the higher rate of transfer to the Local Growth Fund. However, it does raise a number of concerns:

- Will the level of transfer be increased in future years
- Can we rely on the ability to fund Growth-related posts and continue to make contributions to base budget costs in the longer-term
- The reduced availability of NHB funding which could be used as a contribution to the City Deal

Under the approach anticipated in the Government's consultation document, the Lead Authority of the LEP will receive all of the pooled allocations and the LEP will then be free to use the resources (as part of the wider Local Growth Fund) to finance their strategic economic plan. It is not intended that the funding will be ring-fenced in any way by Government, although they have published guidance for LEPs on developing local growth plans (including the expectation of engagement with local authorities and other partners).

The consultation document is seeking to identify contractual commitments which authorities have entered into based on anticipated NHB receipts in future years. They are doing this so that "commitments to support local growth are considered appropriately". The Council will argue in response to the consultation that our contribution to the City Deal should be considered such a commitment and needs to be recognised as such or ring-fenced by the LEP to go back to the City Deal.

The Council is in the process of responding to the consultation paper, and greater clarity is expected to be available for the publication of the BSR.

Welfare Reforms

April 2013 saw the removal of the spare bedroom subsidy. Under these changes, housing benefit entitlement for a household considered to be under-occupying by one bedroom is reduced by approximately 14%, and by two bedrooms by approximately 25%.

Discretionary Housing Payments are being considered by Housing Benefits on a case by case basis, with time limited top up payments being awarded, from a finite allocation of resource, to allow claimants the time to make alternative housing arrangements. DHP can be awarded to meet the additional rent payments whilst this takes place.

The Benefit Cap (a cap of £500 per week for families, and £350 per week for a single person) was introduced later than anticipated, effective from 15th July 2013, and the impact has not yet been fully realised

The introduction of Universal Credit, which replaces a range of existing means-tested benefits and tax credits, with a single payment, has been delayed, with additional pilot projects expected to take pace during the autumn of 2013. Introduction in Cambridge, is now anticipated to be after April 2014.

From April 2014 new claims for working age people for Job Seekers Allowance (income based), Income Support, Employment & Support Allowance (income related), Child Tax Credit, Working Tax Credit and Housing Benefit will claim Universal Credit. Customers will be paid directly, and will receive one monthly payment, in arrears, administered centrally by the DWP. Pensioners continue to be excluded from these arrangements at present.

Given the material delay in the implementation dates associated with Welfare Reform this MFR recommends that the fixed-term post of Head of Revenue Services be extended for a further two years (2014/15 and 2015/16). This is reflected in the New Savings and Unavoidable Revenue Spending Pressures section, and Appendix C.

External Factors

The impact that external factors, outside of the control of the organisation, have on financial forecasts are shown below.

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the GF financial forecasts has been the Consumer Price Index (CPI) and more specifically CPIY, which excludes indirect taxes such as VAT, stamp duty and excise duty. The base level of inflation included within forecasts for the BSR from 2013/14 onwards was 2% reflecting the Government target for CPI. At July 2013 CPIY was 2.9% and in their August report the Bank of England Monetary Policy Committee suggests that more likely than not, the rate will be at least 2.5% for the next 18 to 24 months.

Interest Rates on Deposits

The Council lends externally, on a short-term basis, any cash balances that are held at any point within the financial year. If the balances held relate in any way to the Housing Revenue Account, the General Fund pays the interest earned to the Housing Revenue Account. The level of interest receivable on HRA balances and reserves currently remains low. Although anticipated to be slow, recovery in the rates available is predicted in the longer term.

Status	Year	Interest Rate Earned on Balances
Council Estimated Rates (Sector)	2013/14	0.64%
	2014/15	0.64%
	2015/16	1.25%
	2016/17	1.25%
	2017/18	1.50%

In the medium to long-term, if the HRA holds significant cash reserves to repay debt in the future, the authority will need to consider forms of longer-term lending of these larger sums, in order to secure the higher rates that are predicted to be available.

Interest Rates on Borrowing

The Council secured preferential borrowing rates from the Public Works Loans Board (PWLB), of between 3.46% and 3.53% for the self-financing loan portfolio taken out on 28th March 2012.

Any additional borrowing must be within the level of the current HRA borrowing cap, resulting in maximum borrowing in the region of £16m still being available. It is still considered likely that this will be facilitated via internal borrowing from the General Fund, subject to the availability of this level of resource at the point at which it is required.

If external borrowing is deemed necessary, the authority has taken advantage of a certainty rate from the PWLB, ensuring that any prudential borrowing for the HRA can be secured at 20 basis points (0.2%) below the standard PWLB lending rates. The agreement runs for a year at a time, with the current agreement expiring in November 2013. If available from November 2013 onwards, the authority will again subscribe to this offer to maintain the greatest degree of flexibility possible.

The external borrowing rate assumed in the HRA Budget Setting Report was 4%, but having reviewed the certainty rates currently available from the PWLB for maturity loans with a 30-year duration, it was considered prudent to increase this assumption to 4.5% as part of the HRA Mid-Year Financial Review.

Section 4

Mid-Year Budget Issues

2012/13 Outturn

The position for the net spending on General Fund revenue services for the year 2012/13 was an under spending of £699,576, after allowing for approved carry forward requests of £717,250. Taking into account variances on Government funding, statutory capital accounting adjustments, contributions to/ from earmarked reserves and the application of direct revenue funding for capital the overall net effect was a reduction in the use of the GF Reserve of £531,723.

2013/14 Mid-Year Review of Budgets

Revenue Savings & Spending Pressures

A review undertaken of the budget position for 2013/14 has identified a number of revenue savings and spending pressures. Changes to budgets and financial projections as a result of the review are presented in Appendix C split between those that are one-off or time limited in nature and those that are on-going. These changes have been incorporated into the revised projections for the General Fund presented in Appendix D.

The report on the restructuring of the Resources Department recommended that the costs of change should be met from the net revenue underspend from 2012/13. The scale of the net underspend also provided the opportunity to consider making an initial contribution to set up a new 'Keeping Cambridge Moving' fund, and this has also been included in this document – with further detail on remit provided in Section 5, below.

In terms of spending pressures, the approach adopted has been to limit inclusion to changes formally approved by Executive Councillors, budget amendments resulting from tendering

exercises completed since publication of the BSR together with the outcome of latest projections for investment interest and property portfolio rental income.

Areas of Uncertainty

The review process has also highlighted a number of areas where there is a degree of uncertainty regarding the achievement of expenditure and/or income against budget. In some instances it is considered too early in the financial year to amend budget forecasts with sufficient accuracy and in others it may be possible to take remedial action to avoid significant budget variances at year end.

Appendix E lists the key areas of uncertainty identified and which will need further consideration as part of the detailed budget setting process later in the year.

Section 5

Review of Key Assumptions

Review of Key Assumptions

Budget forecasts presented in the February 2013 Budget Setting Report were based on a number of key assumptions, for example levels of general and pay inflation, interest rates, future funding requirements and Council Tax levels.

These key assumptions have been reviewed taking account of changes in external factors, Government announcements, latest forecasts and circumstances. Appendix B sets out the key assumptions considered and reviewed at this stage in the budget process and highlights those where changes have been made and those that have been retained for the purposes of forecasts presented in this document.

Forecast assumptions for future Government grant funding and the use of the GF Reserve towards funding of the Capital and Revenue Projects plan are included in more detail in sections 3 and 6 of this report respectively.

Levels of Reserves

The General Fund Reserve

No changes are proposed to the target or minimum levels of the General Fund Reserve as a result of this mid-year review.

Earmarked & Specific Funds

In addition to the General Reserve, the General Fund maintains a number of earmarked or specific funds which are held for major expenditure of a non-recurring nature or where the income is received for a specific purpose. See Appendix H for further detail.

On 18 April 2013 the City Council resolved to set up the 'Keep Cambridge Moving Fund'. The purpose of this fund is to contribute towards public transport and cycling provision that will help

mitigate the impact of traffic congestion on the city as a result of an upgrade to the A14. The City Council is not a transport authority, however it is recognised that the Council, in partnership with the County Council, can help promote accessibility whilst reducing the environmental impact of travel.

The Fund will be created with an initial allocation of £300k funded from the 2012/13 revenue underspend. Further consideration will be given to additional funding in the 2014/15 Budget Setting Report. It is expected that the Fund will enable a long-term investment that will safeguard the environment whilst helping to support the economic wellbeing of the city. A report on options (including rules for the operation of the Fund and criteria for bids) will be brought to Environment Scrutiny Committee in due course.

Section 6

Capital & Revenue Projects Plan

Approved Plan

The (then) approved Capital and Revenue Projects Plan was set out in the 2013/14 Budget Setting Report, together with details of anticipated variances, re-phasing requests and capital bids recommended for approval. These additions and amendments were approved by Council in February 2013.

Since then, Council has approved further changes to the plan, and its funding, to reflect actual spending and funding at 2012/13 outturn.

2012/13 Outturn	Re-phase £000	Variance (under) / Over £000
General Fund	2,381	(667)
Housing Revenue Account	9,586	(743)
Total	11,967	(1,410)

The effect of the outturn position is:

- The total of unapplied capital funding in 2013/14 increases by £521k (reflecting the capital receipts unapplied and Direct Revenue Financing (DRF) elements of the £667k figure above)
- The opening GF Reserve level at the start of 2013/14 was £2,308,170 higher (reflecting the DRF element of the £2.381m figure above). This will be offset by an increase in DRF during 2013/14 of the same amount to fund re-phased spending.

In addition, two new schemes have been recommended for inclusion in the Plan relating to:

- Office Accommodation Strategy – Re-location of staff from Lion House
- Tourist Office Air Cooling System

The resulting approved Capital and Revenue Projects Plan is presented in Appendix G (c). Changes have been made to the presentation of detailed items within the plan to more clearly identify individual schemes, programmes and provisions for potential spending. A summary of available, planned and remaining uncommitted funding is presented in Appendix G (d).

Mid-Year Review of the Plan

The Office Accommodation Strategy item noted above, included the proposal that the financial implications should be reviewed in the Mid-Year Financial Review. This reflected the fact that the report had proposed that the net costs associated with achieving the changes should be met from the use of internal borrowing in the first instance, with this being repaid from the resulting net savings.

The MFR review work has identified an increase in the unapplied funding available for the Capital and Revenue Projects Plan of 521k, as shown above. As a result, it is recommended that this scheme now be funded from this amount, enabling the net revenue savings to be taken from the start of the project (this has been reflected in the Mid-Year Budget Issues section above).

The effect of this, together with the provision of funding for the Tourist Office Air Cooling system, on the level of unapplied capital funding available is shown in the table below:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Funding available and unapplied (per Feb 2013 BSR)	(330)	(500)	(544)	(1,062)	(1,380)
<i>Adjusted for:</i>					
Additional funding available	(521)				
Office Accommodation Strategy	215	150			
Tourist Office Air Cooling system	10				
Rephase net additional funding unapplied	296	(296)			
Revised Capital funding availability	(330)	(646)	(544)	(1,062)	(1,380)

A review of progress against the Capital and Revenue Projects Plan has been undertaken. Appendix G(a) sets out requests for consideration of re-phasing of certain works and expenditure between 2013/14 and 2014/15.

The remits of Programmes have been reviewed to identify those whose approved timescales end in 2013/14 or 2014/15. In such cases the lead officers are required to review the programmes achievements against the objectives originally agreed in order to either confirm completion and closure of the programme or to request consideration of an extension.

A review of the Hold List has also been undertaken and the only proposed change is the addition of the Rouse Ball Pavilion Development proposal (previously PR034j in the approved plan) pending approval of the concept document in the October 2013 committee cycle. The updated Hold List is shown at Appendix G(b).

Section 7

Summary and Conclusions

General Fund Budget Strategy

The Budget Process

The GF budget process for 2014/15 will remain broadly similar to that for previous years, working within an overall cash limit designed, to meet both known financial pressures and to create policy space through the provision of Priority Policy Fund (PPF) funding.

The updated base model used to prepare this report, has driven the recommendations in respect of the 2014/15 budget process, recommending the level of savings required to meet both current and anticipated spending needs.

The GF Mid-Year Financial Review has highlighted:

- Additional one-off net spending pressures in the period 2013/14 to 2015/16
- Material reductions in the ongoing net spending requirements from 2013/14 onwards, reflecting the outcome of tenders for new contracts, successful challenges to business rate revaluations and revisions to inflationary provisions for pay and prices
- Significant reductions in Government funding in 2015/16, with a strong expectation of reductions at similar levels going forward
- A level of net reduction in spending by the end of 2013/14 that enables reconsideration of the February 2013 BSR strategy for returning Reserves to the Target level

Approach to GF General Reserves

The February 2013 BSR set a target of returning the level of General Reserves to the Target level of £5m by 2017/18, through planned staged increases (i.e. to £3.734m at the end of 2013/14, £3.975m by 2014/15 and then £5m by 2017/18).

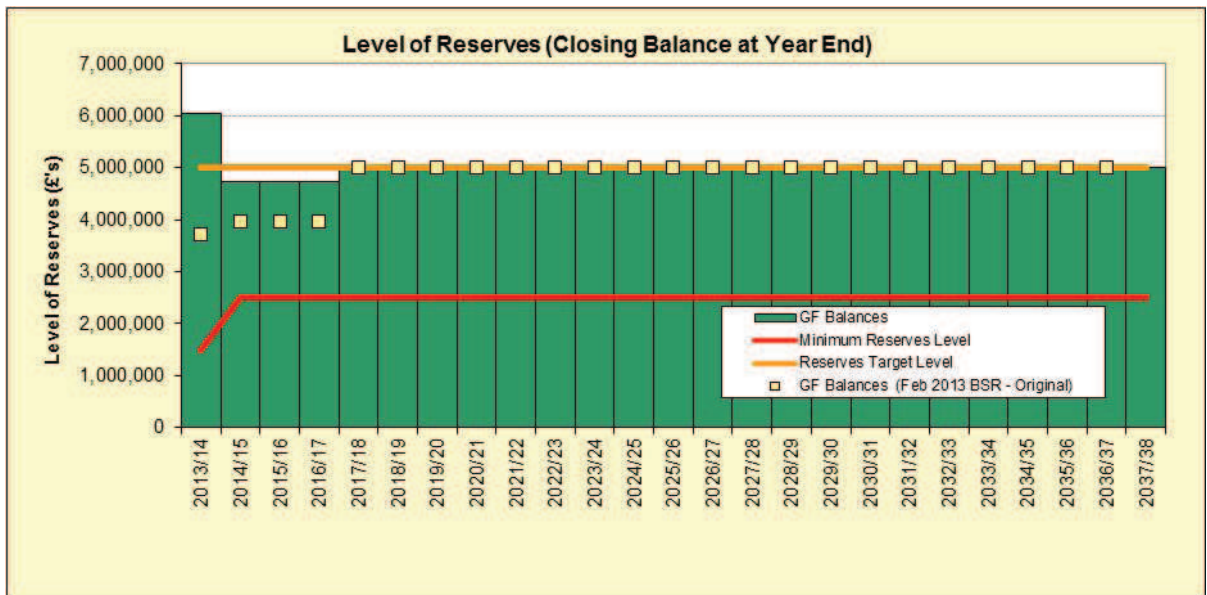
The changes to the financial projections in this document result in a higher starting position for the level of Reserves at the start of 2013/14, and revised use of reserves during 2013/14 as shown below:

General Fund Reserves	£	2013/14 £
Forecast Balance B/F (per Feb 2013 BSR)		(4,437,900)
Total net revenue underspend 2012/13	(1,248,970)	
Total net Capital underspend (funded from DRF) 2012/13	(2,308,170)	(3,557,140)
Actual Balance B/F (per Sept 2013 MFR)		(7,995,040)
Use of reserves in 2013/14		3,252,640
Sub-Total		(4,742,400)
Reduction in DRF resulting from Capital re-phasing proposals from 2013/14 to 2014/15		(1,303,000)
Balance C/F (per Sept 2013 MFR)		(6,045,400)

In light of the fact that this review has identified the availability of a material level of additional one-off funding resulting from the 2012/13 outturn position, it is recommended that the strategy for Reserves is amended to allow an accelerated movement, from 2014/15, back towards the Target level.

As the rephasing of the Capital & Revenue Project Plan expenditure between 2013/14 and 2014/15 means that the £1.303m use of reserves for DRF takes place in 2014/15 rather than 2013/14, it is recommended that the level of Reserves set for the end of 2014/15 and the following two years be increased from the level of £3,975,160 set in the BSR to £4,742,400. Reserves will then be returned to the Target level of £5m from the end of 2017/18, and that it is maintained at that level, in line with the original BSR plan.

This is shown graphically, based on the level of Reserves at year end, below:



This change in the plan, with an acceleration of the return to the Target level for Reserves, is recommended as a prudent response to the degree of uncertainty and the pressure anticipated on future Government funding identified in this review.

This approach forms the basis for the recalculation of the Net Savings Requirement, as set out below.

Approach to GF Savings

The February 2013 BSR set a target of £1,450,830 for ongoing net savings in the General Fund in 2014/15, recognising the desire to continue to create policy space for re-investment with the provision of £300,000 per annum of funding.

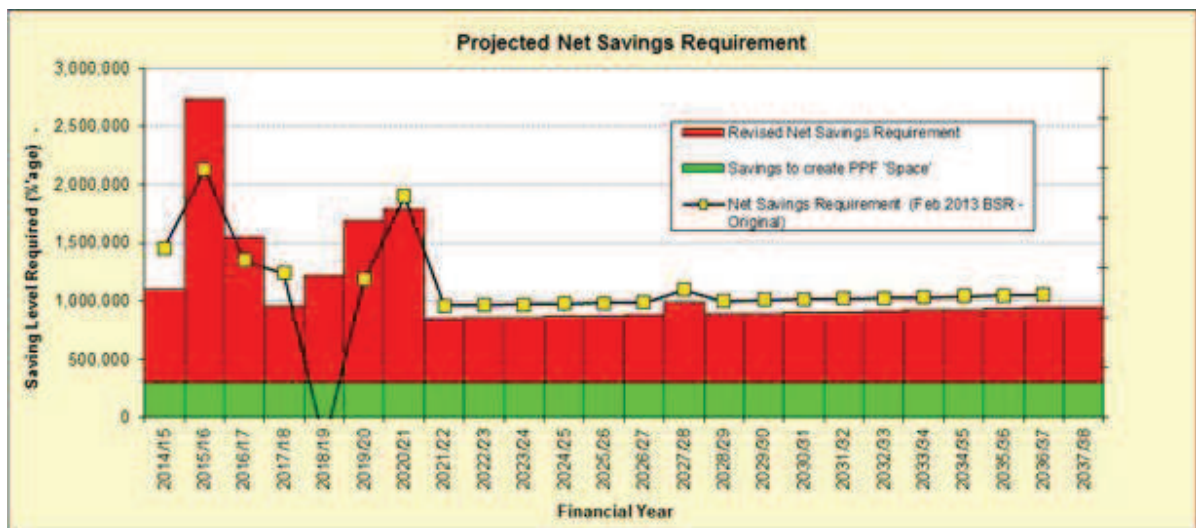
Current financial projections, taking account of revised assumptions and incorporating all changes proposed as part of this GF Mid-Year Financial Review, can be summarised as follows:

Factor	2013/14 (£'s)	2014/15 (£'s)	2015/16 (£'s)	2016/17 (£'s)	2017/18 (£'s)
2012/13 Revenue Carry Forwards	717,250	0	0	0	0
2012/13 Capital Plan Rephasing of DRF funded items	2,142,000	0	0	0	0
2013/14 Capital Plan Rephasing of DRF funded items	(1,303,000)	1,303,000	0	0	0
Review of Capital Adjustments - MRP	(530)	(530)	(530)	(530)	(530)
Revised Government Grant projection	0	86,360	1,097,060	1,811,530	2,593,430
Anticipated changes – One-Off	73,170	204,400	176,900	0	0
Anticipated Changes - Ongoing	(392,530)	(344,990)	(671,650)	(786,650)	(962,650)
Revised inflation provision – income items	0	(50,000)	(50,000)	(50,000)	(50,000)
Revised provision for pay awards	0	0	(315,000)	(525,000)	(630,000)
Impact of changes on cumulative general inflation provision	0	0	17,970	5,990	(16,740)
Total MFR Variances	1,236,360	1,198,240	254,750	455,340	933,510
less Application of net variances:					
Net Increase / (Decrease) in contribution to Reserves	(1,236,360)	1,553,540	0	0	767,240
Sub-total	0	(355,300)	254,750	455,340	166,270
(Increase) / Decrease in Net Savings Requirement	0	355,300	(254,750)	(455,340)	(166,270)
Net Variance unapplied	0	0	0	0	0

The implications of this in terms of the revised ongoing Net Savings Requirements in each of the next four years is:

Factor	2014/15 (£'s)	2015/16 (£'s)	2016/17 (£'s)	2017/18 (£'s)
Net Savings Requirement (per Feb 2013 BSR)	1,450,830	2,129,170	1,349,020	1,241,090
Increase / (Decrease) in Net Savings Requirement	(355,300)	610,050	200,590	(289,070)
Revised (MFR) Net Savings Requirement	1,095,530	2,739,220	1,549,610	952,020

The longer-term profile of Net Savings Requirements is shown graphically below:



Further consideration will be given, as part of the 2014/15 budget process, as to the affordability of the PPF funding provision in 2014/15 and future years.

As part of the MFR, consideration needs to be given to the achievability of the savings targets for 2014/15 and future years. In doing this the degree of progress against the future savings strategy reflected in the current Service Review programme needs to be considered.

There has been regular monitoring of progress on the work relating to the identified range of Service Reviews, together with work to identify other areas for review.

Although the current round of Service Reviews are not yet complete, and have not reported back final recommendations at this stage, current indications are that they will generate savings sufficient to meet the 2014/15 requirement, and will be aiming to overachieve where possible.

Savings achieved in 2014/15 which are above the Net Savings Requirement will serve to reduce the required level in 2015/16, once any unavoidable bids have been covered. This will be actively explored as part of the detailed budget process with a view to smoothing the required savings levels between the two years to some degree.

Individual savings which relate to particular Service Review targets will be identified as part of the budget process.

Sensitivities

In respect of all of the assumptions that are incorporated into the GF projections, there continue to be numerous alternative scenarios to consider. It is not possible to predict accurately what will happen in the future, particularly in respect of external factors completely outside of Council control.

To demonstrate the potential financial impact of any change in key factors, the table at Appendix F indicates either the effect on the projections of a number of key factors / assumptions were to change. It should be noted that this only identifies the impact of a single assumption change, and not the compound impact of multiple changes.

Appendix E details a number of identified financial and operational uncertainties, highlighting risks and describing areas of known change but with currently unquantifiable impacts.

Appendix A

Financial Planning Timetable

Date	Major Stage
2013	
23 May	Council adopts Annual Statement setting out plan & priorities for 2013/14
18 Sep	General Fund (GF) Mid-Year Financial Review (MFR) published for S&R Scrutiny Committee
19 Sep	Housing Revenue Account (HRA) MFR published
30 Sep	S&R Scrutiny Committee / Leader recommendation of GF MFR to Council
1 Oct	Housing Management Board (HMB) considers the HRA MFR
10 Oct	Community Services Scrutiny Committee considers the HRA MFR
14 Oct	Accountancy despatch: Budget Process Guidance
	Accountancy despatch: Budget proposals pro-forma to Heads of Service
	Accountancy despatch: Budget Working Papers to Cost Centre Managers
17 Oct	MFR & budget briefing for Heads of Service
Oct	Budget process workshops for managers
24 Oct	Council considers GF and HRA Mid-Year Financial Review reports
8 Nov	Managers to complete and return Budget Proposal Forms to Accountancy <ul style="list-style-type: none"> · 2013/14 Revised Budget items · 2014/15 Revenue Budget Proposals · 2014/15 Capital Budget Proposals · Outcomes of Service Reviews
15 Nov	Managers return completed budget working papers (incorporating budget proposals)

Date	Major Stage
w/c 18 Nov	Officer Working Groups meet to consider and comment on budget proposals
16 Dec (provisional)	HRA Budget Setting Report 2014/15 published
Dec	Provisional Government Settlement Announcement
2014	
6 Jan	GF budget proposals for Environment and Community Services Scrutiny Committees published
8 Jan	GF Budget Setting Report 2014/15 published for Strategy & Resources Scrutiny Committee
Jan	Final Government Settlement Announcement
14 Jan	Environment Scrutiny Committee consider budget proposals for own portfolios
16 Jan (provisional)	<p>Meetings of Community Services Scrutiny Committee and Housing Management Board (Special) consider the HRA Budget Setting Report</p> <p>Community Services considers any Executive & / or Opposition HRA budget amendment proposals relating to capital</p> <p>HMB meeting considers any Executive & / or Opposition HRA budget amendment proposals to revenue budget and / or rent levels</p> <p>Executive Councillor for Housing approves rent levels and revenue budgets. Executive Councillor makes final capital proposal recommendations to Council.</p>
16 Jan	Community Services Scrutiny Committee consider General Fund budget proposals for its own portfolios
20 Jan	Strategy & Resources Scrutiny Committee considers GF budget proposals for its own portfolios and GF Budget Setting Report
23 Jan	Meeting of The Executive to consider and recommend GF Budget Setting Report and Council Tax requirement
7 Feb	Special Strategy & Resources Scrutiny Committee considers any GF budget amendment proposals
27 Feb	Council approves GF Budget and sets Council Tax (including precepts). Council approves Capital & Revenue Projects Plan (including HRA recommendations)
31 Mar	Approved budget reports to be sent to Cost Centre Managers by Accountancy

Note: HRA Items shown as shaded lines.

Appendix B

General Fund Forecast Assumptions (highlighting changes from BSR)

Key Area	Assumption	Comment	Status
Pay Inflation	1% for 2014/15 and 2015/16, 1.5% for 2016/17, 2.0% for 2017/18 then 2.5% from 2018/19. Plus pay progression cost estimate	<p>BSR assumed pay award of 1% and allowance for increments at 1.9% for 2014/15, then re-introducing allowance for pay award at 2.5% from 2015/16 onwards. Changed to reflect Government guidance for 2015/16 and a stepped increase thereafter, reflecting economic recovery.</p> <p>Government guidelines for pay cap for 2013/14 and 2014/15 at 1%. A pay inflation provision has been made for 2015/16 and future years at 2.5%.</p> <p>An annual percentage allowance for incremental progression was previously included pending any detailed budget adjustments to reflect performance results. Changed to projected progression cost.</p>	Amended
Employee Turnover	3%	Employee budgets assume an employee turnover saving of 3.0% of gross pay budget.	Retained
General Inflation (CPI)	2.0%	<p>General inflation on income and expenditure has been included from 2013/14 onwards at 2% (based on the Government target for CPI inflation).</p> <p>Updated central provisions have been made as appropriate for fuel, electricity and gas based on current knowledge of these markets or revised contractual commitments.</p> <p>The same inflation factors are applied to Central and Support Services as for direct services.</p> <p>CPIY was 2.9% at July 2013. August 2013 MPC report suggests rate more likely than not to be at least 2.5% for the next 18 – 24 months. Allowing for separate provision for specific items with high rates of increase (e.g. energy) a remaining general provision of 2.0% is felt to still be appropriate.</p>	Retained
Major Contracts		Major contracts and agreements, in term, are rolled forward based on the specified indices in the contract or agreement	Retained

Key Area	Assumption	Comment	Status
Income & Charges Increases	2.5%	Income and Charges – general assumption of 2.5% ongoing (based on MPC report inflation forecast) built into base, but specific reviews of all charges required by committees. Property rental income based on detailed projections and rent reviews.	Amended
Capital funding contributions	£1.38m	Capital funding contributions at base level of £1.38m per annum.	Retained
GF Minimum Balances	£2,500,000	Maintain GF minimum balance at £2,500,000, recognising increased risks in particular relating to new government funding arrangements and the introduction of local Council Tax Support schemes.	Retained
GF Target balances	£5,000,000	Maintain GF target balance at £5,000,000.	Retained
Council Tax Increase	2.0% ongoing	Council Tax increase assumed at 2.0% for 2013/14 ongoing following 0% for 2011/12 & 2012/13. Spending round confirmed a referendum threshold of 2% for 2014/15 and 2015/16.	Retained
Government Grant	Levels notified for 2014/15 and 2015/16, with assumption of reduction of 13% on SFA for the following 4 years	Government consultation paper following Spending round 2013 indicates Settlement Funding Assessment of ££8.112m for 2014/15, £6.913m for 2015/16. Assumption made of similar levels of increase each year thereafter until the Revenue Support Grant element reaches zero – in practice this is reflected in a 13.0% reduction for 4 years.	Amended
Savings Requirements		Savings requirements are calculated in the GF model based on latest projections of net spending, target and minimum reserves levels and required Priority Policy Space.	Retained
Priority Policy Fund	£300,000	PPF retained in base model recognising desire to expand services and respond to external pressures. To be reviewed as part of 2014/15 GF Budget Setting Report.	Retained
Service Reviews		The outcomes of service reviews, Resource Optimisation and Income Generation initiatives will be reported as part of the budget process. MFR forecasts do not include any estimates of these outcomes.	Retained

Appendix C

New Savings & Unavoidable Revenue Spending Pressures (£'s)

Name	2013/14	2014/15	2015/16	2016/17	2017/18
One-off or time limited budget items:					
Lion Yard - revised rental income projection for 2013/14	(42,000)				
Lion Yard – reduced rental income due to delayed new units and vacant units		127,500	100,000		
Provision for Resources Department restructuring	120,000				
Business Rate refunds following successful valuation appeals (prior years element)	(304,180)				
Contribution to 'Keep Cambridge Moving' Fund	300,000				
Council Tax Support Transitional Grant	(17,090)				
New Burdens Grant for implementing welfare reform changes	(27,060)				
VAT in respect of Home Improvement Agency fees	43,500				
Extend post of Head of Revenues & Benefits post by 2 years following changes in Welfare Reform implementation timetable		76,900	76,900		
TOTAL	73,170	204,400	176,900	0	0

Ongoing budget changes:					
Leisure Management Contract saving	(133,000)	(239,000)	(239,000)	(239,000)	(239,000)
Removal of budget provision from services for discretionary rate relief – now accounted for as part of Business Rate Retention Scheme	(127,000)	(127,000)	(127,000)	(127,000)	(127,000)
Office Accommodation Strategy projected savings		(38,240)	(27,900)	(127,900)	(127,900)
External investment income - implications of latest market projections and sums available for investment	116,000	263,000	(74,000)	(89,000)	(265,000)
ICT Contract savings	(25,000)	(190,000)	(190,000)	(190,000)	(190,000)

Name	2013/14	2014/15	2015/16	2016/17	2017/18
Provision for Resources Department restructuring	15,000	15,000	15,000	15,000	15,000
Lion Yard – reduced base rental income projection due to market conditions		100,000	100,000	100,000	100,000
Reduced rent & service charges from BSR projected levels (excluding Lion Yard shown separately)		49,550	49,550	49,550	49,550
Release of S106 commuted sums for annual maintenance of open spaces	(64,000)	(14,600)	(14,600)	(14,600)	(14,600)
Business Rate refunds following successful valuation appeals (ongoing)	(184,530)	(183,700)	(183,700)	(183,700)	(183,700)
Inflation adjustment for latest gas prices	10,000	20,000	20,000	20,000	20,000
TOTAL	(392,530)	(344,990)	(671,650)	(786,650)	(962,650)

Net effect of proposed changes:	(319,360)	(140,590)	(494,750)	(786,650)	(962,650)
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Changes to Forecast Assumptions (from Appendix B):					
Increase in income and charges increase assumption (2.5% from 2%)		(50,000)	(50,000)	(50,000)	(50,000)
Revised provisions for future pay inflation			(315,000)	(525,000)	(630,000)
TOTAL		(190,590)	(859,750)	(1,361,650)	(1,642,650)

Appendix D (a)

General Fund – Revenue Projection 2013/14 to 2017/18

Description	2013/14 (£'s)	2014/15 (£'s)	2015/16 (£'s)	2016/17 (£'s)	2017/18 (£'s)
Net Service Budgets	21,829,990	20,156,230	19,662,670	17,919,370	17,365,810
Revenue Budget Proposals:	(319,360)	(190,590)	(859,750)	(1,361,650)	(1,642,650)
Sub-Total	21,510,630	19,965,640	18,802,920	16,557,720	15,723,160
Future Years PPF Provision	0	300,000	300,000	300,000	300,000
Sub-Total	21,510,630	20,265,640	19,102,920	16,857,720	16,023,160
Capital Accounting Adjustments	(4,593,720)	(4,593,720)	(4,593,720)	(4,593,720)	(4,593,720)
Capital Expenditure Financed from Revenue	2,076,000	2,373,000	2,444,000	2,762,000	1,380,000
Sub-Total	18,992,910	18,044,920	16,953,200	15,026,000	12,809,440
Contributions to Earmarked Funds:					
Vehicle Fleet & Plant Depreciation	775,850	775,850	775,850	775,850	775,850
Council Tax Income earmarked for Growth	25,880	171,480	355,120	355,120	355,120
New Homes Bonus	0	771,170	894,170	894,170	987,520
Pension Fund Reserve	492,800	657,000	821,300	985,500	985,500
Sub-Total	20,287,440	20,420,420	19,799,640	18,036,640	15,913,430
Net Savings Requirement	0	(1,095,530)	(2,739,220)	(1,549,610)	(952,020)
Net Spending Requirement	20,287,440	19,324,890	17,060,420	16,487,030	14,961,410

Appendix D (b)

General Fund – Funding Statement 2013/14 to 2017/18

Description	2013/14 (£'s)	2014/15 (£'s)	2015/16 (£'s)	2016/17 (£'s)	2017/18 (£'s)
Net Spending Requirement	20,287,440	19,324,890	17,060,420	16,487,030	14,961,410
less					
External Support:					
Total Start-Up Funding Assessment	(9,341,130)	(8,112,270)	(6,913,000)	(6,014,300)	(5,232,400)
Council Tax Support Implementation	(57,750)	(77,080)	0	0	0
NHB Adjustment Grant	(31,630)	0	0	0	0
Community Right to Bid	(7,850)	(7,850)	0	0	0
Community Right to Challenge	(8,550)	(8,550)	0	0	0
Sub-Total	10,840,530	11,119,140	10,147,420	10,472,730	9,729,010
less					
New Homes Bonus:					
2011/12 Allocation	(786,650)	(786,650)	(786,650)	(786,650)	0
2012/13 Allocation	(734,900)	(734,900)	(734,900)	(734,900)	(734,900)
2013/14 Provisional Allocation	(563,740)	(563,740)	(563,740)	(563,740)	(563,740)
2014/15 Projection	0	(1,038,000)	(1,038,000)	(1,038,000)	(1,038,000)
Sub-Total	8,755,240	7,995,850	7,024,130	7,349,440	7,392,370
less					
Appropriation from Earmarked Funds:					
Efficiency Fund	(185,780)	0	0	0	0
Climate Change Fund	(77,000)	0	0	0	0
Project Facilitation Fund	(125,500)	0	0	0	0
Council Tax Income Earmarked for Growth	(164,000)	0	0	0	0
Sub-Total	8,202,960	7,995,850	7,024,130	7,349,440	7,392,370
less					
Income From Council Tax	(6,393,560)	(6,692,850)	(7,024,130)	(7,349,440)	(7,649,970)
Collection Funds - Net Deficit / (Surplus)	140,240	0	0	0	0
Contribution (To) / From Reserves	1,949,640	1,303,000	0	0	(257,600)
Memorandum Items:					
Band 'D' Council Tax	£169.90	£173.30	£176.77	£180.31	£183.92
Council Tax Increase	-	2.00%	2.00%	2.00%	2.00%

Appendix D (c)

General Fund – Reserves Projection 2013/14 to 2017/18

Description	2013/14 (£'s)	2014/15 (£'s)	2015/16 (£'s)	2016/17 (£'s)	2017/18 (£'s)
Balance as at 1 April (b/fwd)	(7,995,040)	(6,045,400)	(4,742,400)	(4,742,400)	(4,742,400)
Contribution (To) / From Reserves	1,949,640	1,303,000	0	0	(257,600)
Balance as at 31 March (c/fwd)	(6,045,400)	(4,742,400)	(4,742,400)	(4,742,400)	(5,000,000)

Appendix E

Areas of Uncertainty

All Portfolios / Cross-Cutting

External Contracts

A contract base usually includes provision for inflation and built in savings targets. Whilst re-tendering may offer further savings, the Council retains the option of contract extension, where available in the original contractual documents.

VAT: Partial Exemption

The Council's 5% Partial Exemption limit is calculated using a 7-year average effective from 1st September 2011. This has reduced the risk of the Council breaching the 5% limit over a 7-year period (i.e. the year of a potential breach, the 4 previous actual year calculations, and an estimate of 2 years after a potential breach). However, careful monitoring of this limit will still be required and may still necessitate actions to 'opt to tax' selected land and buildings. Opting to tax will give the Council more scope to recover Input Tax which was previously irrecoverable.

Capital Issues

There is uncertainty regarding a number of capital related issues. These include: adequacy of Repairs and Renewal Funds, availability of funding from General Reserves, the timely use of Section 106 funds and the acquisition, sale or retention of commercial property throughout the City.

Regional Growth

There will be significant implications for the Council from the impact and timing of the Growth Agenda, both within the City and in the wider sub-region. The Council is working in partnership with neighbouring authorities to determine the capital and revenue consequences. Revenue pressures are anticipated in terms of increased demand on a number of services. A General Fund provision is maintained through the Council Tax for Growth fund and is available for projects and other costs arising directly from the impact of growth.

Joint Working and Services Funded Jointly with Other Organisations

The future funding plans and decisions by partner organisations can result in pressures for the City Council, for example where government or other external funding has been removed or is under threat.

Electricity & Gas prices

The Council is re-tendering its energy contracts which are likely to be renewed on an annual basis only.

External Legal Costs

Council services require infrequent access to expert witnesses or barristers for which there is no budget provision. Legal action may also result in costs awards which are also unbudgeted.

Climate Change

All Portfolios / Cross-Cutting

The impact of climate change may have broad ranging consequences across the council including fuel pricing, housing insulation, vehicle purchase and design of new and refurbishment of existing buildings. It is not possible to quantify the financial impact of this however the Council's Climate Change Fund is available for support for appropriate projects, subject to key criteria and overall affordability.

The Council does not currently fall into Phase 2 of the Carbon Reduction Commitment (CRC) or any successor however this position may change depending on the criteria set by the Government. If we do fall within future criteria, we would be liable to purchase CO₂ allowances at £12/ tonne (2013/14 cost) for carbon emissions from our buildings that fall within the scope of the scheme.

Community Right to Challenge

The 'Community Right to Challenge', which came into force on 27 June 2012, allows voluntary and community bodies and groups of local authority employees to express an interest in running a local authority service. The Council is required to consider and respond to all expressions of interest. Depending on the number of 'Expressions of Interest' that the Council receives, the Right to Challenge could result in significant administrative costs for the Council.

Municipal Mutual Insurance (MMI)

In 1992/93 the Council's then insurers, Municipal Mutual Insurance (MMI), ceased taking new business and are now being managed under a "scheme of arrangement". City Council claims under this arrangement have totalled £1,034,649. The directors of MMI triggered an insolvency under this scheme in November 2012, meaning that a solvent run-off was no longer foreseen.

The appointed administrator has indicated that based on current projections a levy equal to 15% (excluding the first £50,000 of claims) is required. A creditor for £148,000 has therefore been recognised in the 2012/13 statement of accounts. The administrator is required to review the levy rate at least once every 12 months. Although the administrator has indicated that unless there is a significant change to the financial position of MMI, the current levy of 15% should be sufficient, they have undertaken modelling that indicates a worst case scenario that a levy of up to 28% could be required

Council Tax Collection Fund deficit / surplus contributions

Any surplus or deficit on the Collection Fund must be taken into account in setting the level of Council Tax. The likely year-end position is assessed in January each year. Projections for 2013/14 have been provisionally included in the Mid-Year Financial Review and will be reassessed as part of the budget process.

Area of Uncertainty

Portfolio: Customer Services & Resources

Benefit Processing

Projections are based on a continuation of current performance levels. If performance was to fall, and the Council breached the thresholds (upper and/or lower) set by the DWP for local authority error overpayment subsidy, then this could materially affect the level of subsidy receivable on such amounts down from 100% to either 40% or 0%.

Area of Uncertainty

Travellers

The Cambridge sub-regional Gypsy & Traveller Accommodation Assessment 2011 identified the need for one permanent pitch in Cambridge City, and for a transit or emergency stopping place site in the Cambridge area.

The Council has been trying to identify a potential site through the Local Plan process, but to date has been unsuccessful.

The Homes and Communities Agency (HCA) has awarded joint grant funding to City and South Cambridgeshire to provide ten Traveller pitches, and South Cambridgeshire is considering the purchase of an existing private site in Milton, with the option of one the pitches being used to meet the City's identified need. If this progresses to plan, then any revenue implications for the City - likely to be from 2015/16 onwards - will need to be identified

Office Accommodation Review

Work is in progress to review options across the Council's office accommodation following the opening of the Customer Service Centre and the implications of the corporate restructure.

Portfolio: Planning & Climate Change

Parking Services

Consultants have and will continue to be used to assist in forecasting income and demand for parking services, as well as with customer surveys. Current projections try and build in potential issues arising from variations the rate of growth of the general economy, and local growth in the city and surrounding areas. The lead times for projections (12-18 months) is a real impediment to their reliability. As with all forecasting, there is also uncertainty regarding a number of the assumptions made which could impact on the income projections.

- Traffic management and demand management policies made by other partners, including the County Council, such as road pricing and Park and Ride pricing.
- The availability of capital funding , and arrangements financing major investment projects and redevelopment programmes.
- the vitality of the city centre, and the growing impact of internet shopping on high street demand.
- the impact of planned and emergency streetworks in the city centre.

Parking Services Investment

Like Park Street, Queen Anne Terrace car park is in need of substantial structural repair and refurbishment to extend its operational life and protect the council's income stream.

Alternatively, there is an opportunity to consider a future redevelopment of this site. Further work is required to report on the potential for such a project to deliver financial benefits to the Council.

Until such time as Park Street redevelopment is completed, there is an immediate priority to retain parking at Queen Anne Terrace, and an immediate requirement for around £700k of capital investment, funded from Repairs & Renewals provision, in a programme of essential structural repairs that will maintain the operation over the short to medium term. The bulk of this investment will need to be front-loaded, i.e. in the first year of the programme, at the end of 2014/15.

Projects will also be coming forward in the next financial year to modernise and support investment in the resilience of the current parking equipment and the ICT infrastructure, that will allow the service to extend its commercial potential.

Area of Uncertainty

Portfolio: Environmental & Waste Services

New legislation or changes to existing legislation may have budgetary impacts, including:

The Environmental Health team has limited resources to undertake investigations into the sites on the register. Environmental Health has prioritised this limited funding for one site investigation per year on properties not owned by the council where our enforcement role is clear. The provision of further funding will need to be considered to ensure work can be undertaken relating both to Council-owned and orphan sites. Sites owned by the Council may require remediation with associated cost implications.

This risk relates to statutory duties under s78 Environmental Protection Act 1990 and related statutory instruments. It is in addition to duties to ensure safe development on contaminated land which are implemented through Planning legislation.

Prosecutions - There may be a requirement for additional budget provision in order to ensure appropriate enforcement action can be taken in all appropriate cases.

Portfolio: Housing

Reduction in Contributions Cambs HIA

Following the creation of a shared Home Improvement Agency with South Cambridgeshire District Council and Huntingdonshire District Council from April 2012 (now called Cambs HIA), there remains uncertainty as to the level of external funding that can be anticipated for the future, both in terms of third party contributions and fee generation.

Community Safety Funding

Potential loss of Community Safety funding via the Community Safety Partnership, resulting in an inability to deliver grant programmes managed previously.

Portfolio: Public Places

Adequacy of Grounds Maintenance funding

The rapid growth of the City and associated green spaces means that larger areas need to be maintained. Whilst Developer Contributions cover at least the first 12 years, there may be significant budget pressures from 2030 depending upon the rate of housing delivery and the required and affordable maintenance standards.

Riverbanks and Watercourses

The City's liability to maintain riverbanks and watercourses within the city boundary may give rise to substantial costs over the next 50 years. Some works may be eligible for grant funding at rates of up to 100%.

Portfolio: Community Wellbeing

Corn Exchange

Income streams are driven by the levels of disposable income of ticket buyers and the risk appetite of promoters and artist agents. In the current financial climate both of these are anticipated to remain static or reduce in the foreseeable future. This will continue to impact on show attendances and the availability of profitable product.

Current indications suggest that the work that is being done to diversify into conferences and private events utilising both the Corn Exchange and the Guildhalls will be successful and will go some way towards mitigating the challenges faced by the Corn Exchange arts and events programme.

Area of Uncertainty

Ongoing revenue funding of Community Development facilities

The impact of growth in the city and surrounding area will require the creation of community facilities. Whilst the creation and initial management of the facilities will be covered by developer contributions, the ongoing revenue funding of these facilities may require ongoing City Council support.

Appendix F

Revenue Forecast Sensitivity Analysis (highlighting changes from BSR)

Topic	Quantum	BSR Assumption	Risk
Employer's Pension Contribution	£35m	BSR includes provision for increases of 0.75% from 2011/12 to 2016/17	Assumptions on life expectancy and negative market effects on the value of assets in the Pension Fund leading to increased employer contribution requirements above the level of provision already made
Pay Settlement	£35m +/- 1% is GF c. £270k for 2013/14	In line with Government guidance, 1% in 2013/14, 2014/15 and 2015/16. This is followed by assumptions of 0.5% increases annually with 2.5% in 2017/18 and future years.	Actual pay award settlements are agreed as part of national negotiations. Actual awards may be higher than provided for.
Developer Contributions	c. £8.5m	All contributions are used in compliance with terms of agreements. Capital bids for area-based and City-wide projects funded from developer contributions have been identified.	Failure to meet conditions of individual schemes leads to the requirement to repay contributions and accrued interest to developers. Developers seek to renegotiate current agreements in order to improve the viability of their schemes putting at risk the ability to deliver essential infrastructure The introduction of the Community Infrastructure Levy may reduce income from individual developments.
Energy costs (all)	£1.2m	Officer assessment of current conditions and trends, based on latest contracts	Volatility of world market prices. The Council has contracts for electricity and gas which run from October each year and takes specialist consultant advice in determining the most advantageous terms to contract for. Contracts have been extended to April 2014 to enable the Council to join a framework contract for energy to help improve competitive procurement.
Future Capital Receipts	Income	Occasional disposal of assets as outlined in the Disposal Programme. Income not taken into account until received.	Market conditions significantly reduce the value of Council assets with the associated reduced level of funding available for new capital investment. Purchaser's ability to buy is limited due to financing constraints.
Investment Income	+/- 1% is c. £600k for 2013/14	These are based on a mid-range level provided by market analysts.	Rates fall further than anticipated or for a longer period. A shorter period of recession or a less steep decline in rates would result in increase in investment income. (Positive)

Topic	Quantum	BSR Assumption	Risk
Non-Pay inflation	+/- 1% is GF c. £284k spend and c. £320k income for 2013/14	General inflation on income and expenditure is included at 2.5% from 2014/15 ongoing (based on the MPC report projection for inflation over the next 18-24 months).	General Inflation rises more quickly than anticipated placing greater pressure on cash limited budgets or on General Reserves to fund those pressures.
Housing Benefits	£42m	Officer assessment of current conditions and trends	Council funded element of provision of the service. Potential increase in Housing Benefit fraud Council breached the thresholds (upper and/or lower) set by the DWP for local authority error overpayment subsidy, then this could materially affect the level of subsidy receivable on such amounts down from 100% to either 40% or 0%.
Council Tax Income	£6.4m p.a.	2% increase for 2013/14 and future years are built into projections	Criteria for triggering referendums for proposed excessive increases are published each year. Government have provided confirmation of the intended level of 2.0% for 2014/15 and 2015/16. The requirement for rebilling and associated costs, together with the loss of Council Tax income, effectively provide a strong disincentive for high increase proposals. Economic climate may require an increase in enforcement activity.
Car Parking Income	c. £9.0m	Based on Officer and external consultants' projections of usage	Economic downturn reduces usage and/or increased use of Park & Ride and impact of guided bus.
Bereavement Services Income	c.£1.8m	Current mortality rates built into BSR assumptions	Falling mortality rate [yet ageing population in Cambridge] Opening of competitor facilities in view of the expansion of Cambridge sub region and the comparatively low investment required for a profitable new build crematorium with private sector operating costs.
Planning Fee Income	c. £1.2m	Income projections for 2013/14 have been amended to reflect current market conditions.	Impact of economic downturn is greater or longer than anticipated.
Building Control Fee Income	c. £0.4m	Based on break-even full cost recovery position for the Building Control Service	Impact of economic downturn is greater or longer than anticipated Increased competition from approved inspectors leading to smaller market share New LABC fees guidance leads to significant over or under-recovery of costs

Topic	Quantum	BSR Assumption	Risk
Corn Exchange Income	c. £0.5m	Based on Officer projections of attendance	Economic downturn leads to fall in attendances. Social change leads to lower attendance at live concerts Product offer does not meet client expectation
Folk Festival Income	c. £1.5m	Based on assumption that all tickets will be sold	Economic downturn leads to fall in attendances and/or failure to retain sponsorship
Market Income	c. £0.7m	Officer assessment of current market conditions and future trends	Increased level of voids as a result of the current economic climate, mitigated by new traders coming to the market as we seek to widen the range of services on the market and the cost of business premises is prohibitive for start-ups.
Commercial Property Income	c. £6.6m	Officer assessment of current market conditions and future trends	Economic conditions lead to increase in voids, increased level of unrecoverable debts and less significant rent increases.
Land Charges Income	c. £0.2m	Reductions based on latest experience have been incorporated	Increased proportion of personal searches and reduced number of overall searches due to market conditions. Potential limitation of ability to charge for searches as a result of threatened legal challenge.
New Homes Bonus (NHB)	c. £3.1m in 2014/15 c. £4.2m expected in 2015/16 if new scheme approved	A continuation of the NHB scheme from 2015/16 Funding from NHB is available to support posts delivering Growth, capital and revenue costs from Growth and to make contributions towards City Deal	Government reduce / remove the NHB scheme in the future – this has been mitigated by only committing funds based on the current scheme. Government implements changes to the scheme to require a proportion of receipts to be passed to the LEP.

Appendix G (a)

Proposed amendments to Capital & Revenue Projects Plan 2013/14 to 2017/18

Ref.	Description	Lead Officer	Change type	Net Effect	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	Comment
PR033e	Great St Mary's Church Development	T Woollams	New scheme	50	50					New Scheme – approved West Central 5th September 2013
PV583	Clay Farm Commercial Property	D Prinsep	New scheme	500		100	375	25		Pending Approval MFR 2013.
PV584	Lighting on Parker's Piece	A Preston	New scheme	60	60					Pending Approval MFR 2013.
SC585	Fleetmaster software	M Parsons	New scheme	15	15					Pending Approval MFR 2013
PR020	ICT Infrastructure Programme	J Nightingale	Enhanced	581	360	(89)	40	160	110	Budgets need to be re-profiled in order to correspond with the forthcoming work programme
PR023	Admin Buildings Asset Replacement Programme	W Barfield	Enhanced	392	81	85	90	74	62	The Admin Buildings Asset Replacement work programme will be reviewed during the 2013 - 14 financial year following completion of new condition surveys.
PV564	Clay Farm Community Centre -Phase 2 Construction	A Carter	Enhanced	961	(223)	823	361			This budget anticipates a start on the construction of the new Centre this financial year with the bulk next year
SC573	Installation of Air Conditioning units at the TIC	E Thornton	Enhanced	10	10					Executive Councillor out of cycle decision
SC522	New Sound Equipment at Cambridge Corn Exchange	D Kaye	Scheme reduction	(40)	(40)					Reduce scheme to actual anticipated cost as per report to scrutiny committee October 2012
PR034j	Rouse Ball Pavilion Development	A Wilson	To Hold List	(185)			(185)			To hold list pending approval of concept document at scrutiny October 2013

Ref.	Description	Lead Officer	Change type	Net Effect	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	Comment
PR031a	Community Meeting Space at Sikh Community Centre	T Woollams	Scheme cancelled	(50)	(50)					Scheme cancelled, funds returned to area committee PR031
PR024	Commercial Properties Asset Replacement Programme	W Barfield	Rephasing	0	(33)	(15)	6	20	22	The Commercial Properties Asset Replacement work programme will be reviewed during 2013 - 14
PR033c	Public Art element of improvements to the entrances at Histon Rd Rec	A Preston	Rephasing	0	(39)	39				Inception meeting planned to take place to agree the scope and programme for this project with the project steering group and Executive Councillor.
PR034a	Logan's Meadow Local Nature Reserve (LNR) Extension	G Belcher	Rephasing	0	(140)	140				Tenders and Planning docs nearing completion. Scheme promoted at Chesterton Festival with strong support. Plans displayed on site. Phase 1 works to be completed in October this year - project over 2 years
PR034d	Public Art - 150th & 400th Anniversary	A Preston	Rephasing	0	(69)	69				Project restarted following request from Executive Councillor. New project approach shows delivery by the end of October 2014.
PR034e	Play Provision Project Nth	A Wilson	Rephasing	0	(40)	40				Chestnut Grove now selected as preferred site.
PR034f	Play Provision Project East	A Wilson	Rephasing	0	(35)	35				St Thomas's Square now selected as preferred site.
PR034g	Grant for extension to St Andrew's Hall	T Woollams	Rephasing	0	(100)	100				Grant subject to approval of revised planning application to be re-submitted by St Andrews Church
PV016	Public Conveniences	B Carter	Rephasing	0	(417)	417				Lion Yard on programme for completion by March 2014. Consultation planned for Autumn 2013. Silver St on programme for completion by 01 - 12 - 14.
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	Rephasing	0	21	(121)	100			To reflect the revised expenditure plan from the site agent

Ref.	Description	Lead Officer	Change type	Net Effect	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	Comment
PV282	Kettle's Yard	D Kaye	Rephasing	0	(40)	40				Agreed by Exe Cllr R Cantrill Feb 2013 as Kettle's Yard applying for ACE funds for related scheme which will affect construction timetable
PV329	Corporate Document Management (DIP & EDRM)	J Nightingale	Rephasing	0	(348)	348				Following roll-out to services directly relating to the Customer Service Centre, bids are being sought from other services against the remaining scheme balance.
PV532	Cambridge City 20mph Zones Project	P Dell	Rephasing	0	(239)	239				Target completion date relates to Phase 1 only i.e. the North Area of the city (overall project completion expected in 2015). Work should start on site in Jan 2014, should the consultation response come back in favour. The project will also need to be approved at scrutiny in October and by the County in December. Assuming the project is approved the allocated budget of £136,000 for this financial year is likely to be spent. Project needs to be correctly profiled in the capital plan. Completion not planned until 2015.
PV549	City Cycle Park	A Preston	Rephasing	0	(257)	257				Project on Programme. Consultation on the on-street started on July in accordance with the programme. Budget allocated exceeds that required for the on-street proposals. Remained will be available to contribute to the undercover cycle park, added to a capital budget bid in October, once the feasibility report has been presented and the preferred option chosen.

Ref.	Description	Lead Officer	Change type	Net Effect	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	Comment
PV554	Development Of land at Clay Farm	A Carter	Rephasing	0	(719)	64	£157	(£263)	£761	The costs incurred are in respect of the Collaboration Agreement with Countryside. Rate of invoices from Countryside relate directly to rate of house-building which is variable and beyond our control. Target completion date is long stop date in draft Development Agreement and equates to four years from estimated planning approval.
SC429	Telephony System Upgrade	J Nightingale	Rephasing	0	(50)	50				Approach currently being planned. Project work to be scoped.
SC570	Essential Structural - Holding Repairs - Park Street Multi Storey car park	P Necus	Rephasing	0	75	(35)	(£40)			Evaluation of tenders complete, contractor to be appointed with start date September 2013.
SC574	Essential Repairs to Car Parks	P Necus	Rephasing	0	(165)	165				Current estimate is £200k required for deck coating at Grand Arcade subject to a legal claim which may reduce the cost if successful. The Capital spend will need to be deferred to 14 - 15 due to litigation.
PR031	Unallocated North Area Committee Developer Contribution	T Wetherfield	Transfer In	50		50				Funds from Sikh Community Centre Grant no longer required
PR032c	Improvements to Cherry Hinton Rec.	A Wilson	Transfer in	58	58					Funds from South Area programme PR032
PR014	Environmental Safety Fund	A Preston	Transfer out	(16)	(16)					Funds to support Parkers Piece Lighting Scheme SC584
PR032	Unallocated South Area Committee Developer Contribution Funds	T Wetherfield	Transfer out	(58)		(58)				Funds to CherryHinton Rec scheme PR032c

Ref.	Description	Lead Officer	Change type	Net Effect	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	Comment
PR033	Unallocated West Central Area Committee Developer Contribution Funds	T Wetherfield	Transfer out	(50)		(50)				Funds to support Gt St Mary's scheme PR033e
PR034	Unallocated Strategic Developer Contribution Funds	T Wetherfield	Transfer out	(39)		(39)				Funds to support Parkers Piece Lighting Scheme SC584
SC436	Pye's Pitch Rec Facilities	I Ross	Transfer out	(58)	(58)					Reduce scheme to actual anticipated cost
Total amendments to Capital & Revenue Projects Plan				2,181	(2,348)	2,654	904	16	955	

Appendix G (b)

Capital & Revenue Projects Plan Hold List 2013/14 to 2017/18

Portfolio	Capital Ref	Description	Lead Officer	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Public Places	SC453	Upper River Cam Biodiversity Project (Developer Contributions)	G Belcher	118	0	0	0
Public Places	SC455	Logan's Meadow LNR Extension (Developer Contributions)	G Belcher	188	0	0	0
Public Places	SC465	Upper River Cam Biodiversity Public Art (Developer Contributions)	A Preston	29	0	0	0
Public Places	SC472	Cherry Hinton Hall Grounds Improvements (Developer Contributions)	A Preston	0	0	982	0
Public Places	SC475	Nightingale Rec Pavilion Refurbishment (Developer Contributions)	I Ross	228	0	0	0
Public Places	PR034j	Rouse Ball Pavilion Development (Developer Contributions)	A Wilson	0	0	0	185
Total Hold List				563	0	982	185

Appendix G (c)

Resulting Capital & Revenue Projects Plan 2013/14 to 2017/18

Ref.	Description	Lead Officer	Budget 2013/14 £' 000s	Budget 2014/15 £' 000s	Budget 2015/16 £' 000s	Budget 2016/17 £' 000s	Budget 2017/18 £' 000s
Capital-GF Projects							
SC234	Histon Road Cemetery Landscaping (\$106)	A Wilson	5	0	0	0	0
SC335	Customer Access Strategy - IT Workstream	C Bolton	20	0	0	0	0
SC361	Disabled Access and Facilities - Guildhall Halls	S Bagnall	80	0	0	0	0
SC362	Lighting and Power in Committee Rooms	J Stocker	14	0	0	0	0
SC391	La Mimosa Punting Station	P Doggett	10	0	0	0	0
SC410	Mill Road Cemetery	A Wilson	25	0	0	0	0
SC416	UNiform e-consultee Access Module	P Boucher	10	0	0	0	0
SC417	Development of UNiform System	P Boucher	6	0	0	0	0
SC423	Recycling Bins for Flats	J Robertson	25	0	0	0	0
SC429	Telephony System Upgrade	J Nightingale	0	50	0	0	0
SC432	Mill Road Cemetery Memorial Artwork (\$106)	A Preston	44	0	0	0	0
SC436	Pye's Pitch Rec Facilities (\$106)	I Ross	18	0	0	0	0
SC440	King George V Rec Ground (consolidated) (\$106)	T Woollams	16	0	0	0	0
SC450	Changing Facilities at Cherry Hinton Village Centre (\$106)	I Ross	2	0	0	0	0
SC456	Coldhams Common Local Nature Reserve (LNR) (\$106)	G Belcher	26	0	0	0	0
SC460	Kings Hedges Learners Pool Electricity	I Ross	20	0	0	0	0
SC469	Vie Public Open Space (\$106)	A Wilson	35	0	0	0	0

Ref.	Description	Lead Officer	Budget 2013/14 £' 000s	Budget 2014/15 £' 000s	Budget 2015/16 £' 000s	Budget 2016/17 £' 000s	Budget 2017/18 £' 000s
SC474	Cherry Hinton Hall Grounds Improvements - Phase 1 (S106)	A Wilson	19	0	0	0	0
SC476	Water Play Area Abbey Paddling Pool (S106)	I Ross	180	0	0	0	0
SC477	Coleridge Paddling Pool Enhancement (S106)	I Ross	140	0	0	0	0
SC478	Water Play Area Kings Hedges "Pulley" (S106)	I Ross	180	0	0	0	0
SC479	Abbey Pool Play Area Facilities (S106)	A Preston	85	0	0	0	0
SC492	Jesus Green Play Area (S106)	A Preston	147	0	0	0	0
SC493	Jesus Green Tennis Court (S106)	A Preston	3	0	0	0	0
SC494	Kings Hedges "Pulley" Play Area (S106)	A Preston	71	0	0	0	0
SC496	Petersfield Play Area (S106)	A Preston	64	0	0	0	0
SC497	Peverel Road Play Area (S106)	A Preston	84	0	0	0	0
SC500	Trumpington Rec Outdoor Space (S106)	A Wilson	1	0	0	0	0
SC505	Land Explorer Software/3D Modelling ESRI	G Richardson	3	0	0	0	0
SC506	Replacement Grand Arcade Car Park Pay on Foot Machines	S Cleary	347	38	0	0	0
SC507	Visit Cambridge Website	E Thornton	2	0	0	0	0
SC508	E-Benefits	A Cole	5	0	0	0	0
SC512	Hobbs Pavilion Refurbishment (S106)	I Ross	34	0	0	0	0
SC516	Relocation Grand Arcade Car Park Control Room	S Cleary	1	0	0	0	0
SC522	New Sound Equipment at Cambridge Corn Exchange	D Kaye	160	0	0	0	0
SC523	Refurbishment of Newmarket Rd Cemetery Buildings	T Lawrence	75	0	0	0	0
SC524	Cambridge Crematorium - Chapels & Public Areas Refurbishment	T Lawrence	120	0	0	0	0
SC525	Cambridge Crematorium - Staff Room Refurbishment	T Lawrence	0	0	30	0	0

Ref.	Description	Lead Officer	Budget 2013/14 £' 000s	Budget 2014/15 £' 000s	Budget 2015/16 £' 000s	Budget 2016/17 £' 000s	Budget 2017/18 £' 000s
SC530	Street Cleaning Planning Software	B Carter	15	0	0	0	0
SC531	In-cab Technology for Trade Waste Service	M Parsons	61	0	0	0	0
SC534	Refurbishment of Park Street Car Park	S Cleary	0	0	1,700	1,700	0
SC535	Repairs to Grafton West Car Park	S Cleary	178	0	0	0	0
SC538	Information Kiosks to be installed in local area	C Bolton	25	0	0	0	0
SC539	Metered system for the supply of electricity on the Market	A White	50	0	0	0	0
SC540	Electronic Market Management Software	A White	14	0	0	0	0
SC541	Corporate PC Replacement Programme	J Nightingale	116	0	0	0	0
SC543	Voltage Optimisation Roll-out	D Kidston	33	0	0	0	0
SC544	Coleridge Recreation Ground Improvements (\$106)	A Wilson	289	0	0	0	0
SC545	Parkside Pool Variable Speed Drive	I Ross	9	0	0	0	0
SC548	Southern Connections Public Art Commission (\$106)	N Black	75	30	0	0	0
SC551	Stourbridge Common - Riverbank Project	A Wilson	100	0	0	0	0
SC552	Localisation of Council Tax - Implementation Costs	A Cole	11	0	0	0	0
SC555	Siemens Maintenance Contract	C Bolton	67	0	0	0	0
SC556	Arbury Community Centre (\$106)	T Woollams	80	0	0	0	0
SC557	Grand Arcade Annex Car Park - Drainage Gulleys	S Cleary	52	0	0	0	0
SC559	CBBid Software	K Jay	3	0	0	0	0
SC560	Guildhall & Corn Exchange Cap Schemes RO AR9	S Bagnall	150	0	0	0	0
SC561	Adaptations - Riverside River Banks	A Wilson	0	75	0	0	0
SC562	Review - Street & Open Spaces Benches	A Wilson	25	25	0	0	0

Ref.	Description	Lead Officer	Budget 2013/14 £' 000s	Budget 2014/15 £' 000s	Budget 2015/16 £' 000s	Budget 2016/17 £' 000s	Budget 2017/18 £' 000s
SC563	Corn Exchange Heating Mgt System	S Bagnall	20	0	0	0	0
SC566	Rapid Response Team - Vehicle & Equipment	T Ainley	75	0	0	0	0
SC567	Purchase of Street Cleansing Vehicles & Plant	B Carter	70	0	0	0	0
SC569	Topographical Survey of Multi-Storey Car Parks	P Necus	30	0	0	0	0
SC570	Essential Structural/Holding Repairs - Park Street Multi Storey car park	P Necus	174	15	10	0	0
SC571	Procurement of IT System to Manage Community Infrastructure Levy	S Saunders	20	0	0	0	0
SC573	Installation of Air Conditioning units at the Tourist Information Centre	E Thornton	35	0	0	0	0
SC574	Essential Repairs to Car Parks	P Necus	0	165	0	0	0
SC577	Underground Investigations at Park St Multi Storey Car Park	P Necus	60	0	0	0	0
SC578	Box Office Ticketing Software	S Bagnall	113	0	0	0	0
SC579	Office Accommodation Strategy	F Barratt	377	150	0	0	0
SC580	Electoral Services Software	G Cliff	25	0	0	0	0
SC581	Epilog Upgrade	T Lawrence	24	0	0	0	0
SC582	Corn Exchange Front of House Toilets	S Bagnall	60	0	0	0	0
SC584	Lighting on Parker's Piece	A Preston	60	0	0	0	0
SC585	Fleetmaster software	M Parsons	15	0	0	0	0
Capital-GF Projects			4,588	548	1,740	1,700	0

Capital-GF Provisions							
PV007	Cycleways	A Preston	422	100	0	0	0
PV016	Public Conveniences	B Carter	361	417	0	0	0
PV018	Bus Shelters	A Preston	250	0	0	0	0

Ref.	Description	Lead Officer	Budget 2013/14 £' 000s	Budget 2014/15 £' 000s	Budget 2015/16 £' 000s	Budget 2016/17 £' 000s	Budget 2017/18 £' 000s
PV033B	Street Lighting	A Preston	40	0	0	0	0
PV163	Compulsory Purchase Orders (CPOs)	R Lord	400	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	124	63	173	0	0
PV221b	Lion Yard - Contribution to Works Phase 2	P Doggett	617	0	0	0	0
PV282	Kettle's Yard	D Kaye	0	40	0	0	0
PV329	Corporate Document Management (DIP & EDRM)	J Nightingale	50	348	0	0	0
PV348	Allotment Improvements (\$106)	A Wilson	14	0	0	0	0
PV386	HMOs - Management Orders	R Lord	50	0	0	0	0
PV414	Property Accreditation Scheme	R Lord	9	0	0	0	0
PV526	Clay Farm Community Centre - Phase 1 (\$106)	A Carter	471	0	0	0	0
PV527	Energy efficiency improvements to private sector housing	J Dicks	48	0	0	0	0
PV529	Upgrade facilities at 125 Newmarket Road	A Carter	100	0	0	0	0
PV532	Cambridge City 20mph Zones Project	P Dell	153	239	0	0	0
PV549	City Cycle Park	A Preston	232	257	0	0	0
PV554	Development Of land at Clay Farm	A Carter	783	850	739	327	761
PV564	Clay Farm Community Centre - Phase 2 (Construction)	A Carter	250	7,100	361	0	0
PV583	Clay Farm Commercial Property Construction Costs	D Prinsep	0	100	375	25	0
	Capital-GF Provisions		4,374	9,514	1,648	352	761

Capital-Programmes							
PR003	City Centre Management Programme	E Thornton	20	20	0	0	0
PR010a	Environmental Improvements Programme - North Area	A Preston	130	59	0	0	0

Ref.	Description	Lead Officer	Budget 2013/14 £' 000s	Budget 2014/15 £' 000s	Budget 2015/16 £' 000s	Budget 2016/17 £' 000s	Budget 2017/18 £' 000s
PR010b	Environmental Improvements Programme - South Area	A Preston	173	42	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	A Preston	186	43	0	0	0
PR010d	Environmental Improvements Programme - East Area	A Preston	157	56	0	0	0
PR010di	Environmental Improvements Programme - Riverside/Abbey Road Junction	A Preston	32	0	0	0	0
PR010j	Environmental Improvements Programme - Fitzroy/Burleigh Street	A Preston	70	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	1,030	750	0	0	0
PR020	ICT Infrastructure Programme	J Nightingale	656	211	260	160	110
PR023	Admin Buildings Asset Replacement Programme	W Barfield	164	155	138	74	62
PR024	Commercial Properties Asset Replacement Programme	W Barfield	82	135	433	20	22
PR025	New Town Community Development Capital Grants Programme (\$106)	T Woollams	69	0	0	0	0
PR026	Community Development Grants Programme (\$106)	T Woollams	407	0	0	0	0
PR027	Replacement of Parks & Open Space Waste/Litter Bins	A Wilson	150	75	75	0	0
PR028	Litter Bin Replacement Programme	B Carter	138	125	125	0	0
PR030	East Area Committee Developer Contribution Funds (\$106)	T Wetherfield	0	520	0	0	0
PR030a	Increase Biodiversity at Stourbridge Common (\$106)	G Belcher	15	0	0	0	0
PR030b	Improve Access to Abbey Paddling Pools From Coldham's Common (\$106)	A Wilson	10	0	0	0	0
PR030c	Installation of Adult Gym Equipment next to Ditton Fields Play Area (\$106)	I Ross	30	0	0	0	0
PR031	North Area Committee Developer Contribution(\$106)	T Wetherfield	0	220	0	0	0

Ref.	Description	Lead Officer	Budget 2013/14 £' 000s	Budget 2014/15 £' 000s	Budget 2015/16 £' 000s	Budget 2016/17 £' 000s	Budget 2017/18 £' 000s
PR031b	BMX track next to Brown's Field Community Centre (S106)	A Wilson	30	0	0	0	0
PR031c	Improvements to Nun's Way Skate Park (S106)	A Wilson	65	0	0	0	0
PR032	South Area Committee Developer Contribution Funds (S106)	T Wetherfield	0	462	0	0	0
PR032a	Conversion of Hanover Court/Princess Court Laundry into Community Meeting Space (S106)	T Woollams	100	0	0	0	0
PR032b	Trim Trail/Outdoor Fitness Equipment at Nightingale Ave Rec (S106)	I Ross	30	0	0	0	0
PR032c	Improvements to Cherry Hinton Rec. (S106)	A Wilson	123	0	0	0	0
PR032d	Cherry Hinton Community Centre - Stage 1 (at Cherry Hinton Library) (S106)	T Woollams	9	0	0	0	0
PR033	West Central Area Committee Developer Contribution Funds (S106)	T Wetherfield	0	600	0	0	0
PR033a	Benches in Parks & Open Spaces (S106)	A Wilson	30	0	0	0	0
PR033b	Access Improvements to Midsummer Common Community Orchard (S106)	A Wilson	20	0	0	0	0
PR033c	Public Art element of improvements to the entrances at Histon Rd Rec (S106)	A Preston	11	39	0	0	0
PR033d	Community meeting space at Centre 33 (S106)	T Woollams	12	0	0	0	0
PR033e	Great St Mary's Church Development	T Woollams	50	0	0	0	0
PR034	Strategic Developer Contribution Funds	T Wetherfield	0	156	0	0	0
PR034a	Logan's Meadow Local Nature Reserve (LNR) Extension (S106)	G Belcher	20	140	0	0	0
PR034b	Paradise Local Nature Reserve (LNR) (S106)	G Belcher	100	0	0	0	0
PR034c	Drainage of Jesus Green (S106)	A Wilson	95	0	0	0	0

Ref.	Description	Lead Officer	Budget 2013/14 £' 000s	Budget 2014/15 £' 000s	Budget 2015/16 £' 000s	Budget 2016/17 £' 000s	Budget 2017/18 £' 000s
PR034d	Public Art - 150th & 400th Anniversary (\$106)	A Preston	19	69	0	0	0
PR034e	Play Provision Project Nth (\$106)	A Wilson	0	40	0	0	0
PR034f	Play Provision Project East (\$106)	A Wilson	0	35	0	0	0
PR034g	Grant for extension to St Andrew's Hall to provide a dedicated space for a community cafe (\$106)	T Woollams	40	100	0	0	0
PR034h	Grant to the Cherry Trees Centre Refurbishment (\$106)	T Woollams	50	0	0	0	0
PR034i	Grant to the Centre at St Paul's Development - Phase 3 (\$106)	T Woollams	50	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (\$106)	J Robertson	65	0	0	0	0
Capital-Programmes			4,438	4,052	1,031	254	194

TOTAL GENERAL FUND CAPITAL PLAN	13,400	14,114	4,419	2,306	955
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Housing Capital Plan							
PR001	Housing Capital Investment Programme	J Hovells	30,290	40,553	18,443	14,847	14,750

TOTAL CAPITAL PLAN	43,690	54,667	22,862	17,153	15,705
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Appendix G (d)

Funding of the Capital & Revenue Projects Plan

Description	2013/14 £' 000s	2014/15 £' 000s	2015/16 £' 000s	2016/17 £' 000s	2017/18 £' 000s
External Support					
Specified Capital Grants (SCG)	(1,566)	(2,283)	(1,172)	(262)	(262)
Other Sources	(1,652)	(1,330)	(361)	0	0
Developer Contributions	(3,683)	(5,684)	0	0	0
HRA Capital Balances	1,500	700	517	204	343
Prudential Borrowing	0	(15,358)	0	0	0
TOTAL - External Support	(5,401)	(23,955)	(1,016)	(58)	81
City Council					
Specified Capital Grants	(311)	(394)	(300)	(300)	(300)
Usable Capital Receipts	(4,714)	(5,370)	(1,048)	(530)	(510)
Direct Revenue Financing (DRF) - HRA	(10,247)	(9,021)	(8,001)	(4,986)	(5,035)
Direct Revenue Financing (DRF) - GF Services	(28)	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(3,865)	(1,519)	(871)	(254)	(194)
Earmarked Reserve - Capital Contributions	(895)	(37)	0	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(2,076)	(2,373)	(2,444)	(2,762)	(1,380)
Earmarked Reserves - Technology Investment Fund	(33)	0	0	0	0
HRA Capital Balances	(5,782)	(1,203)	(1,020)	(707)	(503)
Direct Revenue Financing (DRF) - Temporary Use of Reserves	(833)	(850)	(739)	(327)	(761)
Major Repairs Reserve	(9,835)	(10,591)	(7,967)	(8,291)	(8,483)
TOTAL - City Council	(38,619)	(31,358)	(22,390)	(18,157)	(17,166)
Total Available Finance	(44,020)	(55,313)	(23,406)	(18,215)	(17,085)

Appendix H

Earmarked & Specific Funds (all figures in £'000s)

Asset Repairs & Renewals

General Fund Portfolio	Balance at 1 April 2013	Contributions 2013/14	Expenditure to July 2013	Closing Balance at July 2013
Community Wellbeing	(830.3)	(305.6)	53.9	(1,082.0)
Customer Services & Resources	(4,409.6)	(974.9)	21.4	(5,363.1)
Environmental & Waste Services	(5,860.1)	(380.5)	2.2	(6,238.4)
Housing	(397.5)	(39.9)	0.0	(437.4)
Planning & Climate Change	(214.1)	(94.7)	5.2	(303.6)
Public Places	(631.3)	(327.9)	108.8	(850.4)
Strategy	(535.7)	(79.7)	4.6	(610.8)
Totals *	(12,878.6)	(2,203.2)	196.1	(14,885.7)

* The Capital & Revenue Projects Plan includes project budgets totalling £3.6m to be funded from Repairs and Renewals Funds in the current financial year. These will be met from the closing balance above, subject to the actual level of expenditure during 2013/14.

Climate Change Fund

	2013/14	2014/15	2015/16	2016/17	2017/18
(Surplus) / Deficit Balance b/f	(409.7)	(235.6)	(235.6)	(235.6)	(235.6)
Contributions	0.0	0.0	0.0	0.0	0.0
Total surplus available	(409.7)	(235.6)	(235.6)	(235.6)	(235.6)
Expenditure approvals	77.0	0.0	0.0	0.0	0.0
Pending Approvals	97.1	0.0	0.0	0.0	0.0
(Surplus) / Deficit Balance c/f	(235.6)	(235.6)	(235.6)	(235.6)	(235.6)

Council Tax Earmarked for Growth

	2013/14	2014/15	2015/16	2016/17	2017/18
(Surplus) / Deficit Balance b/f	(398.1)	(260.0)	(308.6)	(540.0)	(746.3)
Contributions	(272.2)	(417.8)	(591.5)	(591.5)	(591.5)
Total surplus available	(670.3)	(677.8)	(900.1)	(1,131.4)	(1,337.8)
Expenditure approvals	410.4	369.2	360.2	385.2	385.2
(Surplus) / Deficit Balance c/f	(260.0)	(308.6)	(540.0)	(746.3)	(952.6)

Development Plan Fund

	2013/14	2014/15	2015/16	2016/17	2017/18
(Surplus) / Deficit Balance b/f	(418.2)	(267.1)	(4.2)	(11.2)	(14.2)
Contributions	(150.0)	(317.0)	(142.0)	(42.0)	(167.0)
Total surplus available	(568.2)	(584.1)	(146.2)	(53.2)	(181.2)
Forecast expenditure	301.1	579.9	135.0	39.0	39.0
(Surplus) / Deficit Balance c/f	(267.1)	(4.2)	(11.2)	(14.2)	(142.2)

Efficiency Fund

	2013/14	2014/15	2015/16	2016/17	2017/18
(Surplus) / Deficit Balance b/f	(490.4)	(304.6)	(304.6)	(304.6)	(304.6)
Contributions	0.0	0.0	0.0	0.0	0.0
Total surplus available	(490.4)	(304.6)	(304.6)	(304.6)	(304.6)
Expenditure approvals	185.8	0.0	0.0	0.0	0.0
(Surplus) / Deficit Balance c/f	(304.6)	(304.6)	(304.6)	(304.6)	(304.6)

Fixed-Term Posts Costs

	2013/14	2014/15	2015/16	2016/17	2017/18
(Surplus) / Deficit Balance b/f	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
Contributions	-	-	-	-	-
Total surplus available	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
Expenditure	-	-	-	-	-
(Surplus) / Deficit Balance c/f	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)

Pension Fund Reserve

	2013/14	2014/15	2015/16	2016/17	2017/18
(Surplus) / Deficit Balance b/f	(492.8)	(985.5)	(1,642.5)	(2,463.8)	(3,449.3)
Contributions	(492.8)	(657.0)	(821.3)	(985.5)	(985.5)
Total surplus available	(985.5)	(1,642.5)	(2,463.8)	(3,449.3)	(4,434.8)
Expenditure approvals	0.0	0.0	0.0	0.0	0.0
(Surplus) / Deficit Balance c/f	(985.5)	(1,642.5)	(2,463.8)	(3,449.3)	(4,434.8)

Project Facilitation Fund

	2013/14	2014/15	2015/16	2016/17	2017/18
(Surplus) / Deficit Balance b/f	(250.0)	(124.5)	(34.0)	(34.0)	(34.0)
Contributions	0.0	0.0	0.0	0.0	0.0
Total available	(250.0)	(124.5)	(34.0)	(34.0)	(34.0)
Expenditure approvals	125.5	90.5	0.0	0.0	0.0
(Surplus) / Deficit Balance c/f	(124.5)	(34.0)	(34.0)	(34.0)	(34.0)

Property Strategy Fund

	2013/14	2014/15	2015/16	2016/17	2017/18
(Surplus) / Deficit Balance b/f	(86.3)	(29.1)	(64.0)	(98.9)	(133.8)
Contributions *	(34.9)	(34.9)	(34.9)	(34.9)	(34.9)
Total surplus available	(121.2)	(64.0)	(98.9)	(133.8)	(168.7)
Expenditure approvals	92.1	0.0	0.0	0.0	0.0
(Surplus) / Deficit Balance c/f	(29.1)	(64.0)	(98.9)	(133.8)	(168.7)

* In July 2010 it was agreed that the proceeds of the sale of one of the Council's commercial premises, £385,000, would also be made available to reinvest in commercial property.

Technology Investment Fund

Description	2013/14 £ '000	2014/15 £ '000	2015/16 £ '000	2016/17 £ '000	2017/18 £ '000
(Surplus) / Deficit b/f	(84.9)	0.0	0.0	0.0	0.0
Reduction in Existing Commitments	(22.7)	0.0	0.0	0.0	0.0
New commitments	107.6	0.0	0.0	0.0	0.0
(Surplus) / Deficit c/f	0.0	0.0	0.0	0.0	0.0

Developer Contributions at July 2013

Category	Completed agreements		Future Forecast ¹		Approvals ³	Projected Balance Available
	Balance at 1 April 2013	Apr-Jul 2013 (Actual)	Non Growth Sites	Growth Sites ²		
Affordable Housing	(67.9)	0.0	.0	.0	.0	(67.9)
Community Facilities	(2,108.1)	(56.3)	(294.7)	(155.7)	1,768.0	(846.7)
Formal Open Spaces/Outdoor Sports Facilities	(1,088.9)	(162.7)	(43.2)	(263.2)	1,350.8	(207.2)
Informal Open Spaces	(1,788.5)	(139.8)	(164.5)	(247.7)	1,447.2	(893.3)
Childrens Play Area/Provision for Children & Teenagers	(707.5)	(18.7)	(124.7)	(277.2)	598.0	(530.1)
Indoor Sports Facilities	(219.7)	(24.2)	(137.5)	(99.7)	100.0	(381.0)
Public Art	(485.6)	(35.0)	(5.6)	(180.4)	279.0	(427.6)
Public Realm	(276.8)	0.0	(7.5)	(59.1)	288.0	(55.4)
Misc (includes Waste & Recycling & S106 Monitoring)	(122.2)	(24.0)	(86.0)	(11.3)	65.0	(178.4)
Total	(7,068.2)	(482.1)	(983.1)	(1,382.3)	5,996.0	(3,919.7)

¹ Includes forecast funding from completed S106 agreements where trigger points for the receipt of contributions have not yet been reached. Whilst most of these contributions are for off-site spending, stipulations within some legal agreements can prescribe how (type of project), where (proximity to development) and when the contribution can be used. Developer contributions must be used for the intended purposes.

² Some contributions from CB1 and NIAB Frontage developments are available to fund projects beyond the growth sites.

³ Includes capital projects that are in the Capital Plan & Hold List (2013/14 – 2017/18) to be financed from Developer Contributions.

Developer Contributions Forecast – Major Growth Sites (memorandum only)

Category	Cambridge City £000	Cambridgeshire CC £000	South Cambs DC £000	TOTAL £000
Affordable Housing ¹	0.0	0.0	0.0	0.0
Community Facilities ^{2 3}	6,606.8	2,155.9	0.0	8,762.7
Formal Open Space ³	983.7	745.8	0.0	1,729.5
Informal Open Space ^{2 3}	3,810.2	0.0	0.0	3,810.2
Children & Teenagers ^{2 4}	2,093.2	0.0	0.0	2,093.2
Allotments ^{2 4}	221.0	0.0	0.0	221.0
Indoor Sport ³	1,454.0	0.0	0.0	1,454.0
Public Art ¹	0.0	0.0	0.0	0.0
Public Realm ^{1 2}	82.5	0.0	0.0	82.5
Waste & Recycling ^{2 4}	25.6	0.0	0.0	25.6
Ecology ³	564.3	0.0	0.0	564.3
Miscellaneous ³	417.9	0.0	35.9	453.8
Section 106 monitoring ²	423.0	0.0	0.0	423.0
Community development & other revenue contributions	1,313.6	0.0	0.0	1,313.6
Education & Lifelong learning	0.0	52,014.4	0.0	52,014.4
Household Waste Recycling Facility	0.0	1,514.4	0.0	1,514.4
Transport	0.0	35,698.1	0.0	35,698.1
TOTAL	17,995.9	92,128.7	35.9	110,160.4

¹ Indicates that all provision within this category will be provided on site, so that no off-site contributions will be payable

² Indicates site-specific maintenance contributions only for open spaces/public realm areas within these categories to be provided on site that will be transferred to the City Council to manage and maintain/ or payments to the local authority for other facilities and services that need to be provided/delivered on site

³ Indicates off-site contribution towards named project specified in S106 agreement

⁴ Formula contributions to be calculated

<p style="text-align: center;">RECOMMENDATION TO COUNCIL (THE LEADER – COUNCILLOR BICK)</p>
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**MID-YEAR FINANCIAL REVIEW – TREASURY
MANAGEMENT STRATEGY REPORT 2013/14 TO 2016/17**

The Council is required by regulations issued under the Local Government Act 2003, to produce an annual strategy treasury report reviewing treasury management activities.

The report complies with the CIPFA Code of Practice on Treasury Management (February 2011) and the CIPFA Prudential Code for Capital Finance in Local Authorities (May 2013 edition).

The report included changes to counterparty limits, the use of other financial instruments, capital activity and prudential & treasury indicators, since they were last reported within the Outturn Report for 2012/13, on 8 July 2013.

The Scrutiny Committee considered and approved the **amended** recommendations by 4 votes to 0.

Accordingly, Council is recommended to:

- i. Approve the changes to counterparty limits as set out below (and detailed in section 6 and Appendix A of the officers report):
 - Increase current single counterparty limits from £10m to £15m;
 - Increase the counterparty group limit from £15m to £22.5m (1.5 times single counterparty limit);
 - Increase HSBC Deposit Account limit by £4m to £20m;
 - Apply a single counterparty Certificates of Deposit limit of **£10m**; and;
 - Apply a Money Market Fund limit of **£10m** per fund.
- ii Approve changes to the estimated Prudential & Treasury Indicators for 2013/14 to 2016/17, inclusive, as set out in Appendix E of the officers report

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To: The Leader and Executive Councillor for Strategy:
Councillor Tim Bick
Report by: David Horspool - Director of Resources
Relevant scrutiny Strategy & Resources 14/10/2013
committee: Scrutiny Committee
Wards affected: All Wards

**MID-YEAR FINANCIAL REVIEW - TREASURY MANAGEMENT
STRATEGY REPORT 2013/14 TO 2016/17
Key Decision**

1. Executive summary

- 1.1 The Council is required by regulations issued under the Local Government Act 2003, to produce an annual strategy treasury report reviewing treasury management activities.
- 1.2 This report complies with the CIPFA Code of Practice on Treasury Management (February 2011) and the CIPFA Prudential Code for Capital Finance in Local Authorities (May 2013 edition).
- 1.3 This report includes any changes to counterparty limits, the use of other financial instruments, capital activity and prudential & treasury indicators, since they were last reported within the Outturn Report for 2012/13, on 8 July 2013.

2. Recommendations

- 2.1 The Executive Councillor is asked to recommend to Council changes to counterparty limits as set out below (detailed in section 6 and Appendix A):

Increase current single counterparty limits from £10m to £15m;

Increase the counterparty group limit from £15m to £22.5m (1.5 times single counterparty limit);

Increase HSBC Deposit Account limit by £4m to £20m;

Apply a single counterparty Certificates of Deposit limit of £15m; and;

Apply a Money Market Fund limit of £15m per fund.

- 2.2 The Executive Councillor is also asked to recommend to Council changes to the estimated Prudential & Treasury Indicators for 2013/14 to 2016/17, inclusive, as set out in Appendix E.

3. **Background**

3.1 **Treasury Management Activities**

The Council is required to comply with CIPFA Prudential Code (May 2013 edition) and the CIPFA Treasury Management Code of Practice (Revised November 2011). The Council is required to set prudential and treasury indicators, including an authorised limit for borrowing, for a three-year period and should ensure that its capital plans are affordable, prudent and sustainable.

The Council is currently supported in its treasury management functions by specialist advisors who are Sector Treasury Services Ltd. Sector's services include the provision of advice to the Council on developments and best practice in this area and provide information on the creditworthiness of potential counterparties, deposit and borrowing interest rates and the economy.

3.2 **Borrowing Policy**

Borrowing Policy Statement

The Council is permitted to borrow under the Prudential Framework, introduced with effect from 1 April 2004.

The Council anticipates borrowing £2.804m within the General Fund and £11.619m for the HRA (both during 2014/15). This anticipated borrowing is for the Clay Farm Community Centre and the Affordable Housing Projects, respectively. These schemes are contained within the Council's capital programme. This borrowing requirement may be met through internal borrowing (for example utilising 'earmarked reserves' set aside for future use) rather than using external borrowing.

Minimum Revenue Provision Policy

This provision for the repayment of debt is known as the Minimum Revenue Provision (MRP). Regulations require the authority to determine annually a policy by which MRP will be determined. The

Council plans to borrow £2.804m during 2014/15 for the Clay Farm Community Centre, which is a General Fund capital scheme. The Council has determined that a prudent level of MRP, for this purpose, is £112,000 per annum from 2015/16. This MRP has been calculated using Method 3 (the Asset Life Method), as prescribed within these regulations. However, if the Council decides not to externally borrow, but instead borrows internally, this MRP will not be required.

MRP does not extend to housing assets. However, the Council anticipates borrowing £11.619m during 2014/15 for the HRA (the Affordable Housing Projects) and is required to charge depreciation instead (due to Housing Reform from April 2012) on its housing assets. This will have a revenue impact. Any adverse impacts will be addressed through regulations that will allow the Major Repairs Allowance (MRA) to be used as a proxy for depreciation, for the first five years.

3.3 The Council's Capital Expenditure and Financing 2013/14 to 2016/17

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, developer contributions, revenue contributions, reserves etc.), which has no resultant impact on the Council's borrowing need; or;
- If insufficient financing is available, or a decision is taken not to apply other resources, the funding of capital expenditure will give rise to a borrowing need.

Details on capital expenditure forms one of the required prudential indicators. The table below shows the proposed capital expenditure and how it was financed. It also includes any re-phasing during 2013/14 and conforms to the agreed Capital Plan.

	2013/14 Probable Outturn £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
General Fund Capital Expenditure	15,963	11,642	3,789	3,352
HRA Capital Expenditure	35,970	33,387	18,462	15,337

	2013/14 Probable Outturn £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Total Capital Expenditure	51,933	45,029	22,251	18,689
Resourced by:				
• Capital receipts	6,718	2,112	817	821
• Other contributions	45,215	28,494	21,434	17,868
Total available resources for financing capital expenditure	51,933	30,606	22,251	18,689
Un-financed capital expenditure	0	14,423*	0	0

* £2.804m (Clay Farm Community Centre) & £11.619m (Affordable Housing Projects)

3.4 The Council's overall borrowing need

The Council's Authorised Borrowing Limit is set at £250m, with a HRA 'cap' of £230.839m. This leaves a 'headroom' figure of £17.267m (£230.839m less current HRA debt of £213.572m) for prudential borrowing on the HRA and £19.161m on the General Fund, if needed.

4. **The PWLB Certainty Rate**

The Government's 2012 Budget announced that the Government would introduce from 2012/13, inclusive, a 0.20% discount on loans from the PWLB under the prudential borrowing regime for those local authorities providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans.

Eligibility to this discount rate was available to English, Scottish and Welsh local authorities operating the CIPFA Prudential Code (such as this Authority) and the discount rate would be available from 1 November 2012 until 31 October 2014 on 'new' borrowing.

Further to this Council's application, the Department for Communities and Local Government (DCLG) has approved our eligibility, and therefore we can use the preferential PWLB interest rate during the dates as highlighted, above.

5. Changes to the Council's Prudential and Treasury Management Indicators

The Council's Prudential and Treasury Management Indicators, are as follows:-

Capital Financing Requirement & Cumulative External Borrowing Requirement	2013/14 Probable Outturn £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
General Fund Capital Financing Requirement	858	3,662	3,550	3,438
HRA Capital Financing Requirement	214,748	226,367	226,367	226,367
Total Capital Financing Requirement	215,606	230,029	229,917	229,805
Estimated Deposits	(76,206)	(72,687)	(76,896)	(80,786)
Cumulative Net External Borrowing Requirement	139,400	157,342	153,021	149,019
Movement in the Capital Financing Requirement	0	14,423*	(112)**	(112)**
Estimated External Gross Debt/Borrowing (Including HRA Reform)	213,572	227,995	227,995	227,995
Authorised Limit for External Debt	250,000	250,000	250,000	250,000
Operational Boundary for External Debt	215,606	230,029	229,917	229,805

* £2.804m (Clay Farm Community Centre) & £11.619m (Affordable Housing Project)

** General Fund MRP

6. Future Treasury Management Plans

6.1 Introduction

The Council takes a relatively cautious approach (when it deposits funds) within its Treasury Management Strategy. The current strategy has limited the available counterparties at the Council's disposal. Therefore, there are limited options available to the Council, of where to deposit its funds, at reasonable rates of interest (the interest earned on deposits contributes to providing essential Council services).

Furthermore, Mark Carney (the Governor of the Bank of England), as Chair of the Monetary Policy Committee of the Bank of England, has given a firm commitment that interest rates would not rise for 3 years until September 2016, at the earliest. This, however, is subject to unemployment rates remaining above 7%, nationally.

6.2 Predicted Interest Receipt Reductions

Continued low interest rates have resulted in pressure on the Council achieving the budgeted levels of interest receipts. The table below gives a prediction of the effect of low interest rates upon the Council.

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Budget Interest Rate Assumption (Feb 2013 BSR)	0.82%	0.82%	1.00%	1.00%
Net Budget (Feb 2013 BSR)	(705)	(858)	(881)	(881)
Latest Projection	(568)	(595)	(955)	(970)
Based on Current Average Interest Rates Achieved	0.64%	0.64%	1.25%	1.25%
Predicted Interest Receipt Reduction/ (Increase)	137	263	(74)	(89)

The predicted under-achievement during 2013/14 has been caused by a reduction in interest rates generally. This has affected the Council's average yield during the year, which is currently around 0.64% - compared with the BSR assumption of 0.82% for the same period.

The revised projections for interest receipts has been built into the review completed as part of the Mid-Year Financial Review (MFR), which was reported to the Strategy & Resources meeting on 30 September 2013.

This report gives consideration to the potential for increasing interest rate returns through increasing current counterparty limits, using other financial instruments available to the Council or a combination of the two. In identifying potential changes the implications in terms of any additional risk this would represent is also considered to provide a balanced evaluation.

Increasing counterparty limits and / or the use of other financial instruments would not be a departure from the Council's overall attitude to risk; as demonstrated in the evaluations below.

6.3 Increasing Counterparty Limits

The following table provides comparative estimated outturn rates for current deposit types:-

Treasury Interest % Rates - Estimates for 2013/14	
Deposit Type	Estimated % Return for Year
Debt Management Account Deposit Facility	0.25%
HSBC Deposit A/c	0.30%
Deposits with Local/Fire/Police Authorities	0.30%
Deposits with UK Banks & Building Societies	0.75%

Whilst placements with UK Banks and Building Societies offer the best estimated returns, the limited number of counterparties in this category means that money has to be placed with other categories throughout the year as well.

The Council could consider adding additional counterparties within this category, but this would require a change to the level of credit rating that was deemed acceptable. An alternative approach would be to increase the maximum level of funds that the Council could place with individual counterparties, or groups. Whilst the former would constitute a material increase in the level of associated risk,

at this time, it is felt that the latter approach would involve a limited increase in risk.

The overall impact of increasing the individual counterparty limit from £10m to £15m is difficult to determine with absolute accuracy, mainly because of the current volatility of the mid to long-term interest rates offered by the UK Banks & Building Societies. These rates have reduced significantly in the past few months across all deposit periods, and it is anticipated that there will be further pressure on them in the coming months.

It should be noted that these rate reductions are not being influenced by any change in the bank base rate (as this has remained static for a number of years), but are primarily due to the increased alternative funding that has been made available to the UK Banks by Central Government, thus reducing the need for the UK Banks to borrow from local authorities.

6.4 **Other Financial Instruments**

There are a range of other financial instruments available to the Council, but it is felt that, at this time, consideration should be given to use of Certificates of Deposit (CDs) - together with an evaluation of Custodian of Funds (as these are required when undertaking CDs) - and Money Market Funds (MMF).

Custodian of Funds

The Council's Treasury Advisor's (Sector) have recommended Custodian Fund Managers which could be used. A fee is normally charged for this service (typically a one-off payment of c £10k). However, through negotiation, at least one firm have indicated that this would be waived. Customers can purchase gilts, treasury bills and certificates of deposit from them, and obtain a better interest return, whilst not compromising the risk of using these financial products. This Council would only deal with Custodian's that are AAA rated, in line with its existing policies.

Certificates of Deposit (CDs)

These are certificates issued by a bank to raise funds, and are basically evidence of a deposit with a specified bank of building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before its maturity date. They offer a higher

rate of return at relatively low risk, particularly if deposits are longer term.

Money Market Funds (MMF)

These are funds managed by Fund Managers for a range of counterparties, which serve to spread the risk for any single investor. The resources available to the MMF are pooled (thus increasing cash available for investing), which offers the opportunity to obtain a higher rate of interest return than other deposits. The Council would only deposit in MMFs that are rated AAA.

Sector, the Council's Treasury Advisor, recommends the following MMFs:-

- Churches, Charities and Local Authorities MMF (CCLA), (current rates being 0.34%);
- JP Morgan (current rates being 0.46%);
- Morgan Stanley MMF (current rates being 0.43%);
- Sungard Portal.

The average yield available on Money Market Funds (MMFs) is lower than that expected from deposits with banks (whether by cash or Certificate of Deposit), therefore it is likely that funds would only be deposited with MMFs if the Council's limits have been reached with these banks.

If MMFs are unavailable for placement of funds then the likely alternative would be to deposit with a Local Authority (LA). The average yield from an MMF is 0.38% compared to 0.30% for LAs. Every £1m deposited with an MMF instead of an LA would yield an additional £800 per annum. Therefore a £15m limit would generate an additional £12,000 p.a. when compared to LA deposits.

6.5 Financial Implications

Evaluation of the financial implications of using either / both of these additional options is shown in Appendix A (together with sensitivity analysis), and summarised below:

Treasury Interest Receipts – Indicative Returns for a full-year	Counterparty Limit	Inclusive Range of Interest Rates	Average Interest Rate	Projected Interest Receipts
Feb 2013 BSR			0.82%	£705,000
Oct 2013 MFR	Remains at £10m	0.30% - 1.10%	0.64%	£568,000
Option 1 (Extend counterparty limits)	Increase to £15m	0.30% - 1.10%	0.97%	£738,000
Option 2 (extend counterparty limits and include other financial instruments)	Increase to £15m	0.30% - 1.40%	0.98%	£747,800

The potential to increase the returns from the Council's investments would therefore be (assuming an implementation date of 1 November 2013):

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Effect of changing current limits	(71)	(170)	(170)	(170)
Effect of changing limits and instruments	(75)	(180)	(180)	(180)

This would serve to contribute towards meeting the Net Savings Requirements for 2014/15 identified in the October 2013 MFR.

It should also be noted that increasing the limits as recommended, would give the Council greater scope to invest its funds if these were to be in excess of its current predicted cash balances of £76m.

The option of increasing the counterparty limits further to £20m has been discounted at this stage, as this would represent around 26% of

the total deposit portfolio. This level has therefore been assessed to present the Council with a materially higher counterparty risk scenario.

Details of the Council's recommended updated counterparty list are shown at Appendix B.

As a result of the evaluation undertaken, it is recommended that the Council:

- 1. Increase the limit for the HSBC Deposit Account from £16m to £20m;***
- 2. Increase the single counterparty limit from £10m to £15m;***
- 3. Increase the counterparty group limit from £15m to £22.5m;***
- 4. Apply a single counterparty Certificates of Deposit limit of £15m (this to include the Custodian of Funds); and;***
- 5. Apply a Money Market Fund limit of £15m in total per fund, based on those approved by Sector.***

7. Deposits

The Council's balances, both earmarked and un-earmarked, have generally increased during the last year mainly as a result of the new HRA Self-Financing scheme. One of the features of this change is that the HRA will be building-up funding to repay the borrowing that it undertook at the start of the new system.

It is anticipated, however, that reserves, such as the Asset Renewals Fund, will be utilised to fund the Council's strategic plans.

The latest analysis of the sources of the Council's deposits is shown at Appendix C.

8. Interest Rates and Treasury Limits

8.1 Interest Rate Update provided by Sector

Sector Treasury Services Ltd is the Council's independent treasury advisor. In support of effective forecasting the Council needs to be aware of the potential influence of interest rates on treasury management issues for the Council. Sector's opinion on interest rates is presented at Appendix D, as currently predicted.

8.2 Compliance with Treasury Limits

During this financial year the Council has operated within the 'authorised' and 'operational' borrowing limits contained within the Prudential Indicators set out in the Council's Treasury Management Strategy Statement. The anticipated prudential & treasury indicators are shown in Appendix E.

9. Implications

- (a) **Financial Implications**
Contained in the paragraphs above.
- (b) **Staffing Implications**
None.
- (c) **Equal Opportunities Implications**
No negative impacts identified.
- (d) **Environmental Implications**
None.
- (e) **Procurement**
None.
- (f) **Consultation and communication**
None required.
- (g) **Community Safety**
No community safety implications.

10. Background Papers

10.1 None were used in preparing this report.

11. Appendices

- 11.1 Appendix A – Sensitivity Analysis of Options 1 & 2
- Appendix B – The Council's proposed Counterparty list
- Appendix C – Sources of the Council's Deposits
- Appendix D – Sector's opinion on UK Forecast Interest Rates
- Appendix E – Prudential and Treasury Management Indicators
- Appendix F – Glossary of Terms and Abbreviations

12. **Inspection of Papers**

12.1 If you have any queries about this report please contact:

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**Financial Implications of Changes to Investment Strategy for MFR
2013
(Sensitivity Analysis)**

	Current Average Rates (allowing for current varying maturity dates)	
UK Debt Management Office Rate	0.25%	
HSBC Deposit Account Rate	0.30%	
Money Market Funds	0.38%	
Certificates of Deposit	0.56%	
Average Deposits with Local Authorities	0.30%	
Average Deposit with UK Banks & Other Building Societies	1.10%	
Nationwide Building Society	0.50%	
Difference between Current Interest Rate and Budget Assumption Rate	-0.18%	The BSR assumed that the average investment rate would be 0.82%, the Oct 2013 MFR revised this projection to average rates currently @ 0.64%

Counterparty Limits	Current Limit	Notes
	£	
Local Authorities	10,000,000	
Nationwide Building Society	10,000,000	
Barclays	10,000,000	
HSBC*	16,000,000	
Money Market Funds	0	
Certificates of Deposit	0	
Lloyds TSB Group	15,000,000	
Royal Bank of Scotland Group	15,000,000	
Current Deposits Assumed in Budget 2013/14	76,000,000	
Estimated Annual Reduction in Deposit Income (in Oct 2013 MFR)	-137,000	
Original Interest Budget 2013/14	705,000	Includes Icelandic Impaired Investments
Revised Interest Budget (Full-Year)	568,000	
Variance (caused by reduced interest rates)	-137,000	
* Deposits with HSBC all assumed to be with Deposit Account		

Example showing estimated yields using current counterparty limits

	Current Counterparty Limits	Current Interest Rates	Interest Yield (Using Current Interest Rates)
	£		£
Local Authorities	10,000,000	0.30%	30,000
Nationwide	10,000,000	0.50%	50,000
Barclays	10,000,000	1.10%	110,000
HSBC	16,000,000	0.30%	48,000
Lloyds TSB Group	15,000,000	1.10%	165,000
Royal Bank of Scotland Group	15,000,000	1.10%	165,000
Current Deposits Assumed in Budget	76,000,000		568,000
Estimated Income 2013/14	568,000		

OPTION 1:**Amended Investment Strategy (Excluding Certificates of Deposit & Money Market Funds)**

	Estimated Counterparty Balances	Current Interest Rates	Interest Yield
	£		£
Local Authorities*	0	0.30%	0
Nationwide	15,000,000	0.50%	75,000
Barclays	15,000,000	1.10%	165,000
HSBC*	1,000,000	0.30%	3,000
Money Market Funds	0	0.38%	0
Certificates of Deposit	0	0.56%	0
Lloyds TSB Group	22,500,000	1.10%	247,500
Royal Bank of Scotland Group	22,500,000	1.10%	247,500
Current Deposits Assumed in Budget	76,000,000		738,000
Indicative Annual Income using proposed limits:-	738,000	Indicative Additional Income for Option 1 (Est. less Indic.):-	170,000
*Estimated Annual Balance			FULL-YEAR EFFECT

OPTION 2:

Amended Investment Strategy (Including Certificates of Deposit & Money Market Funds)

	Estimated Counterparty Balances	Current Interest Rates	Interest Yield
	£		£
Local Authorities*	0	0.30%	0
Nationwide*	0	0.50%	0
Barclays	15,000,000	1.10%	165,000
HSBC*	0	0.30%	0
Money Market Funds*	1,000,000	0.38%	3,800
Certificates of Deposit	15,000,000	0.56%	84,000
Lloyds TSB Group	22,500,000	1.10%	247,500
RBS Group	22,500,000	1.10%	247,500
Current Deposits Assumed in Budget	76,000,000		747,800
Indicative Annual Income using proposed limits	747,800	Variance (Est. less Indic.)	179,800
*Estimated Annual Balance			FULL-YEAR EFFECT

Treasury Management Annual Investment Strategy

Current Counterparty List (Recommendations shown in bold)

The full listing of approved counterparties is shown below, showing the category under which the counterparty has been approved, the appropriate deposit limit and current duration limits. The changes recommended are shown in bold.

Name	Council's Current Deposit Period	Category	Limit
All UK Local Authorities	N/A	Local Authority	£15m
All UK Passenger Transport Authorities	N/A	Passenger Transport Authority	£15m
All UK Police Authorities	N/A	Police Authority	£15m
All UK Fire Authorities	N/A	Fire Authority	£15m
All UK Nationalised Industries	N/A	Nationalised Industry	£15m
Debt Management Account Deposit Facility	N/A	DMADF	None
Barclays Bank Plc	100 days	UK Bank	£15m
HSBC Bank Plc	1 year	UK Bank	£20m
Standard Chartered Bank	1 year	UK Bank	£15m
Bank of Scotland Plc	1 Year	UK Nationalised Bank	£15m
Lloyds TSB Bank Plc	1 Year	UK Nationalised Bank	£15m
National Westminster Bank Plc	1 Year	UK Nationalised Bank	£15m
The Royal Bank of Scotland Plc	1 Year	UK Nationalised Bank	£15m

Name	Council's Current Deposit Period	Category	Limit
Ulster Bank Ltd	1 Year	UK Nationalised Bank	£15m
Members of a Bank Group	1 Year	UK Nationalised Bank	£22.5m
Nationwide Building Society	100 days	UK Building Society	£15m
Money Market Funds – AAA mmf	Liquid Rolling Balance	Financial Instrument	£15m (in total, per fund)
Certificate of Deposits (CDs) – AAA	Liquid Rolling Balance	Financial Instrument	£15m (per single counterparty)
Custodian of Funds - AAA	Requirement for Undertaking CDs	Fund Managers	£15m (per single counterparty)

Sources of the Council's Deposits.

Local authorities are free to deposit surplus funds not immediately required in order to meet the costs of providing its services. The Council deposits amounts set aside in its general reserves and earmarked reserves, for example the funds set aside for major repairs to and the replacement of its property, vehicles and equipment.

The interest earned on these deposits is credited to the General Fund and Housing Revenue Account respectively and helps to fund the cost of providing services. This currently amounts to around £0.7m each year based on current deposit and interest rate levels.

At 1 April 2013, the Council had deposits of £68.562m. The table below provides a sources breakdown of the funds deposited at that date:-

Funds Deposited as at 1 April 2013	£'000	£'000
Working capital		10,411
General Fund:		
General Reserve	7,995	
Asset Renewal Reserves	14,153	
Other Earmarked Reserves	6,203	28,351
Housing Revenue Account (HRA):		
General Reserve	5,495	
Asset Renewal Reserves	2,149	
Major Repairs Reserve	5,112	
Other Earmarked Reserves	1,715	
Capital Financing Requirement (Including HRA Reform)	(215,606)	
PWLB Borrowing for HRA Reform	213,572	12,437
Capital:		
Capital Contributions Unapplied	4,154	
Usable Capital Receipts	13,209	17,363
Total Deposited		68,562

Sector's Opinion on Forecast UK Interest Rates – As Currently Predicted

Introduction

The paragraphs that follow reflect the views of the Council's Treasury Management advisors (Sector) on UK Interest Rates as currently predicted.

Interest rates

Members of the Bank of England Monetary Policy Committee (MPC) kept the bank rate at 0.5% and Quantitative Easing (QE) at £375bn during 2013/14 to the majority of 2015/16. Going-forward, the Council's treasury advisor, Sector, provides the following interest rate forecasts:

	Now	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Mar-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%
3 month LIBID	0.39%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.60%	0.80%	1.00%
6 month LIBID	0.47%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.90%	1.10%	1.30%
12 month LIBID	0.74%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	1.20%	1.60%	1.80%	2.00%
5yr PWLB rate	2.20%	2.20%	2.20%	2.20%	2.20%	2.30%	2.40%	2.90%	3.20%	3.30%	3.40%
10yr PWLB rate	3.40%	3.30%	3.30%	3.30%	3.30%	3.40%	3.50%	4.10%	4.30%	4.40%	4.50%
25yr PWLB rate	4.30%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	5.00%	5.10%	5.10%	5.20%
50yr PWLB rate	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	5.10%	5.20%	5.20%	5.30%

Sector's interest forecast is for the first increase in the bank rate to be in December 2016. With low growth predictions for the U.K, and financial markets views of un-resolved Eurozone sovereign debt crises, we are likely to continue to experience high levels of volatility during 2013/14 to 2016/17, inclusive.

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Probable 2013/14 £'000	Estimate 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- General Fund	15,963	11,642	3,789	3,352
- HRA	35,970	33,387	18,462	15,337
Total	51,933	45,029	22,251	18,689
Incremental impact of capital deposit decisions on:				
Band D Council Tax (City element)	0.00	0.00	0.00	0.00
Average weekly housing rent	0.00	0.00	0.00	0.00
Capital Financing Requirement (CFR) as at 31 March				
- General Fund	858	3,662	3,550	3,438
- HRA	214,748	226,367	226,367	226,367
Total	215,606	230,029	229,917	229,805
Deposits at 31 March	(76,206)	(72,687)	(76,896)	(80,786)
Net borrowing Requirement	139,400	157,342	153,021	149,019
Change in the CFR	0	14,423	(112)	(112)
External Gross Debt	213,572	227,995	227,995	227,995
Ratio of financing costs to net revenue stream				
-General Fund	(3.19%)	(3.27%)	(5.25%)	(5.29%)
-HRA	19.69%	20.44%	19.18%	18.16%
Total	16.50%	17.17%	13.93%	12.87%

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Probable 2013/14 £'000	Estimate 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000
TREASURY INDICATORS				
Authorised limit				
for borrowing	250,000	250,000	250,000	250,000
for other long term liabilities	0	0	0	0
Total	250,000	250,000	250,000	250,000
HRA Debt Limit	230,839	230,839	230,839	230,839
Operational boundary				
for borrowing	215,606	230,029	229,917	229,805
for other long term liabilities	0	0	0	0
Total	215,606	230,029	229,917	229,805
Upper limit for total principal sums deposited for over 364 days	5,000	5,000	5,000	5,000
Upper limit for fixed & variable interest rate exposure				
Net interest on fixed rate borrowing/deposits	6,942	7,384	7,347	7,273
Net interest on variable rate borrowing/deposits	(23)	(23)	(23)	(23)
Maturity structure of new fixed rate borrowing during 2012/13		Upper Limit	Lower Limit	
10 years and above (PWLB borrowing for HRA Reform)		100%	100%	

Treasury Management – Glossary of Terms and Abbreviations

Term	Definition
Authorised Limit for External Borrowing	Represents a control on the maximum level of borrowing
Capital Expenditure	Expenditure capitalised in accordance with regulations i.e. material expenditure either by Government Directive or on capital assets, such as land and buildings, owned by the Council (as opposed to revenue expenditure which is on day to day items including employees' pay, premises costs and supplies and services)
Capital Financing Requirement	A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been paid for from either revenue or capital resources
CIPFA	Chartered Institute of Public Finance and Accountancy
Counter-parties	Financial Institutions with which funds may be placed
Counterparty Risk	Risk of default by either counterparty
DCLG	Department for Communities & Local Government
Eurocurrency	Currency deposited by the national government or corporations in banks outside their 'home' market. This applies to any currency and to banks in any country
General Fund	A revenue reserve used to fund day to day Council expenditure which is outside of the HRA
HRA	Housing Revenue Account - a 'ring-fenced' account for local authority housing account where a council acts as landlord
HRA Self-Financing	A new funding regime for the HRA introduced in place of the previous annual subsidy system
London Inter-bank Bid Rate (LIBID)	The average estimated interest rate leading banks in London are willing to pay for eurocurrency deposits
London Inter-bank Offered Rate (LIBOR)	The average interest rate estimated by leading banks in London would be charged if borrowing from other banks
Liquidity	A measure of how readily available an investment is

Term	Definition
MCP	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate
Major Repairs Allowance (MRA)	A provision set aside to pay for HRA repairs and maintenance
MRP	Minimum Revenue Provision – An amount set aside to repay debt
Net Borrowing Requirement	External borrowing less deposits
Operational Boundary	Limit which external borrowing is not normally expected to exceed
PWLB	Public Works Loans Board - an Executive Government Agency of HM Treasury from which local authorities & other prescribed bodies may borrow at favourable interest rates
Security	A measure of the creditworthiness of a counter-party
Yield	Interest, or rate of return, on an investment

<p style="text-align: center;">RECOMMENDATION TO COUNCIL (EXECUTIVE COUNCILLOR FOR HOUSING – COUNCILLOR SMART)</p>

HOUSING REVENUE ACCOUNT MID-YEAR FINANCIAL REVIEW

The Housing Revenue Account Budget Setting Report considered and approved in January / February of each year is the long-term strategic planning document for housing landlord services provided by Cambridge City Council.

The Housing Revenue Account (HRA) Mid-Year Financial Review provides an opportunity to review the assumptions incorporated as part of the longer-term financial planning process, recommending any changes in response to new legislative requirements, variations in external economic factors and amendments to service delivery methods, allowing incorporation into budgets and financial forecasts at the earliest opportunity.

The Scrutiny Committee considered and approved the recommendations by 4 votes to 0.

Accordingly, Council is recommended to:

- i. Agree the proposed changes in housing capital budgets, as detailed in Sections 6 and 7, and summarised in Appendix F, of the Housing Revenue Account Mid-year Financial Review (Business Plan Update) Document.

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To:	Executive Councillor for Housing, Catherine Smart	Councillor
Report by:	Liz Bisset, Director of Customer & Services	Community
Relevant scrutiny committees:	Housing Management Board	1/10/2013
	Community Services	10/10/2013
Wards affected:	All Wards	

Housing Revenue Account Mid-Year Financial Review Key Decision

1. Executive Summary

- 1.1 The Housing Revenue Account Budget Setting Report, considered and approved in January / February of each year is the long-term strategic planning document for housing landlord services provided by Cambridge City Council.
- 1.2 The Housing Revenue Account (HRA) Mid-Year Financial Review provides an opportunity to review the assumptions incorporated as part of the longer-term financial planning process, recommending any changes in response to new legislative requirements, variations in external economic factors and amendments to service delivery methods, allowing incorporation into budgets and financial forecasts at the earliest opportunity.

2. Recommendations

The Executive Councillor is recommended, following scrutiny and debate at Housing Management Board:

- a) To approve the Housing Revenue Account Mid-Year Financial Review attached, to include all proposals for changes in:
 - revenue budgets as detailed in Sections 4 and 5, and summarised in Appendix E of the document.
 - financial assumptions as detailed in Appendix B of the document.

The Executive Councillor is recommended, following scrutiny and debate at Community Services Committee:

- b) To consider proposals for changes in housing capital budgets, as detailed in Sections 6 and 7, and summarised in Appendix F of the document, recommending the proposals for decision at Council on 24th October 2013.

3. Background

- 3.1 The Housing Revenue Account budget was set for 2013/14 as part of 2013/14 HRA Budget Setting Report, approving a net contribution to reserves in the year of £725,500.
- 3.2 This figure was later amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2012/13 into 2013/14 as part of the closedown process for 2012/13. Following these changes, the sum of £2,382,980 was anticipated to be required as a contribution from reserves for the year.
- 3.3 The HRA Mid-Year Financial Review revisits the assumptions made as part of the HRA Budget Setting Report, and recommends both changes in these, and in some areas of budgeted expenditure and income for 2013/14 and beyond.
- 3.4 The resulting financial impact for the Housing Revenue Account is explained and summarised in the attached document and appendices.

4. Implications

(a) Financial Implications

The financial implications associated with the HRA Mid-Year Financial Review are incorporated as part of the document itself and the associated appendices.

(b) Staffing Implications

Any staffing implications are incorporated as part of the HRA Mid-Year Review document.

(c) Equal Opportunities Implications

An equalities impact assessment will be carried out in relation to any budgetary changes proposed as part of the HRA Budget Setting Report in February 2014.

(d) **Environmental Implications**

The environmental implications of any changes proposed as part of the HRA Mid-Year Financial Review will be addressed by the officer responsible for the associated income or expenditure.

(e) **Procurement**

There are no direct procurement implications associated with this report.

(f) **Consultation and Communication**

Tenant and Leaseholder representatives are being consulted on the proposals in the HRA Mid-Year review as part of the HMB scrutiny process. No direct consultation has been undertaken, as no formal changes in policy are being proposed at this stage.

(g) **Community Safety**

There are no direct community safety implications associated with the HRA Mid-Year Financial Review.

5. Background Papers

These background papers were used in the preparation of this report:

- Housing Revenue Account 30-Year Business Plan (February 2012)
- Housing Revenue Account Budget Setting Report (February 2013)

6. Appendices

- Housing Revenue Account Mid-Year Financial Review

7. Inspection of Papers

To inspect the background papers or if you have a query on the report please contact:

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Version 2
Community
Services

Housing Revenue Account Mid-Year Financial Review (Business Plan Update)

October
2013

2013/14 to 2042/43

Cambridge City Council



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Section 1

Introduction

Background

The Housing Revenue Account (HRA) Mid-Year Financial Review is to be read in conjunction with the HRA 30-Year Business Plan approved in February 2012, and the HRA Budget Setting Report of February 2013.

This report provides an opportunity to consider whether there are any material changes which need to be incorporated in year, into the financial planning for the HRA in advance of the 2014/15 budget setting process, recommending any required changes to the financial strategy. The report makes proposals for the development of both revenue and capital budgets for 2014/15, providing an indication of any change in the impact on the 30-year period of the Business Plan.

These changes may include changes in assumptions made, either as a direct result of changes in external factors, economic climate, national policy, legislation and decisions taken locally.

The HRA Mid-Year Financial Review incorporates a review of the current year budget position (2013/14), and updated projections for the 5 years from 2014/15 to 2017/18, to demonstrate the full-year effects of any changes in assumptions and the impact of any changes in service delivery methods.

A key part of the mid-year review processes is the identification of:

- Items which for exceptional reasons, require immediate action or approval (which may include net changes to existing budgets).
- Items which provide context for decisions on the strategy or process, influencing:
 - The level at which any Priority Policy Fund (PPF) is set.
 - The level at which the HRA savings target is set.

Timetable

The financial planning and budget preparation timetable is shown below:

Date	Task
2013	
1 October	Executive Councillor for Housing considers HRA Mid-Year Financial Review and incorporates HMB views in recommendations to Council
10 October	Community Services consider HRA Mid-Year Financial Review
24 October	Council considers HRA Mid-Year Financial Review
2014	
16 January (Provisionally)	Executive Councillor for Housing (at a joint meeting of HMB and Community Services) considers HRA Budget Setting Report, approves rent levels and revenue budgets, following consideration of HMB and Community Services Scrutiny Committee views, making final capital related recommendations to Council
27 February	Council approves HRA Budget Setting Report

The detailed corporate budget timetable is attached at Appendix A, highlighting the aspects relevant to the Housing revenue Account.

Section 2

Housing Stock

Housing and Leasehold Stock

Housing Stock (dwelling stock owned and managed in the HRA)

Housing Category (Including Shared Ownership)	Actual Stock Numbers as at 1/4/2013	Estimated Stock Numbers as at 1/4/2014
General Housing	6,607	6,443
Sheltered Housing	520	506
Supported Housing	24	24
Temporary Housing (Individual Units)	42	42
Temporary Housing (HMO's / EA)	23	23
Miscellaneous Leased Dwellings	19	19
Shared Ownership Dwellings	86	86
Total Dwellings	7,321	7,143

Property Type (Excluding Shared Ownership)	Actual Stock Numbers as at 1/4/2013	Estimated Stock Numbers as at 1/4/2014
Bedsits	112	112
1 Bed	1,819	1,681
2 Bed	2,390	2,382
3 Bed	2,290	2,272
4 / 4+ Bed	104	104
Sheltered Housing	520	506
Total Dwellings	7,235	7,057

Leasehold Stock

At 1st April 2013, the Council retained the freehold and managed the leases for 1,092 leasehold flats.

Section 3

The National Policy Context and External Factors

External Factors

As part of the Housing Revenue Account Mid-Year Financial Review it is considered prudent to review the assumptions made in the original HRA Business Plan and HRA Budget Setting Report approved in February 2013. The impact that external factors, outside of the control of the organisation, have on the operation of the housing business, is key in decision making.

In reviewing financial projections for the future operation of the business, it is imperative that we recognise any significant changes in the assumptions previously made, and react accordingly to include these revised assumptions in our financial models.

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). Having reviewed changes in this measure of inflation over the past 12 months, the average rate of growth was 2.6%.

This is not considered to be materially different from the 2.5% included in the HRA financial model in the HRA Budget Setting Report, and therefore no change is proposed mid-year.

Expenditure in respect of building maintenance is inflated in the financial forecasts using the Building Cost Information Service (BCIS) all in tender price index. Figures in recent years have shown this measure of inflation to be increasing at lower levels than the standard measures of inflation, with forecasts indicating this index will remain low in the short term, with slow recovery in years to come, until it again outstrips CPI. On the basis of a slow recovery, it is recommended the assumption that this index runs at 2% above CPI for 5 years and then reverts to 1% above CPI, is amended to reflect inflation at 1% above CPI for the duration of the plan.

Interest Rates on Lending

The Council lends externally, on a short-term basis, any cash balances that are held at any point within the financial year. If the balances held relate to the Housing Revenue Account, the interest earned by the authority is credited to the Housing Revenue Account. The level of interest receivable on the investment of balances and reserves currently remains low. Although anticipated to be slow, recovery in the rates available is predicted in the longer term.

Status	Year	Interest Rate Earned on Balances
Council Estimated Rates (Sector)	2013/14	0.64%
	2014/15	0.64%
	2015/16	1.25%
	2016/17	1.25%
	2017/18	1.5%
Average Over Remaining 25 Years of the HRA Business Plan (External Third Party Predictions)	2018/19 to 2042/43	3.8%

In the medium to long-term, if the HRA holds significant cash reserves, set-aside to repay debt in the future, the authority will need to consider forms of longer-term lending of these larger sums, in order to secure the higher rates that are predicted to be available.

Interest Rates on Borrowing

The Council secured preferential borrowing rates from the Public Works Loans Board (PWLB), of between 3.46% and 3.53% for the self-financing loan portfolio taken out on 28th March 2012.

Any additional borrowing must be within the level of the current HRA borrowing cap, resulting in maximum borrowing in the region of £16m. It is still considered likely that this will be facilitated via internal borrowing from the General Fund, subject to the availability of this level of resource at the point at which it is required.

If external borrowing is deemed necessary, the authority has taken advantage of a certainty rate from the PWLB, ensuring that any prudential borrowing for the HRA can be secured at 20 basis points (0.2%) below the standard PWLB lending rates. The agreement runs for a year at a time, with the current agreement expiring in November 2013. If available from November 2013

onwards, the authority will again subscribe to this offer to maintain the greatest degree of flexibility possible.

The external borrowing rate assumed in the HRA Budget Setting Report was 4%, but having reviewed the certainty rates currently available from the PWLB for maturity loans with a 30 year duration, it is considered prudent to increase this assumption to 4.5% as part of the HRA Mid-Year Financial Review.

Right To Buy Sales

Following changes in right to buy legislation from April 2012, made to reinvigorate the scheme, the authority has seen a huge increase in right to buy activity.

During 2012/13, 135 right to buy applications were received and recorded, compared with 48 in the previous year. It is difficult to predict whether this level of activity will continue in the medium to long term, but consideration may need to be given to the staffing resource allocated to this area of activity.

In 2012/13, 41 of the applications proceeded to completion of the sale of the property, compared with only 12 in 2011/12. In the first 3 months of 2013/14, 11 completions took place, indicating that the higher level of sales is continuing. Although impossible to accurately predict future sales, based upon the continued higher level of activity in 2013/14 to date and the suggestion, by Central Government, that the qualifying period will be reduced from 5 years to 3 years, it is considered prudent to continue to assume a level of 42 sales in 2013/14, but to increase the assumption for 2014/15 to 35 sales, before reducing to the ongoing assumption of 28 sales per annum from 2015/16.

Right To Buy Receipts

The authority is now subject to a revised agreement with CLG, effective from 1 April 2013, allowing the authority to retain some right to buy receipts, but still subject to a set of specific conditions.

The call on right to buy receipts is as follows:

- Receipts from the first 10 to 17 sales each year (depending upon the year) are split between CLG (75%) and the authority (25%) after allowable deductions. This was

assumed in the self-financing settlement and the 25% retained can be spent on any area of our housing capital programme, but currently funds our General Fund Housing expenditure.

- For any further sales over and above the 10 to 17, the first call on the receipts is a sum considered comparable with the debt that the authority holds in respect of each dwelling. These receipts can be used for debt repayment, or alternatively could be used for HRA capital purposes, e.g.; investment in new affordable housing.
- Any residual receipt is known as a one for one (1-4-1) receipt, and in line with the agreement with CLG must be spent to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism. The balance must be funded from the Council's own resources or through borrowing. There is a 3-year time limit on delivery of the new unit, with the receipt having to be paid to central government, with interest (at 4% above the base rate) if not spent appropriately.

In respect of 1-4-1- receipts, it is not possible, under the terms of the agreement with CLG, to use the receipt to fund the development of a dwelling that is already receiving any other form of public subsidy, e.g.; Homes and Communities Agency grant.

As the resource held is capital in nature, the General Fund currently benefits from any interest earned on it. If any unused receipts have to be paid over to central government, the 'penalty' interest payable, will far exceed the level of interest that the General Fund will have earned in the interim.

The table below identifies the current 1-4-1 receipts held by the HRA:

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on Completed Dwelling
30/6/2012	0.00	0.00	0.00	N/A
30/9/2012	305,694.44	305,694.44	1,018,981.47	30/9/2015
31/12/2012	1,052,927.43	1,358,621.87	4,528,739.57	31/12/2015
31/3/2013	721,056.95	2,079,678.82	6,932,262.73	31/3/2016
30/6/2013	558,506.20	2,638,185.02	8,793,950.07	30/6/2016

It is clear from the above figures, that the authority now needs to urgently consider reviewing the balance of investment in the current HRA Business Plan, between the provision of services, investment in existing housing stock and in delivering or acquiring new affordable housing, before potentially releasing existing and future 1-4-1 receipts directly to Central Government, as delivery of new build affordable housing is only possible if the authority already has the 70% top up funding or the ability to borrow it within its borrowing cap.

The HRA does not currently have sufficient resource or borrowing capacity to fulfil the existing obligations under the 1-4-1 agreement, and consideration needs to be given to addressing this as part of the 2014/15 budget process.

National Housing Policy

National Rent Setting Policy

As part of the Comprehensive Spending Review in 2013, government announced plans for future rent policy for social housing.

The two key announcements as part of this are:

- A proposal to move from the historic inflationary increase in rent levels of RPI (Retail Price Index) plus 0.5% to using CPI (Consumer Price Index) plus 1%, for the period from 2015/16 to 2024/25.
- Indication that rent convergence will not be extended beyond 2014/15.

The commitment to a long term rent policy is intended to provide certainty and stability for both social landlords and investors, and is designed to support providers in securing private finance. It is suggested that on average, RPI has been higher than CPI by 0.5%, with the latest figures showing it to be 0.4% higher. It is argued therefore, that a move from RPI plus 0.5% to CPI plus 1% will be comparable for landlords and tenants over the longer term.

The announcement that there is no intention to extend rent convergence beyond 2014/15 comes with the statement from Communities and Local Government that:

“We expect most landlords to have achieved rent convergence by 2015. By that point, rent convergence policy will have been in place for almost 15 years – this is a significant period of

time for landlords to make full use of the rent flexibilities the Government has provided, and most have done so”.

Cambridge City Council has followed government guidelines in setting rents since the introduction of rent restructuring, including adhering to the numerous constraints introduced by Communities and Local Government throughout the process. The result is that rent levels for the authority are still considerably below the level of target rents. Many landlords are hugely concerned by these proposals, and Cambridge City Council are not alone in having concerns about their ability to support a debt which was calculated on the basis that rent levels would achieve targets during the life of the business plan, to facilitate debt repayment.

The table below indicates the net impact in the authority's inability to achieve target rents across the housing stock from 2015/16, assuming static stock numbers for indicative purposes. The table combines the difference between ceasing a move to convergence from April 2015 the previous assumption included in the HRA Business Plan, which was that rents continued to move towards target levels by a factor of £2.00 per week each year.

Year	Estimated Average Target Rent	Estimated Average Actual Rent (February 2013 Business Plan)	Estimated Average Actual Rent (With Convergence Ceased)	Rental Differential (Constraint Applied by Cessation of Convergence)	Annual Shortfall in Income Compared to HRA Business Plan February 2013
2013/14	99.81	92.78	92.78	0.00	0
2014/15	102.81	97.37	97.37	0.00	0
2015/16	105.89	102.12	100.30	1.82	688,411
2016/17	109.07	106.36	103.31	5.77	1,153,656
2017/18	112.34	110.41	106.40	5.94	1,516,774
2018/19	115.71	114.33	109.60	6.12	1,789,113
2019/20	119.18	118.17	112.88	6.30	2,000,932
2020/21	122.76	122.00	116.27	6.49	2,167,361
2021/22	126.44	125.87	119.76	6.68	2,311,095
2022/23	130.24	129.81	123.35	6.88	2,443,482

It is clear from the above table, that an inability to converge rents at target level will have a significant detrimental impact on the Housing Revenue Account. The ability to support the level of debt held, without a negative impact on the quality or volume of services that can be delivered to residents is evident. Over 30 years, the net impact of this single change on the business model is in the region of £22 million.

Some local authorities are considering whether to apply larger rent increases in 2014/15, in an attempt to close the gap between target and actual rents before the revised rent policy comes into force from April 2015. Many may choose to move directly to either target rent or limit rent, despite the fact that this will mean rent increases above the inflation, plus 0.5% plus £2.00 cap that should exist for any one household. At April 2013, 158 were being charged at target rent, with the variance between target and actual for the rest of the housing stock ranging between £0.31 and £40.28 per week on a 52 week basis. The average difference between target and actual rent was £7.01 per week on a 52 week basis.

The financial impact of the move to using CPI as the driver for rents inflation, from RPI, is more difficult to quantify, as historically these rates have been volatile, and both have been higher and lower than each other at different times. In recent years, RPI has proved to be the higher of the two rates, with a differential of approximately 0.5%, suggesting that the impact of a change from RPI plus 0.5% to CPI plus 1% may not be significantly different for tenants in real terms over the longer term. The HRA Business Plan incorporated the assumption that the base rate of inflation, whether RPI or CPI, was the same, so as not to assume that rents increased at a far greater pace than the associated expenditure. Many other local authorities will have assumed that RPI drives both income and expenditure, thus also using the same base rate of inflation for both income and expenditure. This assumption means that any move to **inflation plus 1%**, from **inflation plus 0.5%**, for rents, will have a positive impact on our business model, and would in fact negate the financial impact of our inability to move to target rents.

Proposed changes to social housing rent setting policy will be consulted upon by Communities and Local Government prior to implementation, but Government Spending Plans have already been constructed incorporating the assumptions described above.

Welfare Reforms

April 2013 saw the removal of the subsidy on bedrooms deemed to be 'spare' for working age tenants, which impacted less than 500 City Council residents. This number was lower than the 600 originally anticipated due to a combination of changes in household circumstances and award of Discretionary Housing Payments (DHP). Under these changes, housing benefit entitlement for a household considered to be under-occupying by one bedroom is reduced by approximately 14%, and by two bedrooms by approximately 25%.

Discretionary Housing Payments are being considered by the Housing Benefits Service on a case by case basis, with time-limited top up payments being awarded, from a finite allocation of resource, to allow tenants the time to make alternative housing arrangements. In some cases, tenants are registered with Homelink, and are actively looking to downsize to a property which suits their household size in Housing Benefit terms. DHP can be awarded to meet the additional rent payments whilst this takes place. At the end of August 2013, it was estimated that 45% of residents affected were paying the additional rent due, with an estimated £29,000 of arrears relating households affected by the social sector size criteria reduction. It is estimated that 77% of residents affected are now paying, due to increased staffing input from City Homes.

The Benefit Cap (a cap of £500 per week for families, and £350 per week for a single person) was introduced later than anticipated, effective from 15th July 2013. Although the full impact for City Council tenants has not been fully realised, 10 cases had been notified to us by the Department for Work and Pensions (DWP) at the time of writing this report.

The introduction of Universal Credit, which replaces a range of existing means-tested benefits and tax credits with a single payment, has been delayed, with additional pilot projects expected to take place during the autumn of 2013. Introduction in Cambridge is now anticipated to be no earlier than October 2014.

From the point of introduction, new claimants for Job Seekers Allowance (working age and income based), Income Support, Employment & Support Allowance (income related), Child Tax Credit, Working Tax Credit and Housing Benefit, will claim Universal Credit. Claimants will be paid directly, and will receive monthly payments, in arrears, administered centrally by the DWP. Pensioners continue to be excluded from these arrangements at present.

The impact of these reforms in respect of our housing business is still difficult to quantify, but the experience of many of the pilot authorities, with the need to collect 100% of rent directly from tenants as opposed to less than 50%, is a significant increase in rent arrears and in collection and recovery costs.

Supporting People

Uncertainties continue to exist in respect of the funding, managed on a county-wide basis by Cambridgeshire County Council, for the provision of support services in the city. Cambridge City Council are still currently contracted to deliver support services in sheltered housing, extra care housing and temporary accommodation across the housing stock.

The current contracts are operating under temporary extensions whilst the County Council decide upon the most appropriate delivery vehicle for the future, whether this is a formal tender, or some form of partnership agreement. It is clear that financial pressures for the County Council continue to drive the need for services to be delivered with significantly lower level of funding in the future.

The table below summarises the current funding received for the provision of support services, highlighting the current contractual position for the authority.

Contract	No. of Units	Contract Status	Estimated Support Income 2013/14 (£)	Risks / Ongoing Assumptions
Temporary Housing (116 Chesterton Road)	60	Block Gross Contract – Extension Expires 31/3/2014.	132,070	Supporting People could tender the service, with the City council being unsuccessful.
Temporary Housing (New Street)				
Temporary Housing (Dispersed Tenancies)				
Temporary Housing (Shared Houses)				
Sheltered Housing	468	Fixed Price Block – Re-extension Expires 31/3/2014	212,450 (net income for 12 months)	Tender documents were anticipated in July 2013, but current decision by County Council is to enter into discussions with the City Council, with the outcome yet unknown.
Community Alarms	44	Anticipated to expire 31/12/2013 in line with sheltered housing contracts.	9,310	Potential to contract direct with each landlord in isolation or let a contract county-wide.
Ditchburn Place (Extra Care)	36	Block Gross Contract (Part of Care Contract) – Expires 25/1/2014. Request by County to extend contract until 31/3/2015.	45,740	Extension carries financial risks for the General Fund, as care is currently being subsidised by the City Council.
Total Maximum Support Income (Gross of Voids)			399,570	

Section 4

Housing Service Mid-Year Budget Issues

2012/13 Outturn

The position at outturn for 2012/13 has been scrutinised and changes to the 2013/14 budget and beyond as part of the HRA Mid-Year Financial Review are recommended as a result. Areas of particular under and over-spending in 2012/13 have been investigated to determine whether variances from the budget were one-off, with appropriate explanation, or demonstrated potential patterns in spending for the future. Changes proposed are detailed in Section 9 of this document, and are included in the HRA Summary Statement (2013/14 to 2017/18) at Appendix E.

2013/14 Budgets

HRA General Management

The key issues affecting estimated general management expenditure for 2013/14 and future years relate predominantly to the changes either being experienced, or anticipated, as part of the Welfare Reforms. It is currently difficult to accurately predict the impact that these changes will have on the workload of existing staff in City Homes and the Business Team, the increase in collection costs that will occur and the impact that will be experienced in the level of rent arrears, and therefore potentially bad debt for the HRA.

The ongoing mid-year revenue savings in general management expenditure incorporated as part of the HRA Mid-Year Financial Review forecast include:

- £12,430 reduction in the budget for Resident Involvement, from 2013/14, following a revised approach to the delivery of this service. This saving is offered, after allowing for the employment of a third team member in the Resident Involvement Team and the

construction of a planned programme of spending in line with the proposals previously presented to HMB.

- £14,350 reduction in Strategic Housing overheads, from 2013/14, incorporating savings in external audit fees, stock valuation costs, training and rent collection charges.
- £10,000 reduction in City Homes overheads, from 2013/14, incorporating savings in equipment purchase, telephone costs and consultants fees.
- £57,600 anticipated savings in IT costs, from 2014/15, as a direct result of a change in supplier from July 2013.

The HRA Mid-Year Financial Review has also identified one-off reductions in general management budgets in 2013/14 and one-off additional income expectations, including:

- £102,000 saving in 2013/14, recognising the deferred need to meet rent collection costs for 100% of tenants, due to delays in the implementation of Universal Credit until October 2014 at the earliest.

HRA Special Services

The greatest areas of uncertainty across special services are the anticipated changes in the delivery and funding mechanisms for the provision of support services, where the County Council are yet to confirm the final position from 2014/15 onwards and in the delivery vehicle for building cleaning services, where Streets and Open Spaces are in the process of reviewing the provision of these services.

The unavoidable additional revenue funding requirements for HRA special services incorporated as part of the HRA Mid-Year Financial Review forecast include:

- £19,250 per annum, ongoing from 2013/14, in respect of a reduction in the anticipated income for the emergency alarm and response service provided by the Independent Living Service. This is due to a reduction in customer numbers, both in individual private residents and housing association clients.
- £6,000 per annum, ongoing from 2013/14, in respect of an increase in gas usage costs at Ditchburn Place, predominantly due to the nature of services provided on this site.

The ongoing mid-year revenue savings in special service expenditure incorporated as part of the HRA Mid-Year Financial Review forecast include:

- £11,760 per annum, from 2013/14, in respect of communal electricity usage costs, based upon prior year experience.

Repairs & Maintenance

The Repairs and Maintenance Service is still facing the challenges of demonstrating that the responsive repair and void services can be delivered in-house in a more efficient and cost effective manner than could be achieved if the service were to be externalised. Major changes in Information systems during 2013/14 will help to facilitate this.

The unavoidable additional revenue funding requirements for repairs and maintenance incorporated as part of the HRA Mid-Year Financial Review forecast include:

- £45,000 in 2013/14 only, recognising the element of the cost of adjudication with the housing planned maintenance contractor that the authority is required to bear. The arbitration provided a predominantly positive outcome for the HRA overall.

The HRA Mid-Year Financial Review forecast also incorporates one-off reductions in repairs and maintenance budgets in 2013/14, including:

- £100,000 saving in the void repairs budget, based upon a reduction in average void costs due to changes made as part of the Repairs Improvement Plan. A zero based budget exercise will be undertaken as part of the 2014/15 budget process.

HRA Summary Account

The HRA Mid-Year Financial Review forecast also incorporates one-off reductions in summary account expenditure budgets in 2013/14, one-off additional income expectations, and ongoing changes, including:

- £20,000 saving in 2013/14, recognising that there will be no need to obtain external borrowing advice in the current financial year. The provision has currently been retained for future in light of the intention to borrow to fund new build housing.
- £25,000 increase in income in 2013/14, in respect of the capitalisation of the costs of administering a continuing higher level of right to buy sales. This figure is based upon the total value capitalised in 2012/13, with sales in 2013/14 expected to remain at similar levels.
- £192,670 reduction in the annual contribution to the bad debt provision for 2013/14, recognising that the impact of being required to collect 100% of rent directly from tenants will not be realised until 2014/15.
- £122,990 increase in anticipated rental income for 2013/14 compared to original budgets set in February 2013, where specific assumptions were made in respect of rent loss for re-development voids, but now recognising that general voids have been lower in 2013/14 to date, possibly as a direct result.
- £27,530 additional interest payable by the HRA in 2013/14, recognising that the HRA will still be under-financed in year, as debt set-aside was not formally undertaken in 2012/13. Monies available for debt set-aside in 2012/13 were transferred to ear-marked reserve for potential debt redemption or future re-investment to retain maximum future flexibility for the HRA.
- £24,920 reduction in interest received on HRA balances due to a reduction in the anticipated rate for 2013/14 from 0.82% to 0.64%.
- £169,070 ongoing increase in depreciation costs for the housing stock, based upon the latest estimates, and including recognition that the depreciation costs for surplus HRA assets held impacts the revenue bottom line for the HRA.
- £259,410 additional income for the provision of support services in 2013/14, where prudent assumptions were made as part of the 2013/14 budget process, recognising that Supporting People contracts were due to terminate in March 2013. Contract extensions, with no changes in contract values, mean that income is still being received in 2013/14.

Section 5

Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

The performance with regard to collection of rent income is key in the delivery of the Housing Revenue Account Business Plan. Rent arrears at 31st March 2013 were £661,246 in respect of current tenants and £862,042 for former tenants.

Performance in the collection of current tenant debt was maintained in 2012/13, and in the early part of 2013/14, despite the economic climate, changes imposed with the removal of the spare bedroom subsidy and the initial impact of the benefit cap, introduced in July 2013. The small number of residents affected by the cap, coupled with additional staffing input into proactive rent arrears support for residents, is expected to allow the HRA to maintain the current level of rent arrears by the end of 2013/14.

However, the position is likely to worsen during 2014/15, with the introduction of Universal Credit, based on the initial experience of pilot authorities seeing a marked increase in the level of rent arrears.

On this basis, the higher level of contribution that was approved for the bad debt provision for 2013/14, assuming the need to collect 100% of rent from April 2013, is not anticipated to be required. The higher level will need to be retained from 2014/15, and further consideration, as part of the 2014/15 budget process, will need to be given to whether this is increased further in light of the experience of the pilot authorities.

At 31 March 2013, the provision for bad debt stood at £1,204,518, representing 79% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2012/13 was £368,335, representing a void loss of 1.11%, compared with £354,050 in 2011/12, representing a void loss of 1.15%.

Void levels remain high in 2013/14, due to a combination of the sheltered housing refurbishment programme and the re-development programme, where properties are vacated well in advance of works commencing.

On an ongoing basis, an assumption of 1% voids in general housing is still considered prudent.

Rent Restructuring

Rent restructuring, which was designed to ensure consistency in rent levels for all social housing tenants, irrespective of landlord, is now under some scrutiny at national level.

Although introduced in April 2002, the difference between target and actual rents at a local level, combined with the constraints applied by Communities and Local Government, mean that only a small proportion of the City Council's housing stock will achieve target rent levels by April 2015, the point from which the regime may now cease to operate.

At April 2013, the average actual rent was representative of 93% of the average target rent.

If the changes indicated as part of the Comprehensive Spending Review are implemented, with April 2014 being the last time that rents can be increased specifically towards convergence, only a handful of the City Council's housing stock will ever reach target rent, having a significant negative financial impact on the HRA as a housing business.

Rent Policy and Rent Setting

At the start of 2013/14, the average target rent for the general housing stock was £99.81, the limit rent was £96.50 and the average actual rent being charged was £92.78. The limit rent is set by government, and is the rent level over which the HRA would need to pay rent rebate subsidy limitation to the General Fund, impacting the level of subsidy received from the

Department for Work and Pensions for housing benefit payments. From April 2015, the limit rent and the target rent are expected to be set at identical levels, so that rent rebate subsidy limitation no longer exists.

The latest policy allowed for the transition of energy efficient void properties direct to target rent before re-let. Based upon inspections in 2013/14 to date, 64% of void dwellings have an energy efficiency rating of C or above. In the 4 months from April to July 2013, the rent for approximately 54 properties has moved directly to target rent. If this trend were to continue, it could be estimated that 2.2% of the housing stock would move directly to target rent in any one financial year.

Using the average differential between target and actual rents, the decision to move energy efficient voids direct to target rent would result in an additional £59,000 each year, with the annual sum reducing as actual rents neared target rents under the existing rent restructuring formula.

If the proposed cessation of a move to target rents is introduced, it appears there will no longer be the ability to continue with this approach to moving void dwellings to target rent after 2014/15.

Rent levels will continue to be set in January of each year, with the Executive Councillor for Housing having delegated authority to make this decision, following pre-scrutiny by Housing Management Board.

Historically, Cambridge City Council has always set rents in line with government guidelines and the government expectation under self-financing was that this would be expected to continue.

As identified in Section 3, National Housing Policy, significant changes are proposed to national rent setting policy from April 2015, with a view that rent restructuring should be discontinued after 2014/15, irrespective of the disparity that this may leave between local authority and other social housing providers rent levels.

A decision will need to be made as part of the 2014/15 budget process, as to whether the City Council wishes to deviate from government rent setting policy for 2014/15, to mitigate the

negative impact on the HRA Business Plan of the proposal to end rent restructuring from 2015/16. For example a move directly to limit rent from April 2014 would see an average increase of £5.38 per week, before inflation. The decision on the level of rent increase to approve will need to be made in the context of the wider budget setting process, taking account of the financial projections for the Housing Revenue Account over the longer term.

Reserves

Housing Revenue Account General Reserves

Reserves are held partly to help manage risks inherent in financial forecasting and budget-setting. These risks include changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies, such as uninsured damage to the housing stock. In addition, reserves may be used to support the Housing Capital Investment Plan and, in the short-term, to support revenue spending, for example to spread the impact of savings requirements over more than one financial year.

For the Housing Revenue Account the intended target level of reserves remains at £3m, with a minimum level of reserves of £2m.

The impact on HRA reserves for 2012/13, and 2013/14 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	Financial Year	
	2012/13 £'000	2013/14 £'000
Original Budget (Approved in February)	2,602	(726)
Carry Forwards (Approved in June)	1,853	3,109
Total Including Carry Forwards	4,455	2,383
MTS / MFR Mid-Year Review (Approved in October)	99	(579)
Total Including Mid-Year Amendments	4,554	1,804
Budget Setting Report Revised Budget (February)	57	-
Total Including Revised Budget Changes	4,611	-
Actual Outturn (Reported in June)	1,479	-

The original budget for 2013/14 approved a net contribution to reserves of £725,500, recognising the desire to hold target HRA general reserves of £3,000,000. The budget incorporated a revenue contribution of £7,162,340 to fund capital expenditure.

This projection includes the effects of changes in capital resources, incorporation of revenue and capital funding requests included as part of this HRA Mid-Year Financial Review and any requested carry forwards from 2012/13.

The final general HRA reserves position for 31 March 2013 was £5,495,489. This included £3,108,480, which will be required to fund the approved carry forward items.

The revised projection of the use of reserves in the current year (2013/14) now indicates that there is expected to be a net contribution from reserves of £1,804,140.

Earmarked Funds

In addition to General Reserves, the Housing Revenue Account maintains a number of earmarked or specific funds which are held for major expenditure of a non-recurring nature or where the income is received for a specific purpose. See Appendix G for detail. The following funds are currently held:

- Repairs and Renewals
- Major Repairs Reserve
- Shared Ownership
- Tenants Survey
- Aerial Monies
- Pension Fund
- Set-Aside for Potential Debt Repayment or Future Re-Investment

Section 6

Capital - Existing Stock

Stock Condition / Decent Homes

The authority holds validated stock condition data for its housing stock, which is continually updated. However, one of the areas where data gathering and recording is still weak is in respect of the communal areas of both sheltered and flatted accommodation, where an allowance has been made in the financial planning in anticipation of a more detailed investment profile in the future. Staff have now been recruited to allow this piece of work to be progressed during 2013/14.

The housing service reported achievement of the decent homes standard in the housing stock as at 1 April 2013 at 96.5%, compared with just over 96% achieving the desired standard at 1 April 2012. There were 253 properties that were considered to be non-decent (in addition to the 845 refusals), with another 53 anticipated to become non-decent during 2013/14. The local decision to move to an investment standard with shorter lifecycles, results in a level of decency against this higher standard of 89.4% at April 2013. This local standard incorporates shorter lifecycles for kitchens, bathrooms, boilers and windows as part of the advice provided by Savills in the preparations for self-financing. Against this standard, there were 827 properties that were considered to be non-decent (in addition to the 845 refusals), with another 528 anticipated to become non-decent during 2013/14.

Stock Investment

Appendix F provides detail of the 5-Year Housing Capital investment Plan, and incorporates the following items:

- Expenditure as approved in the HRA Budget Setting Report in February 2013.
- Re-phasing of expenditure anticipated to take place in 2012/13 into 2013/14 and beyond, as approved in July 2013.

- Items identified as part of the HRA Mid-Year Financial Review.
- Capital financing has been updated in respect of revised assumptions in right to buy and other capital receipts, revenue funding of capital expenditure and borrowing requirements.

The changes proposed as part of this HRA Mid-Year Financial Review include:

- Re-phasing of expenditure and approval of revised funding requirements, based upon the latest development appraisals for new build / re-development schemes (see table in section 7).
- Removal of the residual budget of £7,000 for the delivery of the first 7 units of new build in Harris Road, Cockerell Road and Church Lane, as all costs have been realised.
- In-year re-allocation of budgets for decent homes and other works to the housing stock in line with contract packages awarded to Apollo, Kier and other contractors under the SCAPE and ESPO frameworks.
- Reduction of £1,878,000 in the allocation for backlog works in 2013/14, re-profiling this funding to the end of the 10-year programme, to 2022/23, recognising difficulties in delivery at the anticipated levels within existing contractual constraints.
- Reduction of £150,000 in the budget for disabled adaptations, recognising that current commitments are not likely to exceed the full budget, which included a significant carry forward from 2012/13.
- Re-phasing of £50,000 of the decent homes budget for wall finishes from 2013/14 into 2016/17, in line with anticipated delivery timescales.
- Re-basing of internal fees, planned maintenance contractor overheads and inflation, recognising both the decision in 2012 to increase In-house staff to deliver higher levels of capital investment in the housing stock and subsequent decisions to re-phase expenditure.

The current HRA Business Plan, and resulting Housing Capital Investment Plan are constructed on the basis of delivering at an investment standard in our housing stock.

As part of the work for the 2014/15 budget, officers will consider the difference in costs of returning to the basic decent homes standard, to provide flexibility to respond to anticipated

increased financial pressures elsewhere across the housing service and / or to re-direct into other areas of investment, ie; new build affordable housing.

Significant work is required to ensure that the authority can accurately profile the agreed level of capital investment required in the housing stock over the short to medium term, making sure that delivery is possible in procurement terms in line with investment aspirations.

Section 7

Capital & Asset Management – New Build & Re-Development

Asset Management

Consideration is now being given to strategic acquisition or disposal of assets, following approval of the HRA Acquisition and Disposal Policy in June 2013.

A review is also underway in respect of the HRA's shared ownership portfolio, currently consisting of 86 dwellings, with a view to recommendations for the future being presented to committee in January / February 2014. The review will consider both the condition, use and occupancy of the existing shared ownership stock, and whether the authority should build new shared ownership stock on development sites.

Receipts from asset disposals continue to be recognised in the HRA's reserves only at the point of receipt and after all relevant costs have been provided for.

Outside of the currently approved 3-Year Affordable Housing Programme, the following HRA assets have been, or are being, considered for market acquisition or disposal:

Potential Acquisition/Disposal	Comment	Status
24 Elizabeth Way	Consideration being given to potential market disposal of this vacant dwelling	Under Investigation
1 Honey Hill	Offer from owner occupier for consideration of buy back of ex-right to buy dwelling	Under Investigation
18A Magrath Avenue	Dwelling requires significant investment. Potential to dispose of leasehold dwelling to neighbour who would seek to acquire the freehold for the block	Under Investigation

New Build & Re-Development

The Council secured Homes and Communities Agency grant of £2,587,500 towards the development of 146 affordable homes in the city, which form part of the 3-year affordable housing programme.

The Seymour Court / Seymour Street site is now nearing completion, and will be re-let as Jane's Court in the autumn of 2013.

At the time of writing this report, approximately 90% of residents affected by the re-development programme had been re-housed and 6 of the 19 leasehold re-purchases required had taken place.

As each scheme receives specific committee approval, the indicative cost of the scheme is incorporated into the Housing Capital Investment Plan. As the scheme design progresses and planning approval is sought, revised and more accurate scheme costs are available. As part of the HRA Mid-Year Financial Review, the latest scheme appraisal costs have been incorporated into the financial models, and therefore the Housing Capital Investment Plan. These costs will still not be the finally agreed contractual sums that the authority enters into, but will ensure that the most up to date data is being utilised.

Scheme	Committee Approved Social Housing Units	Committee CCC Funding Approval (capital cost net of grant & land transfer)	Revised Social Housing Units for Approval	Revised CCC Funding for Approval (capital cost net of grant and land transfer)
Seymour Court	21	953,000	20	878,440
Latimer Close	12	1,181,590	12	1,250,180
Barnwell Road	16	938,160	12	1,094,750
Campkin Road	18	2,144,740	20	2,451,640
Colville Road	21	1,344,950	19	1,304,920
Water Lane	14	1,180,790	14	1,384,170
Aylesborough Close	16	2,033,610	21	2,543,670

Scheme	Committee Approved Social Housing Units	Committee CCC Funding Approval (capital cost net of grant & land transfer)	Revised Social Housing Units for Approval	Revised CCC Funding for Approval (capital cost net of grant and land transfer)
Stanesfield Road	5	608,550	4	554,020
Wadloes Road	6	663,110	6	646,530
Atkins Close (Garage Site)	7	583,000	8	601,070
Hawkins (Garage Site)(*)	0	0	5	513,590
Fulbourn (Garage Site)(*)	0	0	4	252,670
Ekin Road (Garage Site)(*)	0	0	4	403,140
Yet to be allocated to Specific Schemes	10	671,660	0	0
Total	146	12,303,160	149	13,878,790

(*) Some of the above schemes are still at viability stage, and therefore have not yet received formal planning approval. As such, it is not guaranteed that schemes will proceed if they prove to be either financially or technically unviable. The net funding approval identified above assumes delivery of a 60/40 split of affordable versus market housing across the programme. As part of the scheme proposals being presented in this committee cycle, consideration is given to the option of delivering 100% affordable housing on these sites, with delegations sought for final approval of the option which deliver the best results.

The Housing Capital Investment Plan, an updated version of which is attached at Appendix F, incorporates the funding for new build schemes as identified in the table above, recognising the need for gross spend on the affordable housing scheme, land values and grant receipts to be shown separately, but arriving at the net cash cost to the Council as per the table above.

If the option to deliver 100% affordable housing on any of the latter sites is approved, any changes in funding requirements will be incorporated as part of the HRA Budget Setting Report in January / February 2014.

The Council has procured Hill Partnerships to develop out the Clay Farm site, to include 105 new Affordable Housing dwellings for the Council. Funding for the scheme has been ear-

marked in the HRA Business Plan, but a final funding model requires approval by Community Services Committee once a detailed scheme has been drawn up for planning approval.

City Deal

The Council has included two significant requests to government under the City Deal bid that, if progressed, would significantly benefit the HRA Business Plan. First a controlled relaxation of the debt cap has been proposed and secondly the three year time frame to reinvest RTB receipts has been requested to be extended to five years.

Section 8

Summary and Conclusions

HRA Budget Strategy

The Budget Process

The HRA budget process for 2014/15 will remain broadly similar to that for previous years, working within cash limited budgets, and considering savings in general management and repairs administration, to meet both known financial pressures and to create policy space to allow for strategic re-investment in housing services. The key changes proposed are:

- Undertaking zero based budget exercises in a number of specific areas, where a wider review of spending is considered appropriate, to include both void and cyclical revenue repairs.
- A special combined meeting of both Housing Management Board and Community Services, to allow decisions to be made that allow rent levels to be set within the statutory timescales, whilst also facilitating consideration of alternative budget proposals, taking account of the inextricable financial links between revenue and capital decisions in the HRA.
- In line with tenants views, consideration will be given, as part of the 2014/15 budget process as to whether changes should be made to the balance of expenditure between the level of direct investment in the existing housing stock, in new build affordable housing and in the potential to invest further in housing services, dealing with enquiries, supporting tenants and tackling anti-social behaviour.

The updated base model used to prepare this report has driven the recommendations in respect of the 2014/15 budget process, recommending the level of savings required to meet both current and anticipated spending needs.

The HRA Mid-Year Financial Review has highlighted the need for additional resource in some areas and the ability to offer mid-year savings in others. The inclusion of these in the financial

modelling undertaken as part of the review of the HRA, will ensure that the most appropriate decisions can be made in respect of the Housing Revenue Account's approach to setting the 2014/15 budget.

Approach to HRA Savings

The September 2012 HRA Mid-Year Business Plan Update set a target of 1.6% for ongoing savings in general management expenditure for 2013/14, equivalent to £76,880, recognising the desire to continue to create policy space for strategic re-investment. A separate target of £21,310 was set in respect of repairs expenditure, recognising the anticipated reduction in stock numbers. Priority policy funding at the increased level of £150,000 was provided for.

For 2014/15, a sustainable position is sought, continuing to assume that resources are set-aside for the future repayment of debt within the 30-year business plan, whilst utilising HRA reserves and any additional surplus generated, to meet the identified investment need in both the housing stock and in new build affordable housing, maintaining balances at the target level of £3m.

Current financial projections, taking account of revised assumptions and incorporating all changes proposed as part of this HRA Mid-Year Financial Review, indicate a savings requirement of 2% per annum from 2014/15, in order to deliver a sustainable HRA over the next 30 years. This target is set assuming savings in both general management and repairs administration expenditure, which will require savings in the region of £113,000 per annum. This level has been set to include the continued higher provision of £150,000 of priority policy space for 5 years, as outlined in this document. Consideration will be given, as part of the 2014/15 budget process, to whether the level of policy space should be retained at this higher level in the medium term. The financial modelling also continues to incorporate the assumption that responsive repair budgets are adjusted proportionately to reflect anticipated changes in stock numbers.

The position will be reviewed again as part of the February 2014 HRA Budget Setting Report, with a view to achieving a balance between prudence and deliverability, based on the latest information available.

Base Assumptions

In order to update the Housing Revenue Account Business Plan, the assumptions included in the base plan have been revisited, and confirmed or amended as appropriate in the light of any more up-to-date intelligence and information.

In all cases, the revised assumptions included are derived from the best information available at the current time, utilising both historic trend data and the expert advice and opinion of specialists in the field of housing finance, lending and borrowing and asset management. The base financial assumptions included in the financial model are included at Appendix C.

Appendix E summarises the revenue budget position for the HRA for the period between 2013/14 and 2017/18, based upon inclusion of the amended financial assumptions that form part of the revised base self-financing business plan.

Sensitivities

In respect of all of the assumptions that are incorporated into the HRA Business Plan, there continue to be numerous alternative judgements that could have been made. It is not possible to predict accurately what will happen in the future, particularly in respect of external factors completely outside of Council control.

To demonstrate the potential financial impact of any change in key factors, the table at Appendix D indicates either the cost to the HRA or the change in the HRA's ability to pay off debt, with the current base model being amended for a number of individual sensitivities. This will identify only the impact of a single assumption change, and not the compound impact of multiple changes.

Appendix H details a number of identified financial and operational uncertainties, highlighting risks and describing areas of known change but with currently unquantifiable impacts.

Appendix A

Financial Planning Timetable

Date	Major Stage
2013	
23 May	Council adopts Annual Statement setting out plan & priorities for 2013/14
18 Sep	General Fund (GF) Mid-Year Financial Review (MFR) published for S&R Scrutiny Committee
19 Sep	Housing Revenue Account (HRA) MFR published
30 Sep	S&R Scrutiny Committee / Leader recommendation of GF MFR to Council
1 Oct	Housing Management Board (HMB) considers the HRA MFR
10 Oct	Community Services Scrutiny Committee considers the HRA MFR
14 Oct	Accountancy despatch: Budget Process Guidance
	Accountancy despatch: Budget proposals pro-forma to Heads of Service
	Accountancy despatch: Budget Working Papers to Cost Centre Managers
17 Oct	MFR & budget briefing for Heads of Service
Oct	Budget process workshops for managers
24 Oct	Council considers GF and HRA Mid-Year Financial Review reports
8 Nov	Managers to complete and return Budget Proposal Forms to Accountancy <ul style="list-style-type: none"> · 2013/14 Revised Budget items · 2014/15 Revenue Budget Proposals · 2014/15 Capital Budget Proposals · Outcomes of Service Reviews
15 Nov	Managers return completed budget working papers (incorporating budget proposals)

Date	Major Stage
w/c 18 Nov	Officer Working Groups meet to consider and comment on budget proposals
16 Dec (provisional)	HRA Budget Setting Report 2014/15 published
Dec	Provisional Government Settlement Announcement
2014	
6 Jan	GF budget proposals for Environment and Community Services Scrutiny Committees published
8 Jan	GF Budget Setting Report 2014/15 published for Strategy & Resources Scrutiny Committee
Jan	Final Government Settlement Announcement
14 Jan	Environment Scrutiny Committee consider budget proposals for own portfolios
16 Jan (provisional)	<p>Meetings of Community Services Scrutiny Committee and Housing Management Board (Special) consider the HRA Budget Setting Report</p> <p>Community Services considers any Executive & / or Opposition HRA budget amendment proposals relating to capital</p> <p>HMB meeting considers any Executive & / or Opposition HRA budget amendment proposals to revenue budget and / or rent levels</p> <p>Executive Councillor for Housing approves rent levels and revenue budgets. Executive Councillor makes final capital proposal recommendations to Council.</p>
16 Jan	Community Services Scrutiny Committee consider General Fund budget proposals for its own portfolios
20 Jan	Strategy & Resources Scrutiny Committee considers GF budget proposals for its own portfolios and GF Budget Setting Report
23 Jan	Meeting of The Executive to consider and recommend GF Budget Setting Report and Council Tax requirement
7 Feb	Special Strategy & Resources Scrutiny Committee considers any GF budget amendment proposals
27 Feb	Council approves GF Budget and sets Council Tax (including precepts). Council approves Capital & Revenue Projects Plan (including HRA recommendations)
31 Mar	Approved budget reports to be sent to Cost Centre Managers by Accountancy

Note: Items that are applicable to the HRA are shown as shaded lines.

Appendix B

Key Risk Analysis – New or Amended Risks

Risk Area & Issue arising	Controls / Mitigation Action	Status
Effects of Legislation / Regulation		
Ability to move properties to target rent is constrained by legislative changes	<ul style="list-style-type: none"> • Impact of proposed changes to national rent policy is incorporated into financial planning. • Consideration could be given to remedial action in 2014/15. 	New
External income / funding streams		
Changes to the right to buy rules and pooling regulations result in a continued significant increase in sales and commitment to deliver replacement units or pay over receipts with interest	<ul style="list-style-type: none"> • Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity 	Amended

Appendix C

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	2.5%	General inflation on expenditure included at 2.5% (Based upon CPI to June 2013), from 2014/15.	Retained
Capital Programme Inflation	3.5% ongoing	Real increase above CPI of 1%.	Amended
Debt Repayment	Set-Aside to Repay Debt	Assumes resource is set-aside to repay debt as loans reach maturity dates.	Retained
Capital Investment	Investment Standard (in 10 Years)	Base model assumes investment standard in the housing stock, compared with a basic decent homes standard. This will be reviewed as part of the 2014/15 HRA BSR.	Retained
Pay Inflation	2.9% for 2014/15, then 4.4%	Assume pay award of 1% and allowance for increments at 1.9% for 2014/15, then re-introducing allowance for pay award at 2.5% from 2015/16 onwards.	Retained
Employee Turnover	3%	Employee budgets - assume an employee turnover saving of 3.0% of gross pay budget for office-based staff.	Retained
Rent Increase Inflation	3.5% from 2014/15, 3% from 2025/26	Rent increases in line with government proposals of RPI at the preceding September plus 0.5% for 2014/15 and then move to CPI plus 1% from 2015/16 to 2024/25. Assume RPI in September 2013 is 3%. CPI as above.	Amended
Rent Convergence	No	Assume that current government proposals inhibit the ability to move to target rents after 2014/15.	Amended
External Lending Interest Rate	0.64% for 2 years, 1.25% for 2 years, then 1.5%	Interest rate – based on latest market projections (on average 0.64% for 2013/14 and 2014/15, 1.25% for 2015/16 and 2016/17, then 1.5% from 2017/18.	Amended
Internal Borrowing Interest Rate	0.64% for 2 years, 1.25% for 2 years, 1.5% & 3.8% ongoing	Assume the same rate as anticipated can be earned on cash balances held, so as not to detriment the General Fund over the longer term. Long term lending rates taken from information supplied by third party advisors.	Amended
External Borrowing Interest Rate	4.5%	Assumes additional PWLB borrowing at a rate of 4.5%. Current rates for 25 to 50 years range from 4.44% to 4.52%.	Amended
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising increased risks in HRA Self-Financing environment.	Retained
HRA Target Balances	£3,000,000	Maintain HRA target balance at £3,000,000.	Retained
Right to Buy Sales	42, 35, then 28 sales	Reinvigoration of the scheme has prompted increased activity. Assume 42 for 2013/14, 35 for 2014/15, then 28	Amended

Key Area	Assumption	Comment	Status
	ongoing	per annum.	
Right to Buy Receipts	Only settlement right to buy sale receipts included	Right to buy receipts in the debt settlement included, assuming the receipts will be utilised partly for general fund housing purposes. Additional receipts anticipated have been excluded, but recognising they are required to be utilised to repay debt, deliver new affordable housing or be paid to CLG in 3 year agreed timescale.	Amended
Void Rates	Property specific for 2013/14, then 1%	Assumes continued higher void rate for 2013/14 based upon actual activity, then 1% assumed from 2014/15 onwards.	Amended
Bad Debts	0.56% for 2013/14, then 1.12%	Historic bad debt provision made in the HRA was increased by 100% from 2013/14 to reflect the requirement to collect 100% of rent directly. Universal credit is delayed until at least April 2014, so amend current year back to 0.56%. Assumes an extension of the existing rent payment profile across the entire housing stock.	Amended
Rent Collection Transactional Costs	An increase in transactional costs of £100,000 per annum from 2014/15	An increase of £100,000 per annum was included from 2013/14, recognising the increase in transactional collection costs associated with the requirement to collect 100% of rent directly from tenants, as opposed to receiving approximately 50% via housing benefit as currently happens. With Universal Credit delayed until April 2014, this assumption has been deferred by one year.	Amended
Debt Management Expenses	£20,000 per annum	Internal treasury management is recharged within existing SLA's. This allows a provision for specialist financial advice in this field, now from 2014/15.	Amended
New Build Programme	250 Units	Assumes delivery of the current 3-year affordable housing investment programme of 146 units, where HCA grant funding has been approved and an additional 104 units on the Clay Farm site in 2016/17.	Retained
Savings Target	2%	A savings target is included in the HRA model, with the assumption that savings and efficiencies will be driven out to allow strategic re-investment. The target is calculated as a percentage of net general management and repairs administration expenditure.	Amended
Responsive Repairs Expenditure	Reduced pro rata to stock reductions	An assumption is made that direct responsive repair expenditure is reduced annually in line with any reduction in stock numbers.	Retained
Policy Space	£150,000	Policy space retained in base model at an increased level for 5 years recognising desire to expand services and respond to external pressures. To be reviewed as part of 2014/15 HRA Budget Setting Report.	Retained
Service Reviews	On case by case basis	Outcomes of service reviews will deliver ongoing benefit to the HRA as indicated in the review business case.	Retained

Appendix D

Business Planning Sensitivity Analysis – New or Amended Sensitivities

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Interest Rates for additional borrowing	PWLB fixed rate maturity loan at 4.5%	Assume fixed rate loan over 30 years, with increase of 2% in interest rates from the outset	Increased interest payable across the life of the business plan equates to £10.925 million.
General Inflation	General Inflation using CPI at 2.5% for expenditure	Volatility in the economy could lead to fluctuation in inflation. 1% increase in general inflation for the life of the plan	Inability to pay off the debt during the life of the business plan.
Rents Inflation	RPI for 2014/15 at 3%, then CPI at 2.5% ongoing for rents base	Volatility in the economy could lead to fluctuation in inflation as measured by CPI. 1% increase in rents base inflation from 2015/16 for the life of the plan	Ability to redeem debt by year 19.
Rent Convergence	No ability to converge rents after 2014/15.	Proposal not yet consulted upon, so assume ability to converge rents is retained.	An additional £103 million received in rental income over the life of the plan.
Capital Investment Real Increase Inflation	Capital Investment Inflation at 1% above CPI	A real increase of 1% is allowed for building inflation. Assume that recovery in the building industry is better than anticipated, with a real inflationary increase of 2% from 2017/18 for the remainder of the plan	Inability to pay off the debt during the life of the business plan.
Right to Buy Sales (Revenue Impact)	Numbers assumed to be 42 in 2013/14, reducing to 35 in 2014/15 and then 28 per annum thereafter.	The increase in discount levels could result in interest at the levels experienced in 2012/13 and 2013/14 to date. Assume sales remain at 42 from 2014/15.	The ability to repay debt is extended by 2 years.
Investment Income	Business Plan assumes interest on balances increasing to 1.5% by 2017/18, then at an average of 3.8% for longer-term investments from 2018/19	Long-term rates may fail to recover as anticipated. Assume ongoing rate at 1.5% for the long-term.	The ability to repay debt is extended by 5 years.

Appendix E

HRA Summary Forecast 2013/14 to 2017/18

Description	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Income					
Rental Income (Dwellings)	(34,195,990)	(35,875,200)	(37,735,740)	(39,714,760)	(40,936,900)
Rental Income (Other)	(1,047,410)	(1,073,600)	(1,100,440)	(1,127,950)	(1,156,140)
Service Charges	(2,104,180)	(2,156,780)	(2,210,700)	(2,265,970)	(2,322,620)
Contribution towards Expenditure	(347,590)	(88,260)	(88,340)	(88,410)	(88,500)
Other Income	(409,030)	(393,630)	(403,470)	(413,560)	(423,900)
Total Income	(38,104,200)	(39,587,470)	(41,538,690)	(43,610,650)	(44,928,060)
Expenditure					
Supervision & Management - General	4,789,040	4,995,440	5,122,680	5,362,240	5,540,940
Supervision & Management - Special	2,343,370	2,265,370	2,335,550	2,408,090	2,483,060
Repairs & Maintenance	7,049,650	7,293,770	7,607,470	7,974,130	8,299,020
HRA Subsidy	0	0	0	0	0
Depreciation – to Major Repairs Res.	9,811,240	10,177,860	10,471,580	10,872,910	10,829,160
Debt Management Expenditure	(301,330)	25,030	21,490	22,430	23,420
Other Expenditure	526,540	783,150	852,290	925,060	991,610
Total Expenditure	24,218,510	25,540,620	26,411,060	27,564,860	28,167,210
Net Cost of HRA Services	(13,885,690)	(14,046,850)	(15,127,630)	(16,045,790)	(16,760,850)
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(79,850)	(55,710)	(85,380)	(84,740)	(101,240)
(Surplus) / Deficit on the HRA for the Year	(13,965,540)	(14,102,560)	(15,213,010)	(16,130,530)	(16,862,090)
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,501,770	8,072,400	8,065,060	8,018,800	7,919,750
Debt Redemption Premium	301,330	0	0	0	0
Housing Set Aside	0	0	1,709,800	5,690,780	6,252,260
Depreciation Adjustment	(2,280,780)	(2,394,240)	(2,504,670)	(2,582,100)	(2,345,920)
Direct Revenue Financing of Capital	10,247,360	9,077,330	8,001,410	5,047,800	5,034,440
(Surplus) / Deficit for Year	1,804,140	652,930	58,590	44,750	(1,560)
Balance b/f	(5,495,490)	(3,691,350)	(3,038,420)	(2,979,830)	(2,935,080)
Total Balance c/f	(3,691,350)	(3,038,420)	(2,979,830)	(2,935,080)	(2,936,640)

Appendix F

Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend					
Assessment Centre	151	0	0	0	0
Disabled Facilities Grants	550	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195
Long Term Vacants	20	20	20	20	20
Total General Fund Housing Capital Spend	916	765	765	765	765
HRA Capital Spend					
Decent Homes					
Kitchens	970	618	598	292	466
Bathrooms	243	522	525	119	61
Boilers / Central Heating	2,116	618	2,450	1,688	1,510
Insulation / Energy Efficiency	159	100	100	100	100
External Doors	278	129	108	63	88
PVCU Windows	373	1,002	1,350	912	915
Wall Structure	36	621	63	114	105
Wall Finishes	346	319	230	165	167
Wall Insulation	200	100	100	100	100
External Painting	0	0	0	0	0
Roof Structure	300	800	687	322	300
Roof Covering	2584	215	210	274	658
Chimneys	90	12	2	1	
Electrical / Wiring	183	91	181	317	120
Smoke Detectors	8	19	109	9	26
Sulphate Attacks	102	102	102	102	102
Major Voids	98	51	48	53	53

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
HHSRS Contingency	150	100	100	100	100
Other Health and Safety Works (Balconies)	50	50	50	50	50
Other External Works	0	3	5	0	
Rising Damp / Penetrating Damp	0	0	0	0	
Professional Fees	556	556	556	556	556
External Professional Fees	19	27	27	27	27
Decent Homes Backlog	0	2,131	1,066	3,019	2,663
Planned Maintenance Contractor Overheads	1,038	778	827	798	776
Total Decent Homes	9,899	8,964	9,494	9,181	8,943
Other Spend on HRA Stock					
Garages	346	300	300	300	100
Asbestos Contingency	200	200	200	200	100
Disabled	864	878	878	878	878
TIS Schemes	21	21	21	21	21
Communal Areas Uplift	546	1046	546	546	546
Fire Prevention / Fire Safety Works	1060	300	300	300	300
Hard surfacing on HRA Land - Health and Safety Works	250	250	280	150	150
Hard surfacing on HRA Land - Recycling	147	0	0	0	0
Communal Areas Floor Coverings	170	200	0	0	0
Professional Fees	155	155	155	155	155
Lifts and Door Entry Systems	29	13	13	13	13
Fencing	100	100	100	100	100
Cemetery Lodge	49	0	0	0	0
Hanover / Princess Laundry	2	0	0	0	0
East Road Garages - Lighting Controls	4	0	0	0	0
TV Aerials	0	0	0	0	0
Planned Maintenance Contractor Overheads	442	338	270	256	226
Total Other Spend on HRA stock	4,385	3,801	3,063	2,919	2,589

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
HRA New Build / Re-Development					
Roman Court	1,193	41	0	0	0
3 Year Affordable Housing Programme	6,899	7,918	0	0	0
3 Year Affordable Housing Programme (Notional Spend)	3,256	4,712	0	0	0
Clay Farm	0	10,247	3,416	0	0
New Build Decent Homes	0	0	0	140	143
Total HRA New Build	11,348	22,918	3,416	140	143
Cambridge Standard Works					
Cambridge Standard Works	372	200	200	200	200
Total Cambridge Standard Works	372	200	200	200	200
Sheltered Housing Capital Investment					
Emergency Alarm Service	15	0	0	0	0
Ditchburn Place	1,912	1,900	0	0	0
Brandon Court	0	0	0	0	0
Total Sheltered Housing Capital Investment	1,927	1,900	0	0	0
Other HRA Capital Spend					
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	191	0	0	0	0
Low Cost Home Ownership	300	300	300	300	300
RFR Buy Back	520	330	0	0	0
Commercial Property	232	30	30	30	30
Total Other HRA Capital Spend	1,243	660	330	330	330
Total HRA Capital Spend	29,174	38,443	16,503	12,770	12,205
Total Housing Capital Spend at Base Year Prices	30,090	39,208	17,268	13,535	12,970
Inflation Allowance and Stock Reduction Adjustment for Future Years	0	1,345	1,175	1,374	1,780
Total Inflated Housing Capital Spend	30,090	40,553	18,443	14,909	14,750

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Housing Capital Resources					
Right to Buy Receipts	(441)	(495)	(500)	(505)	(510)
Other Capital Receipts (Land and Dwellings)	(400)	0	0	0	0
Notional Land Receipts (New Build Schemes)	(3,256)	(4,712)	0	0	0
Major Repairs Reserve	(9,635)	(10,791)	(7,967)	(8,291)	(8,483)
Direct Revenue Financing of Capital	(10,247)	(9,023)	(8,001)	(5,048)	(5,035)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(1,615)	(2,415)	(1,210)	(300)	(300)
Disabled Facilities Grant	(262)	(262)	(262)	(262)	(262)
Prudential Borrowing	0	(12,352)	0	0	0
Total Housing Capital Resources	(25,856)	(40,050)	(17,940)	(14,406)	(14,590)
Net (Surplus) / Deficit of Resources	4,234	503	503	503	160
Capital Balances b/f	(8,277)	(4,043)	(3,540)	(3,037)	(2,534)
Use of / (Contribution to) Balances in Year	4,234	503	503	503	160
Capital Balances c/f	(4,043)	(3,540)	(3,037)	(2,534)	(2,374)
Other Capital Balances (Opening Balance)					
Retained 1-4-1 Right to Buy Receipts	(2,072)				
Right to Buy Receipts for Debt Redemption	(997)				
Total Other Capital Balances	(3,069)				

Appendix G

HRA Earmarked & Specific Funds (£'000)

Repairs & Renewals

Housing Revenue Account	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management	(1,088.5)	(141.8)	0.2	(1,230.1)
Special Services	(1,019.9)	(138.3)	8.8	(1,149.4)
Repairs and Maintenance	(40.9)	(12.4)	0.0	(53.3)
Totals	(2,149.3)	(292.5)	9.0	(2,432.8)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(5,111.5)	0.0	0.0	(5,111.5)

Shared Ownership

	Opening Balance	Contributions	Expenditure to July	Current Balance
Shared Ownership	(300.0)	0.0	0.0	(300.0)

Tenants Survey

	Opening Balance	Contributions	Expenditure to July	Current Balance
Tenants Survey	(35.3)	(6.2)	0.0	(41.5)

Aerial – Roof Space Rental

	Opening Balance	Contributions	Expenditure to July	Current Balance
Aerial Income	(96.5)	(8.8)	3.2	(102.1)

Pension Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
Pension Reserve	(192.7)	(197.3)	0.0	(390.0)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(1,090.4)	0.0	0.0	(1,090.4)

Appendix H

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties

Self-Financing for the HRA

Continued uncertainties include the potential for the debt settlement to be re-opened, a debt cap over which the HRA is not allowed to borrow and the implications of managing the cashflow for the HRA in light of the need to service the debt.

Right to Buy Sales

The number of sales has increased significantly since April 2012, and interest remains high. The implications of continued high levels of sales from a revenue perspective are significant, with the potential loss of rental income being the major factor.

Right to Buy Retention Agreement

The resource currently retained in respect of 1-4-1 receipts already exceeds the level that the authority is able to support in 70% match funding. At present, the investment required to fulfil the obligations under this agreement has not been incorporated into the HRA financial model, nor has the potential interest that will be payable (possibly by the General Fund) if the receipts are not utilised within the agreed 3-year period.

Independent Living Service – Ditchburn Place Extra Care

The current care and support contract with the County Council is due to expire in January 2014, with a request received to accept a 14 month extension. Although delivered alongside HRA services, the inextricable links to the provision of landlord services mean that any changes to the delivery of care and support services will impact HRA services also.

Independent Living Service – Sheltered and Temporary Housing

The current contract for Sheltered Housing support terminates in December 2013 and for Temporary Housing support in March 2014. It is anticipated that the County Council will either negotiate directly with providers for the continued provision of support or formally re-tender support services across these areas. The protracted timescales for these decisions causes additional uncertainty for both residents and staff.

HRA Commercial Property

Review of the ownership of some commercial property in the Council's portfolio is required to ensure that both rental income and maintenance liabilities are being correctly provided and accounted for.

HRA New Build

Although the 146 programme is progressing well, if any individual development scheme does not proceed, the initial outlay will need to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in. Until schemes are approved, in contract, and have appropriate planning permission, there are still uncertainties over final costs and dwelling numbers, which could impact the HRA in terms of borrowing costs and anticipated rental streams.

Housing Revenue Account – Revenue Uncertainties

HRA Review of Area Offices

The decision about the future of the area housing offices will not be made until the implications of the delayed introduction of direct payment for housing benefit are clear. Progress with additional IT solutions and self-service options in the Customer Service Centre are also key in this decision. The last break clause in the lease for the south area office is January 2015, necessitating notice being given by July 2014, which is now unlikely. Otherwise, the lease ends in January 2020.

National Rent Policy

Current government indications are that rent policy will see a move from April 2015/16 to rent increases limited to CPI plus 1%, as opposed to RPI plus 0.5%, with the cessation of any further moves towards target rent. This decision will be subject to national consultation, so although financial modelling has been undertaken on the assumption that the proposal goes ahead, this is not currently guaranteed, however Government have prepared spending plans on the assumption that it does.

Cyclical Revenue Maintenance

Arrangements for the provision of cyclical maintenance services, (ie; door entry, lifts, electrical testing, fire risk assessments, warden call systems) are being incorporated as part of the planned maintenance procurement, with a view to new contracts being in place by April 2014. It is difficult to predict the cost base for the revenue elements of these contracts, when considered as part of a larger contract. The contract for gas inspections and servicing, previously procured jointly with South Cambridgeshire District Council, is also due for re-tender or extension from June 2014.

Welfare Reforms

The negative impact that the introduction of Universal Credit may have on the level of rent arrears and bad debts within the HRA is currently unquantifiable, although indications from the earlier pilot authorities are that it will be significant.

Eastfield Site

The potential future income stream for the Eastfield site is subject to discussion with Hundred Houses.

Housing Revenue Account - Capital Uncertainties

Ditchburn Place

Funding has been ear-marked for the re-development of the extra care housing at Ditchburn Place. The scheme has been considered using indicative costs, but until tendered, the finalised costs will not be available. The decision to phase the works also poses additional uncertainty in terms of both the costs and the length of the build.

Expansion of Investment Standard to include Communal Areas

Incorporation of communal areas into our investment standard, to include lifts and common parts in flatted accommodation, requires both up front investment to survey and ongoing investment to meet and maintain any standards set. The Housing Capital Investment Plan includes an uplift of £75 per property per year to meet the investment needs in un-surveyed communal areas. Until surveys are complete it is unclear whether this allocation will be required in totality.

Sulphate Attack

Sulphate attack was identified a number of years ago in a few council dwellings, resulting in the potential need to invest £1.87m to eradicate the problem. Following a risk assessment, the approach taken has been to address the defect when the property is void. Currently 12 of the 110 properties potentially affected have been rectified. Funding of approximately £1.6m is included in the Housing Capital Programme over the next 15 years to continue to fund this risk-based approach. There is the potential for similar sulphate attacks in the structures of other council dwellings constructed at a similar time, resulting in the need for significant additional investment.

Disabled Facilities Grants and Private Sector Housing Grants and Loans

Council investment in both DFG's and Private Sector Housing Grants and Loans is dependent upon existing capital balances or capital receipts in year. Once existing capital balances are exhausted, future funding is dependent upon 25% of the first 10 to 17 right to buy sale receipts per annum, as assumed to be available for general use in the self-financing settlement. This puts at significant risk the desired level of future investment in this area.

Right to Buy Sales

Interest in right to buy remains high following changes to the scheme in April 2012. Under the terms of the agreement signed with CLG, the authority is committed to deliver completed replacement dwellings from right to buy receipts within 3 years of the date of the retained 1-4-1 receipt, with this funding meeting no more than 30% of the cost of the dwelling. There is doubt over the level of top up funding that can be afforded by the authority, particularly in light of the borrowing cap.

Asbestos Removal

Potential to change strategy for asbestos removal, to ensure that blocks / streets are tackled as projects (as in Edgecombe) as opposed to in isolation whilst dwellings are void. This approach may bring forward the need for resources previously anticipated to be spent much later in the programme and also incur the additional costs of decant, but would accelerate the programme and reduce the additional revenue costs of repairs in properties with asbestos.

Energy Efficiency

Legislative requirements / local desire to increase the energy efficiency of the housing stock could result in significant increased investment, with little or no financial return to the HRA.

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Cambridge City Council

To: Executive Councillor for Customer Services and Resources
Report by: Tony Allen, ICT Client Manager
Scrutiny committee: STRATEGY AND RESOURCES
SCRUTINY COMMITTEE
14 OCTOBER 2013
Wards affected: All

Project Appraisal and Scrutiny Committee Recommendation

Project Name: Wide Area Network

Recommendation/s

Financial recommendations –

- The Executive Councillor is asked to recommend this scheme (which is not included in the Council's Capital & Revenue Project Plan) for approval by Council, subject to resources being available to fund the capital and revenue costs.
- The total cost of the project is £142,000, financed from repairs and renewals funding.
- The ongoing additional revenue costs of the project are £14,000 per annum, funded from existing revenue budget provisions.
- The Executive Councillor is asked to delegate authority for the placing of further orders within this contract to the Director of Resources (or successor post) in consultation with the Executive Councillor, Chair and Spokes of the Strategy and Resources Scrutiny Committee, provided available funding sources are in place and up to a maximum limit of £300,000 capital and £190,000 revenue.

Procurement recommendations:

- The Executive Councillor is asked to approve the carrying out and completion of the procurement of a Wide Area Network (WAN) utilising the Cambridgeshire Public Sector Network (CPSN) framework contract.
- Subject to:
 - The permission of the Director of Resources being sought prior to proceeding if the quotation or tender sum exceeds the estimated contract.
 - The permission from the Executive Councillor being sought before proceeding if the value exceeds the estimated contract by more than 15%.

Project Name: Wide Area Network

1 Summary

1.1 The project

Purchase and commission a new Wide Area Network to provide a modern data communications infrastructure for the Council.

Target Dates:

Start of procurement	October 2013
Award of Contract	October 2013
Start of project delivery	October 2013
Completion of project	January 2015
Date that project output is expected to become operational (if not same as above)	Usage starting in March 2014 for some circuits

1.2 Anticipated Capital Cost

Total Project Cost (Phase 1)	£142,000
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Cost Funded from:

Funding:	Amount:	Details:
Reserves	£0	
Repairs & Renewals	£142,000	27735 Telephone Exchange R and R Fund, 27729 CCTV R and R Fund, 23545Car Park equipment R and R Fund
Developer Contributions	£0	
Climate Change Fund	£0	
Other	£0	

1.3 Procurement process

The Council is seeking to join and implement a new Wide Area Network based on the Cambridgeshire Public Sector Network (CPSN) framework contract.

2 Project Appraisal & Procurement Report

2.1 Project Background

The CPSN framework is a communications network using the latest technology to bring public services together in Cambridgeshire and beyond. It will connect over 400 sites including schools, libraries, County and District council offices, community action points, emergency services, citizens' advice hubs and voluntary groups.

Cambridgeshire County Council awarded the CPSN framework contract to Virgin Media Business on behalf of the CPSN partnership to develop the 10Gb core network. CPSN offers a range of benefits including faster, safer Internet connections, more capacity, security and flexibility, as well as better data, telephone and IT services.

This project is required for the following reasons:

- It enables collaborative working with other government partners, and enables shared services, buildings and technology through a joint data infrastructure.
- Some existing network links are on old technology that is being withdrawn by the supplier or cannot be upgraded cost effectively to support the Council's increased requirements. The cost of this unavoidable work is estimated at £167,000 capital with additional revenue of at least £45,000.
- Many of the contract end dates for these circuits have now passed and the Council's contract rules require periodic re-tendering of contracts with a fixed life.
- It prepares the Council to implement new technologies supporting new ways of working, such as WiFi connections direct to the Council's network from libraries, community centres and partner buildings.
- The Council has planned to upgrade its email and web filtering facilities, there is an option to take a shared enterprise class service from CPSN to assist with the business case.

Options considered have included:

- Reviewing our existing links with Redcentric. However the organisation does not have PSN accreditation and cannot be contracted through a framework contract.
- Staying as is. However this will not support the Council's proposed shared CCTV service or other future shared services and facilities and will have a greater impact on the Council's revenue budgets.

2.2 Aims & objectives

Short term objectives:

- To renew contracts for the Council's Wide Area Network and migrate phase 1 sites (Guildhall, Mandela, Mill Road, Meadows and Carparks) on to the CPSN.
- Design and set up the new network
- To implement the Guildhall connection before 1st April as a pre-requisite for the CCTV shared service.

Longer term objectives:

- Completion of migration of sites to CPSN
- Migrate the Council's email and web filtering systems and its Internet feed to CPSN and remove the Council's existing facilities.
- Good communication links underpin many of the interactions the Council has with members of the public, so effective tools to support front line services and to aid communication with the public are required. Good communication links also support new ways of working.
- This project contributes to the overall council aims and objectives by providing modern communications infrastructure that providing a flexible scalable, value for money service, enabling customer focussed services.

2.3 Major issues for stakeholders & other departments

- The link to Mill Road is based on old technology that BT plan on ceasing, meaning the Council must migrate to a newer link.
- Links to community centres do not offer enough bandwidth, so will not support the Council's property strategy and flexible working/hot desking.
- The Car Park network, underpinning a £9 million income stream, has been built on enhanced consumer technology, does not offer any bandwidth expansion, is not reliable (resulting in loss of income and reputation). It also relies on multiple networks for card payment machines and office data services. By investment in the network it will enable the service to look at further income generating opportunities.
- Any WiFi service requires a second network to be set up and to be managed.
- Many of the Council's current links cannot be upgraded easily to meet its future requirements.
- The Council is currently reliant on one main Internet link. By moving to the CPSN each site effectively has its own link, improving resilience.

- The project interfaces to the property strategy so the Council is not tied to agreements beyond the end of a sites life or experiences unknown high exit costs.

2.4 Summarise key risks associated with the project

- The Council's compliant status to GCSx/Public Sector Network Code of Connection needs to be maintained. By migrating to the CPSN the new network the Council will meet any future increase in security requirements (e.g. there is a risk that IL2 links with PSN accredited suppliers may be mandated in the future).
- Detailed surveys of the implementation may identify additional charges that Virgin Media may need to be recovered from the Council. Until the contract is signed and the surveys have been completed this figure will be unknown. A contingency has been included within the project's capital budget.

2.5 Financial implications

- Appraisal prepared on the following price base: 2013/14
- Specific grant funding conditions are:
- Other comments

2.6 Net revenue implications (costs or savings)

Revenue	£	Comments
Maintenance	14,000	
R&R Contribution		
Developer Contributions		
Energy savings	()	
Income / Savings	()	
Net Revenue effect	14,000	The additional costs will be met from existing Revenue budget provision

2.7 VAT implications

There are no significant adverse VAT implications to this project.

2.8 Energy and Fuel Savings

(a) Is this project listed in the Carbon Management Plan?	No
	If 'No', move to Section 2.9.

(b) Estimated Annual Energy Cost Savings

Year 1	£
Ongoing (£ per year)	£
Anticipated project lifetime (years)	<i>This is the number of years you expect the project to deliver the energy cost savings specified above for</i>
On what basis have you specified this project lifetime?	<i>EG: supplier guarantee</i>

(c) Which cost centre energy budget should these savings be retrieved from?

Cost Centre Name	Cost Centre Number	Account code	Cost Centre Manager

(d) Monitoring of Savings

2.9 Climate Change Impact

Positive Impact			No effect	Negative Impact		
			Nil			

2.10 Other implications

An Equality Impact Assessment (EqIA) has not been prepared for this project.

2.11 Staff required to deliver the project

Service	Skills	Total Hours
ICT Client Team	Project and Contract Management	222

2.12 Dependency on other work or projects

- The Council's CCTV merger with Huntingdonshire District Council requires a link to CPSN.
- Investment in secure WiFi technology will require additional investment.

2.13 Background Papers

2.14 Inspection of papers

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Date prepared:	16 September 2013

Capital Project Appraisal - Capital costs & funding - Profiling

Appendix A

	2013/14	2014/15	2015/16	2016/17	2017/18	Comments
	£	£	£	£	£	
Capital Costs						
Building contractor / works	0	0				
Purchase of vehicles, plant & equipment	5,000	26,000				
Professional / Consultants fees	6,000	16,000				
Other capital expenditure:	25,000	64,000				CPSN connection costs
Total Capital cost	36,000	106,000	0	0	0	
Capital Income / Funding						
Government Grant	0	0				
Developer Contributions	0	0				
R&R funding	36,000	106,000				27735 Telephone Exchange R and R Fund, 27729 CCTV R and R Fund, 23545 Car Parks equipment R and R Fund
Earmarked Funds	0	0				
Existing capital programme funding	0	0				
Revenue contributions	0	0				
Total Income	36,000	106,000	0	0	0	
Net Capital Bid	0	0	0	0	0	

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Cambridge City Council

To: Executive Councillor for Customer Services and Resources

Report by: Chris Bolton

Scrutiny committee: STRATEGY & RESOURCES 14TH OCTOBER 2013

Wards affected: All

Project Appraisal and Scrutiny Committee Recommendation

Project Name: Telephone payments upgrade & Online payments Configuration Management System (CMS)

Recommendation/s

Financial recommendations –

- a) The Executive Councillor is asked to recommend this scheme (which is not included in the Council's Capital & Revenue Project Plan) for approval by Council, subject to resources being available to fund the capital and revenue costs.
- b) The total capital cost of the project is £27,000. £12,000 is to be funded from the Corporate Marketing Web Development budget and £15,000 is to be funded from the Cashiers repairs and renewals fund.
- c) The on-going revenue costs are £8,300 per annum (£41,500 for 5 years), funded from the Cashiers revenue budget provision.

Procurement recommendations:

The Executive Councillor is asked to approve the carrying out and completion of the procurement of a telephone payments upgrade and an online payments CMS system.

Subject to -

- The permission of the Director of Resources being sought prior to proceeding if the quotation or tender sum exceeds the estimated contract.
- The permission from the Executive Councillor being sought before proceeding if the value exceeds the estimated contract by more than 15%.

1 Summary

1.1 The project

The purchase and installation of the Capita call secure and online payments content management system.

Target Dates:	
Start of procurement	15 th October 2013
Award of Contract	15 th October 2013
Start of project delivery	1 st Feb 2014
Completion of project	1 st June 2014
Date that project output is expected to become operational (if not same as above)	

1.2 Anticipated Capital Cost

Total Capital Cost	£27,000
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Capital Cost Funded from:

Funding:	Amount:	Details:
Reserves	£0	
Repairs & Renewals	£15,000	Cashiers R & R budget (cost centre 19547)
Developer Contributions	£0	
Climate Change Fund	£0	
Other	£12,000	Corporate Marketing Web Development budget (cost centre 00086)

1.3 Procurement process

The reasons for procuring the telephone payments system upgrade and online payment configuration management system from Capita are:

- Procuring an alternative corporate payment system for telephone and online payments would far outweigh the cost of upgrading the telephone and online payments systems.
- A project would be required to specify, procure and install the alternative system and migrate from Capita to a new system. This process could potentially take 9 to 12 months.
- The Council has a number of other payment modules from Capita on a perpetual licence basis. If the core Capita system was to be replaced the Council would have to either write off the existing investment and re-procure or undertake a costly, timely and risky integration project. By working with Capita we would avoid this.
- The estimated total cost for both products on a perpetual licence basis is £68,500.

Northgate will support the installation of both products in accordance with the provisions of its contract with the Council.

There is the need to include waiver recommendation – for the Executive Councillor to note that this procurement is exempt under Rule 5.1.5(c) of the Contract Procedure Rules from the requirement to go out to tender on the basis that both products can only be supplied by Capita as they are the corporate payments system supplier.

2 Project Appraisal & Procurement Report

2.1 Project Background

Telephone payments upgrade

Payment Card Industry Data Security Standard (PCI DSS) compliance is a set of comprehensive requirements for enhancing payment account data security for organisations who accept payments by credit or debit card.

The PCI Security Standards Council has recently issued the following guidance on telephone-based payments.....

“Cardholder data must be protected and authentication data (post authorisation) should not be stored anywhere on the company’s systems”.

In order to reduce the scope of PCI, companies should work towards ensuring that all risks associated with card payments are reduced as far as is practical.

The upgrade of the telephone payments system will reduce Cambridge City Council’s exposure as regards PCI scope and increase the security of our customer data.

Online payments CMS

The Council’s website is a key customer service channel and is increasingly the preferred way for customers to access our services. It’s available 24 hours a day, seven days a week, meaning customers can interact and do business with us in a more convenient way for them. It is also a much more efficient and cost effective channel costing less, per transaction, than face-to-face and telephone contact.

Type of contact	Average cost per transaction
Face to face	£14
Telephone (through call centre)	£4
Self service	20p
Web	17p

Note: Average costs based on data gathered by SOCITM.

We currently provide the facility for customers to pay for a limited range of our services via the Capital payment portal. For some time we have been keen to extend this to other services, including those provided by Environmental Health and Streets and Open Spaces.

Options available

Currently, in order to add additional payments into the portal, we are reliant on our suppliers, their daily rates and lead times for completion of works.

As part of the web improvement project we have identified at least 30 payment processes that would benefit from being made available online now. With the existing daily rate charge, this would mean a potential (maximum) cost of £30K, to implement these payments.

At the moment, the service requesting the additional online payment has to pay the supplier cost and it is this reason that additional payments have not been added to the portal.

The implementation cost for the CMS is less than half the cost of the supplier adding the 30 payments and would provide us with the necessary tools to add new payments, as well as maintain existing ones, without any further cost now and for years to come.

This would mean we could extend and maintain our range of payments, now and in the future to ensure we are offering the customer our services in a more convenient and accessible way, while making the best use of our most efficient and cost effective customer channel.

2.2 Aims & objectives

Cambridge – caring for the planet

“A city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution”

Completion of this project will meet two strategic objectives:

- *Investing in projects to reduce our carbon footprint and our energy bills;*
- *Improving the efficiency of Council services to maintain high standards and value for money;*

Procuring these products is essential to maintaining and developing the Cambridge City Council payment applications. The telephone payments upgrade will allow Cambridge City Council to keep meet the corporate PCI compliance. Purchasing the online payments CMS means the Council will be able to provide more of its services online and process its payments more efficiently and cost effectively, now and in the future.

2.3 Major issues for stakeholders & other departments

Affected stakeholders include Revenues and Benefits, Housing, Environmental and Planning services, who will need to review their payment processes and online content in order to add their payments into the portal. However, this will make the process more efficient and cost effective in the long term.

2.4 Summarise key risks associated with the project

The key risk this project aims to mitigate is the Council not meeting PCI compliance standards and subsequently not being able to take payments and the resulting harm to the organisation's reputation.

Telephone and online payments are part of the major income management business systems and as such support key statutory functions on behalf of the Council.

2.5 Financial implications

- a. Appraisal prepared on the following price base: 2013/14
- b. Specific grant funding conditions are: N/a
- c. Other comments

2.6 Net revenue implications (costs or savings)

Revenue	£	Comments
Maintenance	£8,300	£8,300 cost per annum. Total revenue cost over 5 years will be £41,500. Revenue costs to be funded from the Cashiers cost centre (19052).
R&R Contribution	0	
Developer Contributions	0	
Energy savings	(0)	
Income / Savings	(0)	
Net Revenue effect	£8,300	Cost

2.7 VAT implications

There are no adverse VAT implications for undertaking this project. This will, however, be kept under review by the Accountant (VAT & Treasury) as part of the procurement process.

2.8 Energy and Fuel Savings

(a) Is this project listed in the Carbon Management Plan?	No
	If 'No', move to Section 2.9.

(d) Monitoring of Savings

2.9 Climate Change Impact

Positive Impact	No effect	Negative Impact
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	+Low					
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2.10 Other implications

There are no other known implications at this stage of the project.
An Equality Impact Assessment (EqIA) has been prepared for this project and is attached.

2.11 Staff required to deliver the project

Implementation of the pilot project is expected to be completed using current resources.

2.12 Dependency on other work or projects

Not applicable

2.13 Background Papers

| None

2.14 Inspection of papers

Author's Name	Chris Bolton
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Date prepared:	5 th September 2013.

Capital Project Appraisal - Capital costs & funding - Profiling

Appendix A

	2013/14	2014/15	2015/16	2016/17	2017/18	Comments
	£	£	£	£	£	
Capital Costs						
Building contractor / works						
Purchase of vehicles, plant & equipment	19,000					
Professional / Consultants fees	8,000					
Other capital expenditure:						
Total Capital cost	27,000	0	0	0	0	
Capital Income / Funding						
Government Grant						
Developer Contributions						
R&R funding	15,000					19547 (Cashiers R&R fund)
Earmarked Funds						
Existing capital programme funding						
Revenue contributions	12,000					00086 (Corporate Marketing)
Total Income	27,000	0	0	0	0	
Net Capital Bid	0	0	0	0	0	

CIVIC AFFAIRS

19 September 2013

6.00pm - 8.36 pm

Present: Councillors Rosenstiel (Chair), Benstead, Boyce, Herbert, Johnson and Pitt

FOR ADOPTION BY THE COUNCIL

13/52/CIV Update Report on the Budget Setting Process

The committee received a report from the Chief Executive regarding proposals for the 2014 budget setting timetable.

In response to a question from the Chair regarding the procurement of an alternative financial modelling system (4.8 of the Officer's report), the Director of Resources confirmed that this would cost £80,000 (with £14,000 on costs) and would not offer material improvement on the current system. The advice of the external auditors was that the current system was fit for purpose.

While greater scrutiny of the budget was welcomed, Councillor Herbert did raise concern about the amount of meetings scheduled for January 2014. The Chief Executive acknowledged the concern but emphasised the importance of allowing individual Scrutiny Committees to have an input into the budget debate. The schedule also reflected the current requirements of the constitution.

Councillor Herbert raised concern also that the Housing Revenue Account (HRA) appeared to follow a different scrutiny path. He felt that, with a budget of £50m, the HRA should be scrutinised by the Strategy and Resources Scrutiny Committee. The Chief Executive confirmed that the process reflected the current constitutional arrangements and, whilst it was too late for any change to the 2013/14 process, it could be looked at in future years.

In response to Councillor Herbert's points the Chair highlighted that both the Strategy and Resources Scrutiny Committee and Full Council had an opportunity to debate the housing capital programme.

Resolved (unanimously) to:

- i. Recommend to Council the timetable (attached to the Officer's report) for the Council's budget setting process for 2014 and the changes to the Council's Budget and Policy Framework Procedure Rules in Appendix B of the Officer's report to reflect these.

- ii. Note the feedback on the progress made on other actions.

The meeting ended at 8.36 pm

CHAIR

CAMBRIDGE CITY COUNCIL

REPORT OF: Chief Executive

TO: Civic Affairs Committee

19/09/2013

WARDS: All

Budget Setting Timetable – proposals for 2014

1. Introduction

- 1.1 Civic Affairs Committee considered a report on 26 June 2013 which reported on proposals to replace the Medium Term Strategy process with a Mid-Year Financial Review. These proposals were subsequently adopted by full Council. This report looks at the changes proposed to the budget setting timetable to complement these changes.
- 1.2 The report also updates the Committee on the progress with some other actions which were contained in the action plan in response to the budget forecasting error.

2. Recommendations

Civic Affairs Committee is asked:

- 2.1 To recommend to Council the attached timetable for the Council's budget setting process for 2014 and the changes to the Council's Budget and Policy Framework Procedure Rules in Appendix B to reflect these.
- 2.2 To note the feedback on the progress made on other actions.

3. Proposed Changes to Budget Setting process

- 3.1 The Council has agreed that, in future, the (previous) Medium Term Strategy (MTS) will be replaced by a much shorter Mid-Year Financial Review (MFR) document, with the Budget Setting report (BSR) being the place where the Council sets out its medium term financial strategy, as well as detailed budget and Council Tax proposals for the following year.

- 3.2 By removing the long-term strategic elements from the mid-year document (rather than duplicating that which will also appear in the BSR), the aim was to release officer capacity and to provide members with a more concise and focused document to facilitate more thorough scrutiny.
- 3.3 These changes alter the nature of the BSR and therefore officers have also been reviewing the consequent changes required to facilitate this, how the budget can best be scrutinised and how this can be managed effectively within the capacity available within the new organisational structure.
- 3.4 It is proposed that for 2014:
1. To facilitate the more detailed work required in the BSR, the publication date will be moved back from before Christmas to 8 January.
 2. Each Scrutiny Committee will receive a short report focused on the revenue and capital budget proposals (bids and savings) relating to its relevant Portfolios. Committees will be asked to comment on the budget proposals to inform the overall scrutiny of the budget by Strategy & Resources Scrutiny Committee
 3. The scrutiny of the budget in its entirety will take place at Strategy & Resources Scrutiny Committee on 20 January.
 4. The Executive will meet on 23 January to consider and recommend the Budget Setting Report and Council Tax requirement to Council.
 5. Special Strategy & Resources Scrutiny Committee on 7 February will consider any budget amendment proposals
 6. The HRA Budget Setting Report will be scrutinised by meetings of Housing Management Board and Community Services Scrutiny Committee on 16 January. This meeting will also consider any Executive and / or Opposition HRA budget amendment proposals prior to the Executive Councillor for Housing approving rent levels and revenue budgets. The Executive Councillor will also make final capital proposal recommendations to Council at this meeting.
- 3.5 The overview timetable is attached at Appendix A and the Committee is asked to support this approach.
- 3.6 The Council is asked to adopt the changes to its Budget and Policy Framework Procedure Rules set out in Appendix B. These reflect the recommendations in this report and update the Rules to reflect current

practice; e.g. by removing reference to service plans. The changes also consolidate the “Budget Recommendations and Amendment Rules” currently set out in Appendix A2 of the Council Procedure Rules.

4. UPDATE ON OTHER ACTIONS

4.1 Progress has been made on outstanding actions in the action plan as follows:

4.2 **Internal Audit to work with the Finance team to make improvements to the control and supervision in the service and to address recommendations made by External Audit.**

4.3 Internal Audit has worked with Accountancy over recent months to assess the steps being taken to address shortcomings identified by External Audit. The Head of Accountancy Services has provided Internal Audit with a series of documents which sets out the current and improved processes being implemented. These include a clearly defined escalation process should any error be identified and improved version control.

4.4 The Head of Internal Audit reports that from their analysis the processes appear robust and include all stages / requirements to deliver appropriate financial control. However, as we have not yet run through a full financial cycle it has not been possible to verify all of these in a 'live' environment.

4.5 Once each process is activated, Internal Audit will follow through to ensure appropriate evidence is in place for changes; compliance checks and clarity of responsibility; and in particular the timings for reconciliation verification. They will report back to Civic Affairs Committee as part of our half year progress report or Annual Audit Opinion (dependent on timings).

4.6 As there will be a change of management within the section, they will provide continuous review of this area and support to any future appointment. This will include a further follow up in 2014/2015 to establish whether or not changes have been embedded.

4.7 **The financial model will be reviewed to ensure it is fit for purpose in accordance with recommendation 6 and decisions made on whether to make changes and improvements to the existing model or to procure a new one.**

- 4.8 The Director of Resources and Head of Accounting services have completed a review of the systems used by other local authorities and a proprietary commercial alternative. None of the local authority alternatives were found to offer material improvement on the current system, and the commercial alternative would involve a significant capital and ongoing revenue commitment.
- 4.9 In light of this, it is proposed that the current model (as reviewed and amended) will be used to support this year's process. Further consideration can be given to future changes by the new Head of Finance, linked to the restructure plans for the service, in preparation for the 2015/16 Budget round.
- 4.10 **Any recommendations from external audit as part of their annual audit work will also be incorporated into improved process.**
- 4.11 A report from our External Auditors for the year ending 2013 is on the agenda for this meeting of Civic Affairs. They conclude that "in all significant respects, Cambridge City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013." They conclude that the internal control weaknesses identified in relation to budget setting has been reported as an exception to their report but have not modified their overall conclusion on the basis of this.

5. IMPLICATIONS

(a) Financial Implications

None direct

(b) Staffing Implications

The proposals are designed to match the capacity available.

(c) Equal Opportunities Implications

There are no direct equal opportunities implications.

(d) Environmental Implications

The proposals have no climate change impact.

(e) Consultations

The proposals have been developed with Director of Resources, Head of Accounting Services, Head of Internal Audit and Head of Legal Services

6. BACKGROUND PAPERS:

The following are the background papers that were used in the preparation of this report:

None

The author and contact officer for queries on the report is Antoinette Jackson on extension 7001.

Report file:

Date originated: 11 September 2013

Date of last revision: 11 September 2013

Appendix A

Financial Planning Timetable

Date	Major Stage
2013	
23 May	Council adopts Annual Statement setting out plan & priorities for 2013/14
18 Sep	General Fund (GF) Mid-Year Financial Review (MFR) published for S&R Scrutiny Committee
19 Sep	Housing Revenue Account (HRA) MFR published
30 Sep	S&R Scrutiny Committee / Leader recommendation of GF MFR to Council
1 Oct	Housing Management Board (HMB) considers the HRA MFR
10 Oct	Community Services Scrutiny Committee considers the HRA MFR
14 Oct	Accountancy despatch: Budget Process Guidance
	Accountancy despatch: Budget proposals pro-forma to Heads of Service
	Accountancy despatch: Budget Working Papers to Cost Centre Managers
17 Oct	MFR & budget briefing for Heads of Service
Oct	Budget process workshops for managers
24 Oct	Council considers GF and HRA Mid-Year Financial Review reports
8 Nov	Managers to complete and return Budget Proposal Forms to Accountancy <ul style="list-style-type: none"> · 2013/14 Revised Budget items · 2014/15 Revenue Budget Proposals · 2014/15 Capital Budget Proposals · Outcomes of Service Reviews
15 Nov	Managers return completed budget working papers (incorporating budget proposals)
w/c 18 Nov	Officer Working Groups meet to consider and comment on budget proposals
16 Dec (provisional)	HRA Budget Setting Report 2014/15 published

Date	Major Stage
Dec	Provisional Government Settlement Announcement
2014	
6 Jan	GF budget proposals for Environment and Community Services Scrutiny Committees published
8 Jan	GF Budget Setting Report 2014/15 published for Strategy & Resources Scrutiny Committee
Jan	Final Government Settlement Announcement
14 Jan	Environment Scrutiny Committee consider budget proposals for own portfolios
16 Jan (provisional)	<p>Meetings of Community Services Scrutiny Committee and Housing Management Board (Special) consider the HRA Budget Setting Report</p> <p>Community Services considers any Executive & / or Opposition HRA budget amendment proposals relating to capital</p> <p>HMB meeting considers any Executive & / or Opposition HRA budget amendment proposals to revenue budget and / or rent levels</p> <p>Executive Councillor for Housing approves rent levels and revenue budgets. Executive Councillor makes final capital proposal recommendations to Council.</p>
16 Jan	Community Services Scrutiny Committee consider General Fund budget proposals for its own portfolios
20 Jan	Strategy & Resources Scrutiny Committee considers GF budget proposals for its own portfolios and GF Budget Setting Report
23 Jan	Meeting of The Executive to consider and recommend GF Budget Setting Report and Council Tax requirement
7 Feb	Special Strategy & Resources Scrutiny Committee considers any GF budget amendment proposals
27 Feb	Council approves GF Budget and sets Council Tax (including precepts). Council approves Capital & Revenue Projects Plan (including HRA recommendations)
31 Mar	Approved budget reports to be sent to Cost Centre Managers by Accountancy

Note: HRA Items shown as shaded lines.

Appendix B

Changes to the Budget and Policy Framework Procedure Rules

Present Section 3:

3. Process for developing the budgetary framework

3.1 The Leader will publicise by including in the forward plan or by other methods a timetable for making proposals to the Council for the adoption of its budget. The Leader will, in a similar manner, publicise arrangements for consultation regarding the preparation of those proposals. Scrutiny Committees will also be notified and may suggest additional or alternative arrangements for consultation.

3.2 As part of Rule 3.1 the Leader will issue a “Medium Term Strategy” setting out the financial context in which the budget will be made, issues which are or will be facing the Council, policy priorities and an indication of the approach which the Executive is minded to take in respect of preparing budget proposals for the Council.

3.3 The Medium Term Strategy shall be considered by the Council’s Scrutiny Committees, which may submit views on the Strategy to the Leader.

3.4 Once Scrutiny Committees have had opportunity to consider the Medium Term Strategy, the Leader shall prepare a document setting out “Draft Budget and Service Plans”.

3.5 In preparing the Draft Budget and Service Plans, the Leader shall have regard to formal written advice from the Council’s chief officers on budgetary issues affecting their services and from the Director of Resources on the Council’s overall financial position and other budgetary issues.

3.6 The Draft Budget and Service Plans shall be considered formally by Scrutiny Committees and the formal written advice provided under Rule 3.5 shall be made available to them. However, Scrutiny Committees are not obliged to consider Part 1 of service plans, which look at performance in the current and previous years. Scrutiny Committees will be invited to identify those Part 1 service plans which they wish to scrutinise.

3.7 The Executive shall meet collectively to consider the response of Scrutiny Committees to the Draft Budget and Service Plans and shall prepare budget proposals for submission to the Council.

Proposed Section 3

3. Process for developing the General Fund budgetary framework

Mid-Year Financial Review

3.1 The section 151 Officer will prepare a Mid-Year Financial Review for consideration by the Council in its autumn cycle. The purpose of the Mid-Year Financial Review will be:

- a) To consider the implications of year-end actuals on both revenue and capital expenditure going forward and level of reserves
- b) To consider any implications from the Council's Annual Statement
- c) To reflect any changes from Government's Budget and Spending Review Announcements
- d) To test underlying assumptions about net spending, inflation and interest rates, etc in the light of latest information and conditions
- e) To review forecasts on retained business rate and Council Tax in light of actual growth and latest projections
- f) To consider what impact all of the above have on reserves and future savings targets.

3.2 The Mid-Year Financial Review will be reported to the Strategy and Resources Committee for scrutiny and to the Leader for recommendation to the Council.

Budget Setting – Scrutiny of Budget Proposals and Executive Recommendation

3.3 During the Committee cycle leading up to budget setting, each Scrutiny Committee will receive a short report focused on the revenue and capital budget proposals (bids and savings) relating to relevant Portfolios with Strategy & Resources Scrutiny Committee meeting to take an overview, as well as considering budget proposals within its remit.

3.4 The Executive shall meet collectively to recommend budget proposals for submission to the Council.

3.5 Once the Executive has met in accordance with Paragraph 3.4, it shall publish its budget recommendations to the Council.

Submission of Budget Amendments

3.6 Following publication of budget recommendations under Paragraph 3.5, there will be a period of five full working days during which amendments or alternatives (referred to here collectively as “amendments”) to the budget recommendations may be proposed. Amendments shall be in writing and must be delivered to the Chief Executive within the period mentioned above. Amendments need not be seconded. Subject to the exceptions set out in this s, amendments received outside this period will be invalid.

3.7 Valid amendments submitted under Paragraph 3.6 shall be considered at a special meeting of the Strategy & Resources Scrutiny Committee. The Strategy & Resources Scrutiny Committee may comment on these amendments and the comments of the Committee will be submitted to the Budget Council Meeting for consideration.

3.8 The Executive may amend its budget recommendations in the light of the Strategy & Resources Scrutiny Committee’s consideration of amendments.

Budget Council Meeting: Restriction of Amendments

3.9. Subject to the provisions contained in this paragraph, only amendments submitted in accordance with Paragraph 3.6 shall be considered at the Budget Council Meeting. The exceptions to this rule are as follows:

- a) The Executive may introduce amendments at the Council meeting or give advance notice of revised recommendations. This might be necessary, for instance, in response to changed circumstances, or in the light of scrutiny of amendments or to correct technical errors. The Leader must explain why it has proved necessary to introduce any amendment. This is to be done at the beginning of the budget item.
- b) The Executive may make changes to the budget recommendations to give effect to decisions by precepting authorities.
- c) Further amendments may be moved by any member in direct response to amendments made by the Executive at the meeting.
- d) Technical amendments may be made by leaders of minority groups or proposers of amendments to correct arithmetical or factual errors.

- e) The Mayor shall have discretion to permit amendments from members when satisfied that the need for the amendment could not have been anticipated before the deadline. The Mayor should also be satisfied that advance notice of such amendments was given as soon as reasonably practical, and not left to the day of the meeting unless this was unavoidable.
- f) Members may submit revised amendments where the Mayor is satisfied that the substantive issues have been considered at the special Scrutiny Committee meeting.
- g) The Executive may amend its budget recommendations in the light of amendments moved at the Strategy & Resources Scrutiny meeting or at the Council meeting.
- h) If the Executive fails to secure Council adoption of its budget, further amendments may be moved, and these rules will not apply;
- i) The Council may, by a simple majority, suspend these rules and permit further amendments.

Budget Council Meeting: Rules of Debate

3.10 The rules of debate contained in the Council Procedure Rules shall be modified in respect of the Budget Council Meeting as follows:

- a) The Executive shall present its budget recommendations. A period of 45 minutes is allowed for this, extendable at the discretion of the Mayor. The format and mode of the presentation is for the Executive to decide.
- b) Minority groups may then present alternative budgets, subject to compliance with the provisions of these Rules. A period of 45 minutes is allowed for each alternative budget, extendable at the discretion of the Mayor. The format and mode of the presentation is for the minority group to decide.
- c) Alternative budgets will then be moved in turn as amendments to replace the Executive recommendation. They will be debated in the usual way, although replacement budgets will be deemed to have been moved and seconded.
- d) At the conclusion of each debate, a vote will be taken for and against the alternative budget.

- e) If the alternative budget is voted down, the Leader of the proposing Group may ask for separate votes to be taken on individual proposals within the alternative budget, but there shall be no further debate.
- f) Where individual amendments have been submitted by councillors, these will then be debated in the usual way. However, where they are to the same effect as something in an alternative budget, they shall be considered at the same time as the alternative budget, with the proposer being able to ask for a separate vote in accordance with paragraph e).
- g) After consideration of amendments the Executive's budget proposals will be debated in the usual way but, subject to paragraph h) below, no amendments may be moved.
- h) If the Executive's budget is rejected, amendments and alternative proposals may be made as under the present rules, subject to the dispute resolution provisions set out in Section 4 of the Budget and Policy Framework Procedure Rules.

CIVIC AFFAIRS

19 September 2013

6.00pm - 8.36 pm

Present: Councillors Rosenstiel (Chair), Benstead, Boyce, Herbert, Johnson and Pitt

FOR ADOPTION BY THE COUNCIL

13/55/CIV Implementation of national pay award

The committee received a report from the Head of Human Resources regarding implementation of the national pay award.

In response to a question from Councillor Herbert the Head of Human Resources confirmed that a proposal had been that the national pay award be weighted for those on lower incomes. However the City Council started at Pay Point 9 only a small number of employees would have been affected.

In response to a question from Councillor Johnson regarding the timing of future pay awards the Head of Human Resources confirmed that Unison was currently consulting its members.

Councillor Rosenstiel asked that Members be briefed at the same time as staff are informed of a pay award.

Resolved (unanimously) to:

- i. Note the implementation of the national pay award in accordance with national pay agreements for staff on City Pay Bands 1-9, with effect from 1 April 2013.
- ii. Recommend to Council a change in the scheme of delegation to remove the requirement for any action taken in pursuance of this delegation to the Director of Resources to be reported to the Civic Affairs Committee at its next meeting, and that instead Members be advised by the Director of Resources when such action has been taken, and a record of that advice be made available to the public.

The meeting ended at 8.36 pm

CHAIR

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CAMBRIDGE CITY COUNCIL

REPORT OF: Head of HR

TO: Civic Affairs Committee

19/9/2013

WARDS: All

IMPLEMENTATION OF NATIONAL PAY AWARD - REPORTING TO CIVIC AFFAIRS

1 INTRODUCTION

- 1.1 This report updates the Civic Affairs Committee on the implementation of the national pay award for staff on National Joint Council for Local Government Services (NJC) terms and conditions of appointment, with effect from 1 April 2013, following the agreement reached under national collective bargaining in July 2013.
- 1.2 The report also asks Civic Affairs Committee to consider the need for further reporting on national pay awards and other allowances payable to officers at future meetings of the Committee.

2. RECOMMENDATIONS

- 2.1 Civic Affairs Committee is asked to note the implementation of the national pay award in accordance with national pay agreements for staff on City Pay Bands 1-9, with effect from 1 April 2013.
- 2.2 Civic Affairs Committee agree to recommend to Council a change in the scheme of delegation to remove the requirement for any action taken in pursuance of this delegation to the Director of Resources to be reported to the Civic Affairs Committee at its next meeting, and that instead Members be advised by the Director of Resources when such action has been taken, and a record of that advice be made available to the public.

3. BACKGROUND

- 3.1 Pay awards for staff on City Pay Bands 1-9 are determined in accordance with nationally negotiated collective agreements. The City Council receives notification when an award has been agreed at national level and then implements this in accordance with staff contractual commitments.
- 3.2 There have been no nationally agreed pay awards since 2009. This is the first year of a national pay award since then. The award was for 1% across the pay points on the national pay scales.
- 3.3 Following the review of pay terms and conditions in 2012 the Council now uses the HMRC mileage allowances and no longer applies NJC car allowances.
- 3.4 The Council moved to locally determined allowances following the 2003 Single Status Agreement. Where applicable, any allowances were reviewed in 2011/2012 as part of the Pay, Terms and Conditions Review, which was considered by Civic Affairs and Council in January 2012.
- 3.5 The Council's Constitution contains a delegation to the Director of Resources relating to Civic Affairs Committee as follows:
- Service Area Delegations: Council or Regulatory Functions
- Power delegated by Civic Affairs Committee
- To implement any award of a joint negotiating body so far as it concerns rates of salary, wages, car allowances or other allowances payable to officers and other employees of the Council except where the terms thereof involve the exercise of a discretion by the Council provided that any action taken in pursuance of this paragraph shall be reported to the Civic Affairs Committee at its next meeting.
- 3.6 This delegation contains a requirement to report to the Civic Affairs Committee at its next meeting when the Director of Resources has agreed to implement an award from a joint negotiating body, in this case the NJC, in so far as it concerns rates of salary, in this case, the nationally agreed pay award.
- 3.7 The Civic Affairs Committee is asked to consider the need for further reporting on national pay awards to this Committee.

- 3.8 The City Council were notified of the nationally agreed pay award of the National Joint Council (NJC) for Local Government Services which covers over 1.4 million local government workers, by letter from the Local Government Association dated 15 July 2013. The implementation date for the agreement was 1 April 2013. This is the first meeting of Civic Affairs following notification of the award.
- 3.9 The pay award and any backdating was paid with August salaries.

4. CONSULTATIONS

- 4.1 The Head of Legal Services and Director of Resources have been consulted on this report.

5.0 CONCLUSIONS

- 5.1 This report updates the Civic Affairs Committee in accordance with the delegation to the Director of Resources concerning national pay awards and asks Civic Affairs Committee to consider the need for further reports and whether to amend the delegation to the Director of Resources.

6.0 IMPLICATIONS

(a) Financial Implications

The potential cost of the implementation of a national pay award was considered and agreed as part of the Council's budget setting process for 2013/14. The implementation costs are in line with the budget.

(b) Staffing Implications

The national pay award applies to all staff on City Pay Bands 1-9. It does not apply to staff on JNC grades (heads of service, directors, chief executive)

(c) Equal Opportunities Implications

An equality impact assessment has not been prepared for this item.

(d) **Environmental Implications**

None

(e) **Procurement**

There are no procurement considerations in this report.

(f) **Consultation and communication**

This report relates to a staffing matter.

(g) **Community Safety**

There are no community safety considerations in this report.

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

- Letter dated 15 July 2013 from the Local Government Association (LGA) advising of the nationally agreed pay award for 2013 for staff covered by the National Joint Council (NJC) for Local Government Services.
- The Council's Constitution – Delegations to the Director of Resources

To inspect these documents contact Deborah Simpson, Head of HR on 01223 458101.

The author and contact officer for queries on the report is Deborah Simpson. Head of HR on 01223 458101.

Report file:

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