

# Public Document Pack

## NOTICE OF COUNCIL MEETING - 06 NOVEMBER 2014

Dear Councillor,

A meeting of Cambridge City Council will be held in the Council Chamber - Guildhall on Thursday, 6 November 2014 at 6.00 pm and I hereby summon you to attend.

Dated 29 October 2014

Yours faithfully

Chief Executive

### **Agenda**

- 1 To approve as a correct record the minutes of the meeting held on 24 July 2014**  
*(Pages 13 - 38)*
- 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 Housing Revenue Account (HRA) Mid-Year Financial Review (Executive Councillor for Housing)**  
*(Pages 39 - 166)*
- 4b Mid-Year Financial Review (MFR) 2014/15 to 2017/18 - Treasury Management half yearly update report (Executive Councillor for Finance and Resources)**  
*(Pages 167 - 238)*
- 4c Arrangements to establish The Cultural Trust (The Leader)**  
*(Pages 239 - 272)*
- 4d Establishment of Greater Cambridge Joint Governance Framework (The Leader)**  
*(Pages 273 - 296)*
- 4e Authority to deputise for the Chief Executive (The Leader)**  
*(Pages 297)*
- 5 To consider the recommendations of Committees for Adoption**

**Civic Affairs Committee - 17 September 2014**

- 5a Constitution-changes to comply with legislation on recording officer decisions and recording meetings**  
*(Pages 299 - 330)*

**Planning Committee - 1 October 2014**

- 5b Ombudsman finding of Maladministration**  
*(Pages 331 - 346)*

## **6 To deal with Oral Questions**

## **7 To consider the following Notices of Motion, notice of which has been given by:**

### **7a Councillor Dryden and Ashton**

This Council believes that:

- i. As a local authority we have a duty to provide the best possible public services.
- ii. Our ability to provide quality local services would be significantly enhanced by Government securing increased revenues by tackling tax dodging, particularly the large sums avoided by multinationals.
- iii. All who benefit from public spending should contribute their fair share.
- iv. The UK must take a lead role in creating a fairer tax system and combating tax dodging, a matter of major concern to a significant number of Cambridge residents.

The Council will therefore write to the Chancellor of the Exchequer and the Shadow Chancellor asking for further action and detail on measures under way to stop tax dodging and work internationally to end opportunities for multinationals to avoid UK tax obligations using tax havens.

### **7b Councillors Robertson and Todd-Jones**

The bedroom tax, also called the Spare Room Subsidy, was introduced by the coalition government in April 2012, despite serious concerns being raised by stock holding councils, housing professionals and charities such as the Joseph Rowntree Foundation. In Cambridge up to 800 Council and Housing Association tenants were affected, with 3/4 of these being Council tenants.

This Council notes that:

- i. The bedroom tax continues to have a severe impact on its tenants with 20% now in arrears and only 5% having been able to downsize in line with national findings.
- ii. 45% of tenants are also being supported through Discretionary Housing Payments, which are a time limited award.
- iii. The Discretionary Housing Payment (DHP) fund is also meant to support top ups to the Local Housing Allowance for private sector tenants and those impacted by other welfare reforms by the coalition government but over 80% of the DHP fund is being used for bedroom tax cases.

This Council also notes that:

- i. Julian Huppert has consistently voted for the bedroom tax in Parliament, voting 12 times in support of it and only now that it has proved to be unpopular has he changed his position to appear to be against it. The Parliamentary Labour Party is committed to repealing the bedroom tax if elected in May 2015 and the Cambridge Labour led City Council is committed to not evicting any tenant in arrears solely due to the bedroom tax.
- ii. The Affordable Homes Bill from Andrew George MP in September 2014 is very unlikely to become law and in any case would not mitigate the impact sufficiently on vulnerable groups and will continue to cause pressure and stress to those affected over a prolonged period of time.

This Council therefore resolves that the Leader of the Council will:

- i. Write to Julian Huppert asking him to recognise the misery the bedroom tax had caused and ask for his support in Parliament to repeal the Bill and to recognise that, in line with localism, social sector landlords are best placed to determine their own local lettings policies and best use of their existing stock.
- ii. Ask for his support to lift or remove the debt cap on the Housing Revenue Account which is the chief barrier to the City Council to build more social housing and tackle overcrowding and waiting lists.

## **7c Councillors Bick and Reid**

### Council notes:

- i. The urgent need to increase the relevance of public decision making to people's daily lives and to rejuvenate our local democracy.
- ii. The opportunity to tackle this in an appropriate way in England following the Scottish referendum and the commitments made there for increased devolution from Westminster.
- iii. The recent report of the RSA City Growth Commission presenting just the latest evidence that city regions, if empowered to do so, can serve to boost national economic growth.
- iv. The groundswell of support in the local business community for a single council providing coordinated, accountable leadership for the Greater Cambridge area.
- v. The welcome debate opened up at the County Council for alternative approaches to local government in our area, to which the City Council will be asked to participate.

### Council believes that:

- i. The survival of the proud tradition of municipal innovation and enterprise, which historically transformed social conditions and enabled strides in prosperity is under threat from the control tendencies of all recent governments.
- ii. There is much to do to in our own area, yet too often our locally elected representatives are circumscribed from taking actions that local people expect of them.
- iii. Both the unwieldy structure of local government covering the city of Cambridge and the centralisation of the vast majority of revenues arising from the area are major sources of frustration with the democratic process.
- iv. Power should reside as close to people as is consistent with making effective decisions that impact them.
- v. Irrespective of demarcations between councils, voluntary collaborations between them are being shown to offer economies of scale and critical mass where needed for cost effective service delivery.

- vi. For purposeful, democratic, local government, we should aspire to a single tier council framed around the logical community of interest within an economic subregion: a shared area of identity within which most people both live and work;

Council calls on the Leader and Chief Executive to:

- i. Participate in discussions with other Cambridgeshire authorities to build a consensus for a new single tier authority for the south of the county with appropriate solutions for the remainder.
- ii. Seek in the interim negotiations with central Government through the structure created for the Greater Cambridge City Deal to seek acceleration of the already committed legislation to enable a Greater Cambridge combined authority.
- iii. Develop and articulate the case for:
  - The retention without strings of a majority of the public revenues arising in this area from business rates and other property based taxation, allowing for the remainder to be redeployed nationally for equalisation.
  - Local accountability to local people for setting business rates and council tax levels.
  - Greater freedom to borrow against business plans for investment in housing.
  - A proportional voting system within a newly empowered local government.
  - A national constitutional convention to provide the stimulus for a new mindset in Westminster and Whitehall and a general framework for progress in all these respects.

## **7d Councillor Owers**

This Council uses the opportunity of Living Wage Week 2014 (2<sup>nd</sup>-8<sup>th</sup> November) to welcome Cambridge City Council's new status as an accredited Living Wage employer, and to thank all those who worked hard to make that status possible.

This Council resolves to scrupulously ensure that the terms of accreditation are satisfactorily and expeditiously implemented.

This Council resolves to now take the Living Wage campaign in Cambridge further by prioritising the promotion of the Living Wage in the wider Cambridge economy, among both public and private sector organisations, by highlighting not only the moral case, but also the business case for paying a wage that allows all workers to live a full, active and decent life within the community.

This Council notes that independent research has concluded that paying the Living Wage has multiple benefits for businesses, including:

- i. Improving staff productivity and performance.
- ii. Improving staff retention and loyalty.
- iii. Improving companies' reputation for corporate social responsibility.
- iv. Increased local purchasing power and demand for goods and services.

This Council notes that these benefits are particularly pertinent to Cambridge given the city's high population churn, high living and housing costs, competitive labour market, and high level of concern about corporate social responsibility.

This council notes and supports the appointment of the innovative new post of Living Wage Co-ordinator, a position that has received strong public backing from the Living Wage Foundation.

This Council resolves to work with the Living Wage Co-ordinator and Living Wage Foundation to implement a Living Wage external promotion strategy that will include:

- i. Information-gathering and research to identify which organisations do and do not pay the Living Wage.
- ii. Advocating the benefits of paying the Living Wage and assisting firms with the business case for implementing the Living Wage.
- iii. Helping sympathetic organisations apply for Living Wage accreditation.

- iv. Enlisting private and public sector partners who can advocate and outline the benefits of the Living Wage on our behalf.
- v. High level political engagement and advocacy, including through local business and public sector networks such as Cambridge Ahead, the Cambridge BID, and the Cambridge Network, and our partnerships in the City Deal and the LEP, and with other local authorities.
- vi. Partnership with local Trade Unions.
- vii. Working with the Living Wage Foundation to implement the next stage of their national strategy, namely to give consumers more information about which firms and organisations pay the Living Wage so that people can make ethical purchasing decisions, perhaps through a 'kitemark' scheme.

## **7e Councillor Cantrill**

Council recognises that

- i. The city's connection to long distance coach networks is important to residents and visitors alike and makes a positive contribution to the city economy.
- ii. Current arrangements to provide a terminus on Parkside are inadequate and unsustainable both to surrounding residents and the travelling public as well as inconsistent with the character and amenity of Parker's Piece.
- iii. The current temporary facilities at Parkside were put in place in 2007 pending development of a county-led bus management strategy which does not seem to have materialised and the current temporary planning permission expires this year.
- iv. In order to obtain proper facilities for travellers, some flexibility and willingness to work with the local authorities should be expected of the bus companies to determine the most suitable permanent location.



Council calls on its Planning Officers to work with County Transport Officers to develop alternative locations as a means of providing a suitable permanent home for the coach interchange, noting in particular the expectation that the railway station after its redevelopment would provide a possible solution, as discussed at the start of the current temporary arrangement on Parkside.

## **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.

## **9 Special Urgency Decisions**

Part 4B paragraph 16 of the Council's Constitution, permits Special Urgency decisions to be taken by the relevant Executive Councillor with the agreement of the Chair of the relevant Scrutiny committee.

Para 17.3 of the Access to Information Procedure Rules requires that these decisions be reported back to Council for information.

### **9a Potential Sale of LBI HF claims**

*(Pages 347 - 348)*

## 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.

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

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- 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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**Queries on reports**

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relevant report or Democratic Services on 01223 457013 or [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk).

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**COUNCIL**24 July 2014  
6.00pm - 11.45 pm

**Present:** Councillors Bird (Mayor), Dryden (Deputy Mayor), Pippas, Abbott, Ashton, Austin, Avery, Baigent, Benstead, Bick, Birtles, Blackhurst, Blencowe, Cantrill, Gawthrope, Hart, Herbert, Hipkin, Holland, Johnson, McPherson, Meftah, Moghadas, Moore, O'Reilly, Owers, Perry, Pitt, Price, Ratcliffe, Reid, Reiner, Roberts, Robertson, Sarris, Sinnott, C. Smart, M. Smart, Smith, Todd-Jones, Tucker and Tunnacliffe

**FOR THE INFORMATION OF THE COUNCIL****Request to film the meeting**

The Mayor gave permission for Mr Carpen to film the meeting. It was confirmed that if members of the public or speakers expressed a desire not to be filmed, filming would cease.

**14/41/CNL To approve as a correct record the minutes of the meeting held on 12 June 2014**

The minutes of the 12 June 2014 meeting were approved as a correct record and signed by the Mayor.

**14/42/CNL Mayor's Announcements****1. APOLOGIES**

No apologies had been received.

**2. Cambridge Summer Music Festival**

The Mayor confirmed that a concert would take place on Friday 25 July at the Guildhall as part of the Cambridge Summer Music Festival. The event featured Jacqui Dankworth and a collection would be taken up in aid of the Mayor's two charities – Disability Cambridgeshire and Tom's Trust.

### **3. Joint City/University First World War Centenary Service**

The Mayor confirmed that an ecumenical service would take place in Great St. Mary's Church on Monday 4 August at 6pm to mark the centenary of the outbreak of the Great War. The service would be followed by a reception in the University Combination Room hosted by the University.

On the same evening, the City Council would be participating in the national "Lights Out" initiative where households and businesses across the UK were invited to turn out lights and display a lit candle in their windows. The Mayor and the Vice-Chancellor would each light a candle in the windows of the Guildhall fronting the Market Square.

### **4. Cambridge-Heidelberg-Montpellier Youth Orchestra**

The Mayor confirmed that the Cambridge-Heidelberg-Montpellier Youth Orchestra concert would take place on Saturday 9 August followed by a civic reception. The event would bring together young musicians from each of the three cities.

### **5. Mayor's Day Out**

The Mayor confirmed that the Mayor's Day Out to Great Yarmouth would take place on Thursday 21 August.

### **6. 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 12 and Saturday 13 September with a timed talk about the civic insignia on both dates.

### **7. Harvest Festival Civic Service**

The Mayor confirmed that the Harvest Festival Civic Service would take place on Sunday 12 October at 9.30am at Great St. Mary's Church.

## 8. PRESENTATION OF RESOLUTION OF THANKS

On behalf of the City Council, the Mayor presented Paul Saunders with a framed copy of the Resolution of Thanks passed at the annual meeting of the Council on 12 June.

## 9. DECLARATIONS OF INTEREST

Councillor	Item	Interest
Birtles	14/47b/CNL	Personal: Member of GMB
Birtles	14/47b/CNL	Personal: Member of on-line blacklisting forum
Gawthrope	14/47b/CNL	Personal: Member of a trade union
Price	14/47b/CNL	Personal: Member of Unite
Robertson	14/44b/CNL	Personal: Trustee of Cambridge Cyrenians

### 14/43/CNL Public Questions Time - see at the foot of the agenda for details of the scheme

Mr Lucas-Smith addressed the Council and made the following points:

- He was speaking as the Chair of Cambridge Cycling Campaign which had over 1000 members.
- Welcomed the mention of the Cycle Campaign and the publication 'Making Space for Cycling' in Motion 7c
- The guide was a national publication that had been endorsed by every national cycling group in the Country.
- Walkers, cyclists and disability groups had been consulted when producing the guide and the three groups agreed that shared spaces resulted in problems.
- The goals of the guide could be achieved in Cambridge.
- Newmarket Road was cited as an example of a road with potential as it was wide but currently cluttered with out of date street furniture.
- In the future increasing cycling rates would be important for the growth agenda.
- Space would need to be used efficiently.
- Progress with the Chisholm Trail was welcomed.

The Executive Councillor for Planning Policy and Transport stated that he would respond to the comments made when the motion was considered later in the meeting.

Mr Carpen addressed the Council and made the following points:

- Drew Member's attention to the flyer that had been distributed for the 'Be the Change Cambridge' event due to be held at Anglia Ruskin University in September.
- Stated that the aim of the event was to bring people together to make Cambridge a better place.
- The event organisers want to work with the Council.
- Expert facilitators would be leading the event.
- Two charities, including one supported by the Mayor, would benefit from the event.
- The goal of the event was to engage the wider community in shaping a Cambridge for the future.
- There would be a role for Councillors at the event.

The Leader responded and made the following statements.

- Councillors acknowledged their role in leading the debate whilst listening to the views of others.
- Confirmed that he would be attending the event.
- Welcomed the inclusiveness of the event.
- Agreed that others should help shape the debate.



**14/44/CNL To consider the recommendations of the Executive for Adoption****14/44a/CNL Budget 2014/15 – Amendment by the Executive  
(Executive Councillor for Finance and Resources)**

Councillor Owers introduced the following changes to his 2014/15 Budget recommendation:

- i. Deletion of LS6

To be replaced with

- ii. Additional Waste Service £10k saving per annum from 2015/16
- iii. Reduced contribution to “Sharing Prosperity Fund” by £5k in 2014/15

Full details available via:

<http://democracy.cambridge.gov.uk/documents/b8322/Budget%20Amendment%20%20Executive%20Labour%20Amendment%20for%20Council%2024th-Jul-2014%2018.00%20Council.pdf?T=9>

In response Councillor Bick proposed an updated Liberal Democrat 2014/15 Budget amendment.

Full details available via:

<http://democracy.cambridge.gov.uk/documents/b8345/Lib%20Dem%20update%20Budget%20Amendment%20-%20as%20presented%20at%20Council%2024th-Jul-2014%2018.00%20Council.pdf?T=9>

On a show of hands the amendment was lost by 13 votes to 25, with 3 abstentions.

**Resolved** (by 25 votes to 13, with 3 abstentions):

To approve the budget changes as outlined in the following:

General Fund Revenue Budgets:

To approve the following revenue budget changes:

- for items funded from General Fund Reserves, as shown in Appendix A of the officer's report.
- for items funded from External or Earmarked Funds, as shown in Appendix B of the officer's report

Capital & Revenue Projects Plan:

To approve the capital amendment, as shown in Appendix C of the officer's report.

Earmarked Reserves:

To approve changes as follows:

- *Amend the 'Keep Cambridge Moving Fund'.*

The Budget-Setting Report approved by Council in February 2014 included a contribution to this fund of £1,063.9k. It was now proposed to reduce this to £263.9k in order to fund the new Earmarked Reserves outlined below. The updated Earmarked and Specific Funds were shown in Appendix D of the officer's report.

- *Establishing an earmarked reserve of £500,000 for 'Sharing Prosperity Fund', with the remit:*

***Sharing Prosperity Fund Formal Remit:***

*To provide resources to fund fixed-term and one-off projects and proposals (which can be made through the budget process by members or officers, subject to consideration by the relevant scrutiny committee and the Anti-Poverty Strategy Project Board) that support the interim objectives of the council's Anti-Poverty Strategy, namely:*

*1 Helping people on low incomes to maximise their income and minimise their costs*

- 2 *Making the move into work easier*
- 3 *Helping low income families with the cost of raising a child*
- 4 *Breaking the link between poor health and poverty*
- 5 *Ensuring that vulnerable older people get the services that they need and reducing the social isolation they can experience*
- 6 *Helping people with high housing costs and improving the condition of people's homes*
- 7 *Working in partnership to tackle wider barriers to employment and engagement (e.g. transport, learning and skills)*

*Establishing an earmarked reserve of £300,000 for 'Fixed-Term Priority Project Fund', with the remit:*

***Fixed-Term Priority Project Fund Formal Remit:***

*To use non-ongoing, potentially short-term or uncertain sources of income, most obviously New Homes Bonus, for fixed-term costs. The creation of this fund will allow such sources of income to be used for priority projects without building in unsustainable ongoing revenue commitment*

Earmarked Reserves

'Sharing Prosperity Fund' (SPF)

That £500,000 of the balance of unapplied New Homes Bonus Funding for 2014/15 (currently in "Keep Cambridge Moving" Earmarked Fund) be used to create a 'Sharing Prosperity Fund'. It would provide resources to fund fixed-term and one-off projects and proposals (which can be made through the budget process by members or officers, subject to consideration by the relevant scrutiny committee and the Anti-Poverty Strategy Project Board) that support the objectives of the council's Anti-Poverty Strategy,

'Fixed-Term Priority Project Fund' (FTPPF)

- Currently the Priority Policy Fund (PPF) could be used to fund ongoing revenue costs as well as fixed-term or one-off projects. In future years it would be used solely to fund ongoing revenue costs, not fixed-term or one-off projects.

- That a new fund, similar to the PPF but only available for funding non-ongoing, fixed-term projects, be set up, called the Fixed-Term Priority Project Fund (FTPPF). This can then harness non-ongoing, potentially short-term or uncertain sources of income, most obviously NHB. The creation of this fund would allow such sources of income to be used for priority projects without building in unsustainable ongoing revenue commitments. £300,000 of the balance of unapplied New Homes Bonus Funding for 2014/2015 (currently in "Keep Cambridge Moving" Earmarked Fund) would be used to create this fund.

### Capital

To approve the change identified in Appendix C of the officer's report, namely to delete the 'Capital contribution to the 'Keep Cambridge Moving Fund' of £111,140 and delete from Capital Plan SC593.

Full details available via:

<http://democracy.cambridge.gov.uk/documents/b8346/Labour%20Budget%20-%20Full%20Amendment%20for%20Council%2024th-Jul-2014%2018.00%20Council.pdf?T=9>

### **14/44b/CNL      2013/14 Revenue and Capital Outturn, Carry Forwards and Significant Variances - Overview (Executive Councillor for Finance and Resources)**

**Resolved** (by 39 votes to 0, with 3 abstentions):

#### Revenue:

- i. To agree the final carry forward requests, totalling £469,010, as detailed in Appendix C of the officer's report, subject to the final outturn position.

#### Capital:

- ii. To carry forward (net) capital resources to fund re-phased capital spending of £15,828,000 as shown in Appendix D of the officer's report - Overview. (Note: this includes HRA £11,733,000)

**14/44c/CNL     Annual Treasury Management Report 2013/14, including changes to Treasury Management Strategy 2014/15 (Executive Councillor for Finance and Resources)**

Councillor Owers introduced a revised Appendix D to the officer's report (page 136 of the agenda pack).

The tabled change is available via:

<http://democracy.cambridge.gov.uk/documents/b8347/Treasury%20Management%20-%20tabled%20amendment%2024th-Jul-2014%2018.00%20Council.pdf?T=9>

The revision clarified the change to the Investment Strategy regarding commercial property and read 'Increase the limit for investment in the CCLA Local Authorities' Property Fund' (as underlined). This therefore now excluded direct investment in commercial property which would be dealt with through the capital planning process.

**Resolved** (by 28 votes to 0, with 14 abstentions):

- i. To approve the report as amended, which included the Council's actual prudential and treasury indicators for 2013/14.
- ii. To Approve the amendments to the Treasury Management Strategy as summarised below:-
  - Increase Counterparty limits
  - Increase the limits for longer term investments
  - Include other Building Societies on Counterparty list
  - Include suggested foreign banks on Counterparty list
  - Include Investment Commercial Properties on Counterparty list pending a more detailed report on commercial property to the Chair, Executive Councillor and Spokes.

The details of the above recommendations are shown in Paragraph 4.2 of the officer's report and Appendix D of the officer's report (as amended).

**14/44d/CNL      New Convention for Planning Committee Relating to Decisions Contrary to Officer Advice (Executive Councillor for Planning Policy and Transport)**

Councillor Blencowe introduced a revised Appendix C of the officer's report (page 156-157 of the agenda pack).

The tabled change is available via (page 30-31):

<http://democracy.cambridge.gov.uk/documents/b8332/Info%20Pack%2024th-Jul-2014%2018.00%20Council.pdf?T=9>

The appendix had been redrafted to better reflect the discussion at the Environment Scrutiny Committee on 8 July 2014.

**Resolved** (by 41 votes to 0, with 1 abstention):

- i. To approve an amendment to the constitution to include a new convention for the Planning Committee involving a deferred decision making process for appropriate cases.
- ii. That the convention process to be introduced for a 12 month trial period from September 2014. The convention to apply in the circumstances where the committee resolves that it is minded to refuse or approve major applications schemes contrary to the recommendation of its officers and be subject to the operational arrangements outlined in Appendix C of the officers report (as amended).
- iii. To delegate to the Heads of Legal and Planning Services authority to amend the constitution to include the new convention, amend procedures, update guidance, provide training as necessary to ensure the smooth implementation of the new convention.
- iv. To request the Head of Planning Services to provide a review report to Environment Scrutiny Committee on cases where the convention has applied, after 12 months operation.

**14/44e/CNL      Changes to the Consideration of Planning Applications at Area Committees (Executive Councillor for Planning Policy and Transport)**

**Resolved** (by 26 votes to 14):

- i. To rescind the delegation of powers to Area Committees to determine planning applications and enforcement matters set out in paragraph 11.3 of the terms of reference for Area Committees (section 11 of Part 3 of the Constitution) to come into effect from 1 October 2014.
- ii. To delegate responsibility for determining those applications and enforcement matters to the Planning Committee with effect from 1 October 2014.
- iii. To endorse the operating principles for the Planning Committee set out in paragraph 3.10 of the officer's report and adopting the approach set out in option1 in the officer's report.
- iv. To delegate authority to the Heads of Corporate Strategy, Legal and Planning Services to make changes to the constitution, committee operating arrangements, publications, procedures and any other matters as necessary to secure the smooth implementation of this change, consulting with the Executive Councillor, Chair and Vice Chair and Opposition Spokes of Planning Committee as appropriate and necessary.

**Re-ordering of the agenda**

The Mayor used her discretion, under paragraph 4.2.1 of the Council Procedure Rules, to alter the order of the agenda.

However, for the ease of the reader the minutes will follow the order of the printed agenda.

**14/45/CNL To consider the recommendations of Committees for Adoption****14/45a/CNL Code of Corporate Governance**

**Resolved** (unanimously):

- i. To approve the Code of Corporate Governance.

**14/45b/CNL Constitutional Impact - Transfer of Planning Items from Area to Central Planning Committee**

Councillor Cantrill proposed and Councillor Pitt seconded the following amendment to the recommendation (amendment underlined):

- i. To agree Area Committee meeting frequency is altered from the current 'every eight weeks' to 'at least six times per year' commencing from October 2014, with each Area Committee continuing, as now, to set its own timetable of meetings for the municipal year; and

On a show of hands this amendment was lost by 12 votes to 25.

**Resolved** (by 26 votes to 12):

- ii. To agree Area Committee meeting frequency is altered from the current 'every eight weeks' to 'at least four times per year' commencing from October 2014, with each Area Committee continuing, as now, to set its own timetable of meetings for the municipal year; and
- iii. To instruct the Head of Legal Services to amend the Constitution to reflect this change.

**14/465c/CNL City Council Appointment to the Conservators of the River Cam**

**Resolved** (unanimously):

- i. That Councillor Tunnacliffe take the place of Councillor Reiner on the Conservators of the River Cam.



## **14/46/CNL To deal with Oral Questions**

### **1. Councillor Martin Smart to the Executive Councillor for Housing**

**Is it true, as the latest Julian Huppert and Andy Blackhurst leaflet claims, that the Council is stopping work where improved wheelchair access is needed by tenants?**

The Executive Councillor responded that it was not true that work had stopped. The Council was committed to improving wheelchair access and these comments were simply scaremongering.

### **2. Councillor Benstead to the Executive Councillor for Housing**

**What has been the response of Lichfield Road tenants and residents since his decision not to demolish the happy community in Lichfield Road?**

The Executive Councillor responded that no negative responses had been received from tenants regarding the withdrawal of the redevelopment plans. Residents that had made comment had said that they were really happy not to have to move out of their homes.

### **3. Councillor Smith to the Executive Councillor for Finance and Resources**

**What actions has the Executive Councillor taken to tackle issues associated with the unlicensed punt station at Garret Hostel Lane?**

The Executive Councillor responded that the City Council, Cam Conservators and the Police were working together to resolve the illegal use of Garret Hostel Lane by commercial punt operators.

Use of Garret Hostel Lane for commercial punt tours was a breach of the Cam Conservators Byelaws and was an illegal activity. The Cam Conservators had taken action in this respect and would continue to do so.

In addition to legal action, the Council was working with the County Council with a view to creating a barrier to prevent the loading and unloading of punts from this location. This location was considered unsuitable on health and safety grounds, congestion of the river, lack of facilities and congestion created on Garret Hostel Lane.

The Council was also looking at making more information available to the public and tourists about how and where to get a safe punt tour.

Officers would meet on Tuesday 29 July to review the situation and the actions to be taken.

#### **4. Councillor Todd-Jones to the Executive Councillor for Finance and Resources**

**Can the Executive Councillor for Finance and Resources outline the status of the proposal passed as part of the 2014/15 budget for additional investment in the Council's commercial property portfolio?**

The Executive Councillor responded that a capital bid of £816,000 had been made for 2014/15. However as business rates were not progressing as planned there was not enough money to make a substantial difference to the commercial portfolio.

In order to make a substantial difference there would need to be additional investment of £4m - £5m.

#### **5. Councillor Pitt to the Executive Councillor for Environmental, Waste and Public Health**

**What lessons have been learned from the response to the issues raised by the bin strike?**

The Executive Councillor responded that the City Council had issued numerous press releases before and after the strike in order to keep the public informed of potential effects on service. Information had also been issued via the City Council's website, Twitter feed and Facebook pages. However it was acknowledged that there was always more that could be done to ensure that the public were as informed as possible.

To address safety concerns, the collection of food waste bins may be prioritised in the future for any planned strike days.

#### **6. Councillor Ratcliffe to the Executive Councillor for Community, Arts and Recreation**

**Can the Executive Councillor for Community, Arts and Recreation confirm that the recent grants review will prioritise funding for voluntary and community groups which assist in tackling inequality in the city, and that this will be achieved despite significant cuts to the Council's core budget as voted for by the Lib Dem Cambridge MP, Julian Huppert?**

The Executive Councillor responded that the recent grants review would now prioritise funding for voluntary and community groups which helped tackle inequality in the city. Due to cuts of 40% in Government grants, which MP Julian Huppert had voted for, the City Council had to find savings of £5m by 2018.

At a time when former Councillor Brown was the relevant Executive Councillor a report on the Grants Review was brought to the Community Services Scrutiny Committee in January 2014. This report made many references to the need to make savings.

#### **7. Councillor Reid to the Leader**

**Will this Council take every opportunity it can to achieve multi-party representation in making Councillor Appointments to external bodies?**

The Leader responded that, whilst it was dependent on the particular circumstance, the Council's position was that appointments be made with input from all parties.

#### **8. Councillor Bick to the Leader**

**Does the Leader agree that even though we are waiting for revised legislation to enable a combined authority for Greater Cambridge, the time is nevertheless now ripe for the establishment of an interim governance structure for the Greater Cambridge City Deal so there can be proper public transparency and democratic involvement of this and the other two partner Councils in the preparation for action in all the**

**areas covered by the Deal - transport, housing, land use planning and skills?**

The Leader responded that the City Deal would only take effect when the full detail was available. An agreement had not yet been confirmed as legislation was still outstanding from the coalition government.

A Shadow Board had met and the wider governance structures were likely to be set up by the end of the year.

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 Gawthrop to the Executive Councillor for Environment, Waste and Public Health**

**Can the Executive Councillor for Environment, Waste and Public Health let me know what measures are being put in place to help boost recycling?**

**10. Councillor Perry to the Executive Councillor for Environment, Waste and Public Health**

**Can the Executive Councillor for Environment, Waste and Public Health please let me know how the Council's litter and dog bin mapping is coming along?**

**11. Councillor Bick to the Executive Councillor for Finance and Resources**

**In deflecting from the one week delay in city rubbish collections the Executive Councillor for Environment, Waste and Public Health talked about the recent local authority workers' strike as a dispute between the coalition Government and workers who aren't paid a fair wage for what they do". Given this view, since taking office, what direction has the new Executive given the Council employers side of the national negotiations where Labour (not the coalition government) are in the lead position, and what upward adjustment does he expect to make to the existing provision for Council pay increases in the Mid-Year Financial review?**

**12. Councillor Perry to the Executive Councillor for Finance and Resources**

**Can the Executive Councillor for Finance and Resources outline what steps he will be taking to help Cambridge residents struggling with their energy and water bills?**

**13. Councillor Ratcliffe to the Executive Councillor for Environment, Waste and Public Health**

**Can the Executive Councillor for Environment, Waste and Public Health update us on the current situation regarding distribution of pocket ashtrays?**

**14/47/CNL To consider the following Notices of Motion, notice of which has been given by:**

**14/47a/CNL Motion A**

Councillor Price proposed and Councillor Todd-Jones seconded the following motion:

“This Council supports the launch of the SHOUT (Social Housing Under Threat) campaign on 18 June 2014. It agrees with SHOUT that building social housing - social rented homes - is at the core of tackling the housing crisis nationally and locally in Cambridge and that social rented housing meets needs that other tenures cannot address.

This Council also notes that:

- i. Under the Coalition Government the funding of social housing has become increasingly marginalised with the latest prospectus for bidders from the Homes and Community Agency stating that 'social rent provision will only be supported in very limited circumstances.'
- ii. The Coalition Government's Affordable Rent programme' linking grant funding to rents of up to 80% of market rents is quite simply unaffordable and there is evidence that even setting Affordable Rents of 65% of local market rents is putting homes out of reach of many in Cambridge.

- iii. Social housing faces great challenges in meeting the needs of those affected by welfare cuts and rule changes over the last three years, including the damaging 'bedroom tax', and increased pressure from the escalating number of council homes lost through the Right to Buy after the significant increase in discount in April 2012 from the coalition government.

This Council therefore resolves:

- i. that the Chief Executive and Leader of the Council write to the two MPs for Cambridge, Julian Huppert MP and Andrew Lansley MP, laying out the case for a social rent level of 60% of local market rent as 'affordable' for current and potential City Homes tenants, and requesting their support for this and lobbying of the Minister for Communities and Local Government to ensure the Affordable Housing Programme favours a Cambridge Social Rented Programme.
- ii. To consider how the City Deal can deliver a programme of new council homes at affordable social rent levels, including working in partnership with other providers and local authorities.
- iii. To support the work of the SHOUT campaign and take a lead in affirming the positive value and purpose of social rented housing."

Councillor Blackhurst proposed and Councillor Catherine Smart seconded the following amendment:

Delete all after "This Council notes" and replace with –

- i. In the period 1997-2007 new social rented housing was delivered in England, on average, at just half the rate achieved in the period 1992-1997, which has contributed to the current national housing shortage. That the Coalition Government has taken decisive steps to increase the supply of affordable housing, with £19.5 billion of public and private investment in the current Spending Review, and has freed those local authorities which retained their housing stock from financial controls which prevented their direct investment in new housing. The introduction of affordable rents, pegged at no more than 80% of local market rents is facilitating the delivery of additional housing capacity.

- ii. This Council has successfully argued that to be “affordable” rents should be defined in relation to the availability of housing benefit.
- iii. This Council has made full use of the discretionary payments regime, funded by Central Government, to those seeking appropriately-sized accommodation, since the removal of the spare room subsidy was extended to those in social rented accommodation. However the removal of the subsidy can only be an effective and fair incentive for the release of larger homes if there is an adequate supply of smaller homes, so the subsidy should not be removed from tenants who have not been offered appropriate alternative accommodation.
- iv. The Homes and Communities Agency currently indicate that they will only support funding for traditional social rented accommodation in limited circumstances (for example in regeneration schemes where decanting is necessary), though social rented accommodation may still be supported through the application of Council resources (funding or land).

This Council therefore resolves:

- i. that the Chief Executive and Leader of the Council write to the two MPs for Cambridge, Julian Huppert MP and Andrew Lansley MP, laying out the case for a continuing role for social rent levels for new, as well as existing, City Homes accommodation, and requesting their support for this and lobbying of the Minister for Communities and Local Government to ensure the Affordable Housing Programme favours a Cambridge Social Rented Programme.
- ii. To consider how the City Deal can deliver a programme of new council homes at affordable social rent levels, including working in partnership with other providers and local authorities.
- iii. To support the work of the SHOUT campaign and take a lead in affirming the positive value and purpose of social rented housing.

On a show of hands the amendment was lost by 12 votes to 23.

**Resolved** (by 24 votes to 0) that:

This Council supports the launch of the SHOUT (Social Housing Under Threat) campaign on 18 June 2014. It agrees with SHOUT that building social housing - social rented homes - is at the core of tackling the housing crisis nationally and locally in Cambridge and that social rented housing meets needs that other tenures cannot address.

This Council also notes that:

- iv. Under the Coalition Government the funding of social housing has become increasingly marginalised with the latest prospectus for bidders from the Homes and Community Agency stating that 'social rent provision will only be supported in very limited circumstances.'
- v. The Coalition Government's Affordable Rent programme' linking grant funding to rents of up to 80% of market rents is quite simply unaffordable and there is evidence that even setting Affordable Rents of 65% of local market rents is putting homes out of reach of many in Cambridge.
- vi. Social housing faces great challenges in meeting the needs of those affected by welfare cuts and rule changes over the last three years, including the damaging 'bedroom tax', and increased pressure from the escalating number of council homes lost through the Right to Buy after the significant increase in discount in April 2012 from the coalition government.

This Council therefore resolves:

- iv. that the Chief Executive and Leader of the Council write to the two MPs for Cambridge, Julian Huppert MP and Andrew Lansley MP, laying out the case for a social rent level of 60% of local market rent as 'affordable' for current and potential City Homes tenants, and requesting their support for this and lobbying of the Minister for Communities and Local Government to ensure the Affordable Housing Programme favours a Cambridge Social Rented Programme.
- v. To consider how the City Deal can deliver a programme of new council homes at affordable social rent levels, including working in partnership with other providers and local authorities.



- vi. To support the work of the SHOUT campaign and take a lead in affirming the positive value and purpose of social rented housing.

### **14/47b/CNL Motion B**

Councillor Birtles proposed and Councillor Dryden seconded the following motion:

“Cambridge City Council deplores the illegal practice of 'blacklisting' within the construction industry and will ensure that any company known to have been involved in blacklisting practices, and not to have indemnified their victims, will not be invited to tender for contracts until they have:

- i. identified the steps taken to remedy blacklisting for affected workers
- ii. identified the steps taken to ensure blacklisting will not happen again,

and

- iii. given assurances that they do not employ individuals who were named contacts for the Consulting Association.

The Council asks officers to prepare a report for the Leader and Strategy and Resources Scrutiny Committee on implementation of this policy.”

**Resolved** (unanimously) to agree the motion as set out above.

### **14/47c/CNL Motion C**

Councillor Cantrill proposed and Councillor Moore seconded the following motion:

“This Council notes:

- i. that the Tour de France event in Cambridge on Monday 7 July was an overwhelming success for the city.
- ii. the hard work of council officers, volunteers and all other organisations involved in the holding of the event.

- iii. the decision taken by the City Council in 2012, to host the event only on the basis that the cost to the council was for the use of its existing resources - particularly at a time of financial austerity.
- iv. the event was a demonstration of the City Council's ability to work with many stakeholders over a period of two years to deliver an event that reinforces Cambridge as a city where cycling is at its heart.

This Council believes that a lasting, permanent legacy of the Tour de France will be a true measure of its success and will create that legacy by resolving to:

- i. continue to build on its existing commitment to cycling across all areas of the council's activities - as illustrated by the recent investment in new cycle racks across the city centre.
- ii. commend the publication 'making space for cycling' and to consider, to the extent where the policy does not already exist, the adopting of the proposals within the publication.
- iii. commit to support and press for the delivery of the Chisholm Trail, a major piece of cycling infrastructure, by the County Council and other key stakeholders.
- iv. continue to lobby for additional cycle infrastructure on major roads in the city (similar to the schemes recently approved by the County Council on Hills Road and Huntingdon Road)."

Councillor Johnson proposed and Councillor Martin Smart seconded the following amendment:

Delete all and replace with:

"This Council notes:

- i. That the Tour de France event in Cambridge on Monday 7 July was an overwhelming success for the city;
- ii. That the event was only possible through hard work, partnerships and planning over two years, in particular the tremendous work of the staff of the City and County Councils, the Police, South Cambridgeshire District

Council, volunteers including the 'Tour Makers' and the contributions of others notably ASO the Tour de France organisers;

- iii. The much appreciated financial support from TdFHub Ltd and national organisations that enabled the event to be held at no additional financial cost, and through existing Council resources;
- iv. The spectacular success of community events including the Velo Festival that has allowed community groups, local businesses, schools, and others to contribute their passion for cycling through cultural and sporting activities;
- v. The funding received from Arts Council England, which supported a series of cultural activities, including the highly successful Cycle of Songs commission;
- vi. The ongoing partnership with Sport England and now introducing British Cycling in promoting cycling in all its forms, and continuing work with organisations including You Can Bike Too in increasing participation among under-represented groups;
- vii. The progress already underway by the council through its Legacy and Activity Group in bringing together local sports and cycling clubs, community groups, schools, charities and other interested parties to develop ideas for future events that celebrate cycling in Cambridge, and
- viii. Work being led by the Business and Tourism Legacy Group organised by Visit Cambridge to develop the economic legacy from the event.

The Council will work with the County Council and partners in continuing to create a lasting legacy of the Tour de France and asks officers to bring a report to the Environment and Planning Policy Scrutiny Committee to:

- i. Build on our Council-wide commitment to the promotion of safe and secure cycling, as illustrated by investment in new cycle racks in the city centre and beyond;

- ii. Ensure all new schemes take into account best practice as set out in the Cambridge Cycling Campaign, 'Making Space for Cycling' report and related publications, and consider how best to implement its proposals and conclusions through the planning process;
- iii. Commit to support and press for the delivery of the Chisholm Trail, and support wider investment and delivery in cycling infrastructure in and around Cambridge, and
- iv. Continue to lobby for additional high quality cycling and pedestrian improvements in the city centre and on major roads, including schemes similar to those recently approved by the County Council on Hills Road and Huntingdon Road."

On a show of hands the amendment was carried unanimously.

**Resolved** (unanimously) that:

This Council notes:

- ix. That the Tour de France event in Cambridge on Monday 7 July was an overwhelming success for the city;
- x. That the event was only possible through hard work, partnerships and planning over two years, in particular the tremendous work of the staff of the City and County Councils, the Police, South Cambridgeshire District Council, volunteers including the 'Tour Makers' and the contributions of others notably ASO the Tour de France organisers;
- xi. The much appreciated financial support from TdFHub Ltd and national organisations that enabled the event to be held at no additional financial cost, and through existing Council resources;
- xii. The spectacular success of community events including the Velo Festival that has allowed community groups, local businesses, schools, and others to contribute their passion for cycling through cultural and sporting activities;

- xiii. The funding received from Arts Council England, which supported a series of cultural activities, including the highly successful Cycle of Songs commission;
- xiv. The ongoing partnership with Sport England and now introducing British Cycling in promoting cycling in all its forms, and continuing work with organisations including You Can Bike Too in increasing participation among under-represented groups;
- xv. The progress already underway by the council through its Legacy and Activity Group in bringing together local sports and cycling clubs, community groups, schools, charities and other interested parties to develop ideas for future events that celebrate cycling in Cambridge, and
- xvi. Work being led by the Business and Tourism Legacy Group organised by Visit Cambridge to develop the economic legacy from the event.

The Council will work with the County Council and partners in continuing to create a lasting legacy of the Tour de France and asks officers to bring a report to the Environment and Planning Policy Scrutiny Committee to:

- v. Build on our Council-wide commitment to the promotion of safe and secure cycling, as illustrated by investment in new cycle racks in the city centre and beyond;
- vi. Ensure all new schemes take into account best practice as set out in the Cambridge Cycling Campaign, 'Making Space for Cycling' report and related publications, and consider how best to implement its proposals and conclusions through the planning process;
- vii. Commit to support and press for the delivery of the Chisholm Trail, and support wider investment and delivery in cycling infrastructure in and around Cambridge, and
- viii. Continue to lobby for additional high quality cycling and pedestrian improvements in the city centre and on major roads, including schemes similar to those recently approved by the County Council on Hills Road and Huntingdon Road

**14/48/CNL Written Questions**

There were no written questions.

**14/49/CNL Special Urgency Decisions**

**14/49a/CNL Building Cleaning In House Bid**

The decision was noted.

**14/49b/CNL Consultation about Area Joint Committee Proposal**

The decision was noted.

The meeting ended at 11.45 pm

**CHAIR**

<p style="text-align: center;"><b>RECOMMENDATION TO COUNCIL</b> <b>(Executive Councillor for Housing)</b></p>
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## **HOUSING REVENUE ACCOUNT MID-YEAR FINANCIAL REVIEW (BUSINESS PLAN UPDATE)**

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 Housing Scrutiny Committee considered and approved the recommendations unanimously.

**Accordingly, Council is recommended:**

To approve:

- Proposals for changes in existing housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the document, with the resulting position summarised in Appendix H.
- Inclusion of a new scheme in the Housing Capital Investment Plan, relating to the replacement of air cooling systems at the area housing offices, at a cost of £11,000.

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Version 3  
Council

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

October  
2014

2014/15 to 2043/44

Cambridge City Council



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# Section 1

## Introduction and Local Context

### Foreword by the Executive Councillor for Housing

The Mid Year Financial Review is set in the context of the Council's vision of a united Cambridge, One Cambridge – Fair for All, and lays the basis for the detailed, longer-term Housing Revenue Account Budget Review to be started as part of the 2015/16 budget process.

The national context is very challenging. The government's harsh austerity programme makes for difficult choices. Changes to the welfare system have required additional funding to support vulnerable tenants, and this will continue to be a strong focus in the forthcoming review. Grant funding investment per new social home has reduced steadily since 2010 with the expectation that higher rents will make up the difference – a transfer of the debt, in effect, from bricks and mortar to tenants themselves which threatens to widen inequality in an already divided City.

The increase in the Right to Buy discount from April 2012 and the inflexible constraints on spending retained capital receipts within three years whilst requiring councils to match every £1 received with over £2 from its own budget, have already led to a need to find almost £16,000,000 before June 2017 and will continue to put significant pressure on the HRA.

The Council's pride in its role as a social landlord and its belief that social housing is vital to tackling the housing crisis facing so many in the City are at the core of every decision made for the HRA. Our support for the national cross party SHOUT (Social Housing under Threat) campaign has been affirmed by Full Council in July 2014.

Our Cambridge Social Rent Programme recognises that private sector rents in Cambridge are the highest of any city outside London and uses the Local Housing Allowance as a benchmark, to ensure that Cambridge remains a city open to all regardless of income.

Our City Homes Improvement Programme is set to restore pride in our council estates, tackling a legacy of underspend and slippage in the Capital Programme.

We have already begun this process. We have doubled the fencing budget for 2014/15 to tackle open spaces on City Homes estates.

We have committed to ensuring no tenant is evicted solely because of the 'bedroom tax' and to ongoing support through additional staffing and using Discretionary Housing Payments, which has meant in the first year of the legislative change nearly 80% of that funding being used to support those affected.

We have recognised the social value of our strong and established communities by halting the previous administration's planned redevelopment of Lichfield Road and parts of Campkin Road, seeking redevelopment through consensus not imposition. We have been clear that council land is an invaluable and limited asset which must not be used to do deals with private developers that maximise profit at the expense of our current and future tenants.

We will continue to advocate nationally for a lifting of the HRA debt cap and a recognition that the key role Cambridge plays in the UK economy is best served by a City which is diverse and underpinned by social equality, and by sharing prosperity across all wards.

We will prioritise the delivery of new social housing by working with partners such as other local councils and housing associations and investigate all options for funding to free our hands from national constraints.

This is the first year of the new Labour administration, underpinned by our vision of One Cambridge – Fair for All, our commitment to public service and our belief in the key role of social landlords.

***Councillor Kevin Price.***

## Background

The Housing Revenue Account (HRA) Mid-Year Financial Review is to be read in conjunction with the original HRA 30-Year Business Plan approved in February 2012, which sets the scene for the current financial environment and the HRA Budget Setting Report of February 2014.

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 2015/16 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 2015/16, 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 and legislation or as a result of decisions taken locally.

The HRA Mid-Year Financial Review incorporates a review of the current year budget position (2014/15), and updated projections for the following 4 years from 2015/16 to 2018/19, 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

Committee dates in the financial planning and budget preparation timetable are shown below:

Date	Task
<b>2014</b>	
30 September	Executive Councillor for Housing considers HRA Mid-Year Financial Review and incorporates Housing Scrutiny Committee views in recommendations to Council
6 November	Council considers HRA Mid-Year Financial Review
<b>2015</b>	
14 January	Executive Councillor for Housing considers HRA Budget Setting Report, approves rent levels and revenue budgets, following consideration of Housing Scrutiny Committee views, making final capital related recommendations to Council
26 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 1/4/2014	Estimated Stock Numbers as at 1/4/2015
General Housing	6,531	6,482
Sheltered Housing	520	506
Supported Housing	24	24
Temporary Housing (Individual Units)	49	49
Temporary Housing (HMO's / EA)	21	22
Miscellaneous Leased Dwellings	19	18
Shared Ownership Dwellings	84	83
<b>Total Dwellings</b>	<b>7,248</b>	<b>7,184</b>

Property Type (Excluding Shared Ownership)	Actual Stock Numbers as at 1/4/2014	Estimated Stock Numbers as at 1/4/2015
Bedsits	107	105
1 Bed	1,782	1,700
2 Bed	2,383	2,410
3 Bed	2,267	2,274
4 / 4+ Bed	105	106
Sheltered Housing	520	506
<b>Total Dwellings</b>	<b>7,164</b>	<b>7,101</b>

#### Leasehold Stock

At 1<sup>st</sup> April 2014, the Council retained the freehold and managed the leases for 1,109 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 most recent assumptions, made as part of the HRA Budget Setting Report approved in February 2014. 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.

A table detailing all of the revised business planning assumptions is included at Appendix C.

### 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 2.1%, with a downward trend appearing over the last 7 months, with rates now just below 2%.

Recognising the downward trend overall, it is proposed to amend the base inflation rate of 2.5% included in the HRA financial model as part of the HRA Budget Setting Report, instead assuming a rate of 2% in the mid-year review.

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 as increasing at lower levels than the standard measures of

inflation. Recovery in this industry however now seems clear, with growth in the index over the last 12 months of 6.25%, and forecasts indicating this index will continue to grow at a rate of between 5% and 5.5% per annum. On the basis of the recent recovery, and the predictions provided for the coming 5 year period, it is recommended that the assumption incorporated is that this index runs at 3% above CPI for 5 years and then reverts to 1% above CPI over the longer term and for the remainder 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. From April 2014, a legislative change means that the definition of 'balances' which the HRA is entitled to earn interest upon, has been expanded to include unallocated housing capital receipts. This change will benefit the HRA in financial terms, but will have a corresponding negative impact on the General Fund, which will be incorporated into the General Fund Mid-Year Financial Review.

Although the level of balances which the HRA holds and is now entitled to receive interest upon will be higher, the rate of interest receivable on the investment of these balances and reserves remains very low. Although anticipated to be slow, some recovery in the rates available is still predicted in the longer term. Revised interest rate assumptions are included in Appendix C.

In the medium to long-term, if the HRA holds significant cash reserves, set-aside to repay an element of 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. The alternative to this would be to explore early repayment of the HRA debt, particularly if the benefit of doing so can be demonstrated to out-perform the interest anticipated to be earned on the retention of the balance until the loan's maturity date.

## **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 28<sup>th</sup> 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. The borrowing cap may be increased in future years as a direct result of the authority expressing interest in a Government initiative which seeks to increase the debt cap nationally by up to £300 million in a bid to increase the supply of affordable housing. If successful, the expression of interest could see the HRA debt cap increased by just over £6 million.

There is still the possibility that some of the additional borrowing anticipated in the HRA may be met internally by borrowing from the General Fund, although this is in no way guaranteed, as it would be subject to the availability of the resource at the point at which it is required. The option to internally borrow would be fully explored before any decisions were taken for the authority to prudentially borrow.

For the purpose of financial planning, it has prudently been assumed that the HRA will borrow externally, thus ensuring that the assumed interest rates payable will be sufficient to meet the cost of this borrowing route if required.

The authority has taken advantage of a certainty rate from the Public Works Loans Board (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 October 2014. If available again from October 2014 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 4.5%, and having reviewed the rates currently available from the PWLB for maturity loans with a 30 year duration, and without any guarantee that the certainty rate will continue to be available, it is considered prudent to retain this assumption 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 significant and sustained increase in right to buy activity.

During 2013/14, 114 right to buy applications were received and recorded, compared with 135 in the previous year. It is difficult to predict whether this level of activity will continue in the

medium to long term or whether we will now begin to see the predicted slowing down, but consideration is being given to the staffing resource allocated to this area of activity as part of a review of the Leasehold Service.

In 2013/14, 60 of the applications proceeded to completion of the sale of the property, compared with only 41 in 2012/13. In the first 3 months of 2014/15, 16 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 2014/15 to date and the suggestion, by Central Government, that the qualifying period will be reduced from 5 years to 3 years and the promised introduction of a Right to Buy Agent to support tenants through the purchase process, both of which are likely to prompt another peak in activity, it is considered prudent to increase the assumed level of sales to 60 for 2014/15 in line with sales in 2013/14, to 50 in 2015/16, 40 in 2016/17, 30 in 2017/18, and to 20 sales per annum from 2018/19.

Further legislative changes, debated in Parliament during July 2014, will come into force during July 2014 as part of new Statutory Instruments. These include:

- An annual increase in the maximum right to buy discount value (cash cap), ensuring that the discount keeps pace with inflation. From 21<sup>st</sup> July 2014 the maximum discount that a prospective purchaser can obtain will increase from £75,000 to £77,000, and will be reviewed annually in April of each year, increasing by CPI at the preceding September. However, if CPI is negative, the maximum discount will not be reduced, but will remain at the previous year's level.
- An increase in the maximum discount rate which can be applied to the purchase of a house under the right to buy, from 60% to 70%, with effect from the end of July 2014. Discounts for houses will continue to start at 35%, increasing by 1% for each year up to the maximum 70%. For flats, the discount starts at 50%, increasing by 2% each year up to the current maximum of 70%.

The annual increase in the maximum discount value (cash cap) will need to be incorporated into future financial projections from this point onwards. The increase in the discount rate for houses to 70% is not expected to impact significantly, as the majority of right to buy purchasers in Cambridge City are limited by the cash cap well before they reach the maximum discount rates.

## Right to Buy Receipts

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

The call on right to buy receipts is as follows:

- Receipts from the level of sales assumed in the Self-Financing Settlement are split between CLG (75%) and the authority (25%) after allowable deductions. 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 those assumed in the settlement, 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 capital purposes, e.g.; investment in new affordable housing. There is currently nothing legislatively to stop the authority using these receipts for wider capital purposes, although CLG are clear that the intention in allowing the authority to retain the sums is that the HRA has debt relational to the dwellings sold, and should either redeem the debt or create an asset to replace it, thus allowing the debt to continue to be supported.
- 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 housing resource held is capital in nature, prior to April 2014, the General Fund benefited from any interest earned on it. Due to a change in legislation, with effect from April 2014, the HRA will benefit from interest earned on all unallocated housing capital receipts. This change has been brought about to recognise that any receipts not re-invested appropriately within the

3 year time frame have to be paid over to central government, with the 'penalty' interest payable at 4% above the base rate, far exceeding the level of interest that is likely to have been earned in the interim. The change in legislation ensures that any interest earned on housing capital balances is available for re-investment in housing activity, assuming that retained right to buy receipts are appropriately spent.

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 New 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
30/9/2013	648,902.97	3,287,087.99	10,956,959.97	30/9/2016
31/12/2013	939,637.07	4,226,725.06	14,089,083.53	31/12/2016
31/3/2014	1,556,452.02	5,783,177.08	19,277,256.93	31/3/2017
30/6/2014	1,025,279.68	6,808,465.76	22,694,885.87	30/6/2017

It is clear from the above figures, that the authority is required to invest a significant sum in the delivery of new social housing over the next 3 years. For the investment to qualify, money has to be physically expended on a dwelling, but the dwelling itself does not need to be fully complete by the deadline. Although the assumed expenditure to meet the above commitment has been included in the Housing Capital Investment Plan, specific sites now need to be identified that can be delivered within the time frames. If this is not possible, the authority will need to consider the purchase of existing dwellings on the open market or alternatively passing the funding on to a registered provider to deliver the housing, before releasing existing and future 1-4-1 receipts directly to Central Government, as a last resort. A judgement will be made in this regard at the end of each quarter, and funds will be paid to Central Government if they are not deemed appropriately re-investable.

# 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 proposals were subject to consultation, with the outcome of this published in May 2014, and intended to span the coming 10 years.

There are a number of key changes introduced from April 2015 as part of the outcome to the Rent Policy Consultation, summarised in a document called 'Rents for Social Housing from 2015/16' with associated CLG Guidance issued alongside. The key changes are:

- A change in the inflationary rate used as part of the rent review each year, with a move for both actual and target rents from the historic inflationary rate of RPI (Retail Price Index) plus 0.5% to the use of CPI (Consumer Price Index) plus 1%, for the 10 year period from 2015/16 to 2024/25.
- Cessation of the rent convergence policy for existing tenants from 2015/16.
- Assumption that authorities will move the rent levels for all properties directly to target rent when a property becomes void, thus still achieving rent convergence, but over a longer time frame.
- Assumption that new homes will be let at the higher 'Affordable Rents' of up to 80% market rent levels (inclusive of service charge), if the authority has a Framework Development Agreement in place, or has entered into a Retention Agreement for the ability to retain right to buy receipts.
- Assumption that the rent for properties where the household income exceeds £60,000 per annum should be set at full market rent levels.

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.

## Welfare Reforms

The Welfare Reform Act 2012 introduced a number of changes to Housing and other Benefits.

In respect of under-occupation cases, Discretionary Housing Payment (DHP) continues to be considered, with time-limited top-up payments being awarded from a finite resource, supporting the most vulnerable tenants whilst alternative options are considered where appropriate. In some cases, tenants have registered with Homelink, and are actively looking to downsize to a property which suits their household size in terms of this reform. DHP can be awarded to meet the additional rent payments whilst this takes place, but in certain cases where awarded due to a disability, awards are made on an annual basis with a light touch review where circumstances are known to be the same. The DWP has published an interim report on the impact of the removal of the spare room subsidy that shows that nationally just 4.5% of affected claimants have downsized and that overall rent arrears had risen by 16%.

At the end of June 2014, approximately 415 HRA tenants were affected by the under-occupation deduction, with an estimated 80% of those residents affected paying the additional rent due. It is estimated that £37,500 of arrears relate to households affected by this change.

The Benefit Cap, (a cap of £500 per week for families, and £350 per week for a single person), introduced from 15th July 2013, currently impacts 15 City Council tenants, based upon the cases notified to us by the Department for Work and Pensions (DWP) at the time of writing this report.

Housing Benefit will eventually be incorporated into Universal Credit, but implementation delays mean that local authorities will now continue to administer Housing Benefit for much longer than previously anticipated.

From the point of introduction residents will be paid directly, and will receive calendar monthly payments, in arrears, administered centrally by the DWP. Pensioners continue to be excluded from these arrangements at present. In some cases an alternative payment arrangement might be available for those who genuinely cannot manage their monthly payment. This could take the form of a more frequent payment, split payment across the household or a managed

payment direct to the landlord. Universal Credit will always be calculated based on a 52 week year.

A DWP report published in May 2014 (Direct Payment Demonstration Project: learning and payment figures from payments 18 and 16) revealed that where tenants were paying their rent, the contact, advice and collection was a very resource intensive exercise, resulting in other landlord services being compromised and it remains concerned about how its tenants will manage direct payment when the wider and cumulative impacts of welfare reform take effect.

The full impact of these reforms remains unquantifiable at present, but the experience of many pilot authorities was a significant increase in both rent arrears and collection and recovery costs. It is anticipated that residents of supported exempt accommodation will have help with their housing costs provided separately to Universal Credit in a similar way to Housing Benefit in the short term.

The current intention is that Universal Credit will be fully available during 2016 with the majority of the remaining Housing Benefit caseload moving to Universal Credit during 2016/17. Local support will be available to help support claimants and will be provided through local partnerships.

## Support for Vulnerable People

There is still uncertainty in respect of the longer-term position for funding managed on a county-wide basis by the County Council, for the provision of support services in the city. There is however more clarity now over the shorter-term position for some of the work streams.

Cambridge City Council entered into a new contract for the delivery of support services to older people across the city from 30<sup>th</sup> April 2014. The contract runs for three years, with an option to extend for up to two further years, but with services delivered on a city-wide basis, and not just to HRA residents as was the case under the previous contract. There are concerns that the demand for support services across the city as a whole is unquantifiable. All existing service recipients will undergo a needs assessment during the first year of the new contract, and support services will then be targeted at those in the greatest need, with signposting to other agencies available for those with lower support needs.

The authority is also contracted to deliver support services in both extra care housing and temporary accommodation across the housing stock. The current contracts have been operating under temporary extensions whilst the County Council decided upon the most appropriate delivery vehicle for the future. Discussions are expected to take place with the County Council in the coming months in respect of both of these contracts.

Funding for the provision of alarms, and the telephone response to alarms, in sheltered and older persons housing is being phased out by the County Council, with the expectation that its continued provision across our housing stock will form the basis of a separately identified service charge, which would be payable by all residents benefiting from the service, and not just the proportion who are self-funders, as is the case at present.

The table below summarises the current funding received for the provision of support services:

Contract	No. of Units	Contract Status	Estimated County Support Funding 2014/15 (£)	Risks / Ongoing Assumptions
Temporary Housing	60	Block Gross Contract – Extension Expires 31/3/2015.	100,000	Uncertainty exists around County Council's plans after March 2015.
Older People Support Services	City-Wide	Fixed Price City-Wide Contract – Expires 30/4/2017, with an option to extend for up to 2 further years	180,000 (plus £51,700 TUPE funding for minimum of 1 year)	Risks exist that additional funding for an initially higher staffing level will cease, whilst demand for services across the city will outstrip supply, with services only delivered to those in greatest need.
Sheltered Housing Alarms	470	Contract addendum to extend until 31/3/2016.	9,440	Supporting People funding for alarm services will cease with effect from 31/3/2016
Community Alarms (HRA Stock)	34	Contract addendum to extend until 31/3/2016.	7,830	Supporting People funding for alarm services will cease with effect from 31/3/2016
Ditchburn Place (Extra Care)	36	Block Gross Contract (Part of Care Contract) – Expires 31/3/2015.	45,740 (Accounted for outside of the HRA)	Uncertainty exists around the County Council's plans for care at Ditchburn Place post March 2015
<b>Total County Council Support Funding</b>			<b>394,710</b>	



# Section 4

## Housing Service Mid-Year Budget Issues

### 2013/14 Outturn

The position at outturn for 2013/14 has been scrutinised and changes to the 2014/15 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 2013/14 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.

### 2014/15 Budget

In addition to reviewing the prior year outturn, consideration has been given to the impact on 2014/15 budgets of the review of key business planning assumptions, driven by both changes in legislation and in response to an assessment of changes in the current economic climate.

### HRA General Management

The key issues affecting estimated general management expenditure for 2014/15 and future years relate to a combination of the changes either being experienced, or anticipated, as part of the Welfare Reforms and the workload anticipated as new build housing is delivered into our housing stock. It is currently difficult to accurately predict the impact that the former of these things 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 impact on workload in respect of the delivery of new build housing however, can now be based on the early experience at Jane's Court.

## HRA Special Services

One of the key areas of uncertainty across special services is the remainder of anticipated changes in the delivery and funding mechanisms for the provision of support services, where the County Council are yet to confirm their future position for Temporary Housing and Extra Care Services and the demand for Older People Services across the city, within a cash limited budget, has yet to be fully quantified. The HRA also awaits clarity from 2015/16 onwards 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 need to be able to demonstrate value for money in the provision of special services is greater than ever, as the HRA expands the delivery of services to both new tenants and owner occupiers in the market housing on the mixed tenure housing development sites.

## Repairs & Maintenance

The Repairs and Maintenance Service responded positively to the challenges of demonstrating that the responsive repair and void services could be delivered in-house more efficiently, and this needs to be monitored and further improved upon in the coming months. One of the key challenges that the service faces in 2014/15 is the transfer of planned maintenance services to new contractors, following a procurement process resulting in a number of separate contracting decisions.

## HRA Summary Account

The key changes impacting income and expenditure charged directly to the HRA Summary Account are the impact of legislative changes surrounding interest receipts, changes in assumptions of the level of right to buy sales, the impact of delays in the implementation of Universal Credit, and the effect on the revenue position of any delays in the delivery of new build social housing compared with assumptions made as part of the HRA Budget Setting Report.

The resulting revenue budgetary changes proposed are detailed in Appendix D of this document, and are also incorporated into the HRA Summary Statement (2014/15 to 2018/19) at Appendix G.

# Section 5

## Revenue Resources – Rent and Other Income

### Rent Arrears and Bad Debt Provision

Rent collection performance locally has been consistently good, with approximately 98% of the value of current tenant arrears brought forward and new rent due, collected in year.

The year-end position in respect of rent debt is summarised in the table below:

Financial Year End	Value of Year End Arrears in Accounts (Current Tenants)	Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2010	£625,433	2.05%	£642,521
31/3/2011	£582,400	1.88%	£746,852
31/3/2012	£655,177	1.98%	£863,677
31/3/2013	£661,246	1.86%	£862,042
31/3/2014	£619,986	1.68%	£967,755

Maintaining and continually improving the performance with regard to collection of rent income is key in the delivery of the Housing Revenue Account Business Plan.

Performance in the collection of current tenant debt was improved in 2013/14, despite the introduction of both the social sector size criteria reduction in housing benefit and the benefit cap. Performance in the early part of 2014/15 has been maintained, when compared with the profile in 2013/14. Officers continue to work proactively with all tenants, but particularly those affected by the benefit changes, in an attempt to minimise the financial impact on the Housing Revenue Account and maintain or improve upon the current level of rent arrears by the end of 2014/15.

There is the need for a particular focus on former tenant arrears, where the value has been seen to increase quite dramatically over the last year. Provision is made in the Housing Revenue Account to write off of 92% of former tenant debt, but a decision to do this is not taken until all avenues for collection have been exhausted. The processes surrounding recovery and write off of former tenant debt are currently being reviewed, with a view to streamlining the administrative process once recovery has been exhausted.

The position in respect of rent arrears as a whole is anticipated to worsen during 2015/16, with the introduction of Universal Credit, based on the initial experience of pilot authorities seeing a marked increase in the level of rent arrears.

Taking the information above into consideration, the higher level of contribution that was approved for the bad debt provision for 2014/15, assuming the need to collect 100% of rent from a point in 2014, is not anticipated to be required. The higher level will need to be retained from 2015/16, and further consideration, as part of the 2015/16 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 2014, the provision for bad debt stood at £1,259,257, representing 79% of the total debt outstanding.

## Void Levels

The value of rent not collected as a direct result of void dwellings in 2013/14 was £330,126, representing a void loss of 0.93%, compared with £336,335 in 2012/13, representing a void loss of 1.11%.

Void levels remain low in 2014/15 to date, with properties awaiting re-development now de-commissioned once the whole dwelling is vacated for the last time. This ensures that the authority has a proper picture of those dwellings vacant, but anticipated to be available for re-let once any essential void works have been completed.

On an ongoing basis, an assumption of 1% voids in general housing is still considered prudent, recognising the release of a considerable amount of new build affordable housing in the city, and the intention to refurbish Ditchburn Place in 3 phases.

## Rent Restructuring

Rent restructuring, which was designed to ensure consistency in rent levels for all social housing tenants irrespective of landlord, has been retained as the method of calculation for social housing rents following the Government's review of rent policy over the last year.

Cambridge City Council has followed government guidelines in setting rents since the introduction of rent restructuring, including adhering to the numerous constraints introduced by Government throughout the process. The result is that rent levels for the authority are still considerably below the level of target rents, with only 4% of properties assumed to move to target rent levels each year during void periods.

The average target rent at the start of 2014/15 across the housing stock was £103.57, with the average actual rent charged being £98.49, both recorded on a 52 week basis. The average actual rent was therefore representative of 95% of the average target rent, with only 9% of the housing stock being charged at target rent levels.

The gap between actual and target rent levels equates to an annual loss of income of approximately £1,876,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement, where convergence was anticipated.

From April 2015, the gap between target and actual rents can only be closed at the point at which a property becomes vacant, when the rent is expected to be moved directly to the target rent level. On this basis, it will be many years before the housing stock as a whole reaches target rent levels, having a significant negative financial impact on the HRA as a housing business, when rents are compared with the assumptions made by Government as part of the HRA Self-Financing Debt Settlement.

## Rent Policy and Rent Setting

As identified in Section 3, National Housing Policy, significant changes have been made to national rent setting policy from April 2015.

These changes include:

- The use of the Consumer Price Index (CPI) plus 1% as the inflation driver for annual rent reviews
- The assumption that all void properties will be increased to target social rent levels before re-let
- The expectation that new build housing will be let at rent levels of up to 80% of market rent
- The expectation that households with incomes exceeding £60,000 per annum will be charged full market rent levels.

The financial impact of the move to using CPI as the driver for rents inflation, as opposed to RPI, was incorporated into financial assumptions as part of the 2014/15 HRA Budget Setting Report and has been retained in the modelling undertaken alongside the HRA Mid-Year financial Review. It is difficult to predict the impact that this change will have over the longer term, as historically these rates have been volatile, but with CPI general running at between 0.5% and 1% below RPI. The HRA Business Plan incorporates the assumption that the base rate of inflation, CPI, is the same for both expenditure and income, with variable adjustment factors applied to specific types of expenditure to ensure that the authority can meet the cost of any increase in expenditure in contractual terms.

From April 2013, the authority introduced a policy which allowed for the transition of energy efficient void properties direct to target rent before re-let. Based upon inspections undertaken during 2013/14, 66% of void dwellings were assessed as having an energy efficiency rating of C or above, and were therefore increased directly to target rent levels. Work began, under the previous administration, to undertake additional work during void periods to improve the energy efficiency of the dwelling and therefore allow re-let at target rent level. From April 2015, the authority could follow government policy to move 100% of void properties directly to target rent irrespective of energy efficiency status.

A decision to comply with government guidelines in respect of charging higher income households a market rent for their property would need some detailed consideration, to ensure that appropriate processes were in place to gather, monitor and react appropriately to this financial information, whilst also ensuring that the authority had a mechanism for continually measuring the market rent levels which drive this proposal.

Consideration will be given to any changes in Rent Policy at a local level as part of the 2015/16 HRA budget setting process, and it is anticipated that this topic will be the subject of a specific Housing Committee Report at this time.

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 Committee.

## 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 2013/14, and 2014/15 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	Financial Year	
	2013/14 £'000	2014/15 £'000
Original Budget (Approved in February)	<b>(726)</b>	<b>(70)</b>
Carry Forwards (Approved in June)	3,109	3,393
Total Including Carry Forwards	<b>2,383</b>	<b>3,323</b>
MFR Mid-Year Review (Approved in October)	(579)	2,573
Total Including Mid-Year Amendments	<b>1,804</b>	<b>5,896</b>
Budget Setting Report Revised Budget (February)	72	-
Total Including Revised Budget Changes	<b>1,876</b>	-
Actual Outturn (Reported in June)	<b>(3,385)</b>	-

The original budget for 2014/15 approved a net contribution to reserves of £70,490, recognising the desire to hold target HRA general reserves of £3,000,000 over the longer term. The budget incorporated a revenue contribution of £8,911,130 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 2013/14.

The final general HRA reserves position for 31 March 2014 was £8,880,738. This included £3,393,320, which will be required to fund the approved carry forward items.

The revised projection of the use of reserves in the current year (2014/15) now indicates that there is expected to be a net contribution from reserves of £5,895,820.

## 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 I for detail of existing balances held.



# 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 weak was 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. This piece of work is now well progressed, and the findings need to be incorporated into the Housing Capital Plan as part of the 2015/16 budget process.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2014 at 97.9%, compared with just over 96.5% achieving the desired standard at 31 March 2013. There were 151 properties that were considered to be non-decent (in addition to refusals), with another 510 anticipated to become non-decent during 2014/15.

### Stock Investment

Appendix H 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 2014.
- Re-phasing of expenditure anticipated to take place in 2013/14 into 2014/15 and beyond, as approved in July 2014.
- 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 are detailed at Appendix E, and include the following types of change:

- 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).
- In-year re-allocation and re-phasing between years, of budgets for decent homes and other works to the housing stock in line with contract packages awarded to Keepmoat (Apollo), Kier and other contractors under the SCAPE and ESPO frameworks.
- Inclusion of an additional £100,000 per annum in the allocation for fencing works from 2015/16 onwards.
- Inclusion of resource of £11,000 to fund unavoidable capital expenditure in respect of work to air cooling systems in both area offices to ensure that the authority complies with current legislation.

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

During 2015/16 officers will consider the difference in costs over the longer-term 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. Changes to achieve this have either been incorporated as part of this document if information is available currently, or will be addressed in the 2015/16 HRA Budget Setting Report.

# Section 7

## Capital & Asset Management – New Build & Re-Development

### Asset Management

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

A review was also undertaken in respect of the HRA's shared ownership portfolio, currently consisting of 84 dwellings, with one of the key outcomes of the review being a decision to consider the future of each shared ownership dwelling as part of a business case evaluating agreed criteria which include the condition, use and occupancy of the existing shared ownership property, before recommending re-purchase as shared ownership housing, re-purchase and use as general needs housing, re-purchase and subsequent sale on the open market or allowing the resident to dispose of their share on the market directly.

Receipts from individual 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
18A Magrath Avenue	Dwelling requires significant investment. Approval to dispose of leasehold dwelling and freehold jointly with the neighbour to achieve the benefit of a share in the higher marriage value for the asset as a whole.	In negotiation
101a Gwydir Street	Ground floor bedsit which is tenanted, but requires significant investment. Options are being evaluated as to the most appropriate way forward.	Under investigation

Potential Acquisition/Disposal	Comment	Status
Engineers House	Dwelling is a 3-bedroomed detached house in a non-estate location. Options for this property will be considered at the point at which the dwelling becomes vacant.	Future Investigation

## New Build & Re-Development

### 146 HCA Grant New Build Programme

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 was the first to complete in 2013/14, with the new Jane's Court available for let in the second half of the year.

At the time of writing this report, all but 2 of the tenanted households affected by the re-development programme had been re-housed and 16 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 at the next approval opportunity. 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 in all cases, but will ensure that the most up to date data is being utilised.

Due to delays on some of the development sites, it has been necessary to switch the application of HCA grant funding to alternative units, ensuring that the authority maximises the grant that is received. New build dwellings that were originally identified for market sale on some of the garage sites (Hawkins, Ekin and Fulbourn), have since been amended to deliver a greater proportion (up to 100%) of social housing on each site. These changes are also reflected in the table below, but it must be noted that the decision to utilise resource to deliver

a greater proportion of social housing on some of the earlier sites will result in an inability to meet the full costs of the later sites without the approval of additional resource for 2015/16.

The table below details the final sites against which the authority intends to apply HCA grant, identifying the current scheme costs for approval as part of this HRA MFR, comparing the costs to the approvals granted at budget setting stage in January / February 2014.

Scheme	Status	HRA BSR Approved Social Housing Units	HRA BSR Net Funding Approved (Capital Cost net of Grant and Land Transfer)	HRA MFR Revised Social Housing Units for Approval	Percentage Social Housing on Site	HRA MFR Revised Net Funding for Approval (Capital Cost net of Grant and Land Transfer)
Jane's Court	Complete	20	878,440	20	59%	878,610
Latimer Close	Unconditional	12	1,250,180	12	60%	1,357,060
Barnwell Road	Unconditional	12	1,094,750	12	59%	854,960
Campkin Road	Unconditional	20	2,451,640	20	63%	2,363,640
Colville Road	Unconditional	19	1,304,920	19	58%	1,156,850
Water Lane	Delayed	14	1,384,170	0		
Aylesborough Close (Phase 1)	Delayed	21	2,543,670	0		
Aylesborough Close (Phase 1a)	Conditional	0	0	10	63%	2,049,390
Stanesfield Road	Unconditional	4	554,020	4	50%	399,650
Wadloes Road	Conditional	6	646,530	6	60%	568,760
Atkins Close (Garage Site)	Unconditional	8	601,070	8	67%	446,650
Hawkins (Garage Site)(*)	Not in Contract	5	513,640	9	100%	1,193,990
Fulbourn (Garage Site)(*)	Not in Contract	4	252,670	8	100%	1,127,200
Ekin Road (Garage Site)(*)	Not in Contract	4	403,140	6	100%	828,520
<b>Total</b>		<b>149</b>	<b>13,878,840</b>	<b>134</b>	<b>64%</b>	<b>13,225,280</b>

The sums included for sites not yet at unconditional contract stage, are the latest working estimates, but will still be subject to change before finalisation.

### Non-HCA Grant Balance of New Build Programme

Re-allocation of HCA grant to some of the garage sites above in order to meet the time scales for receipt of this external funding, result in the authority owning a greater proportion of the new build housing on each of these sites. Investment in these dwellings means that additional resource will be required to complete the build on the Aylesborough Close and Water Lane sites, but the overall impact will mean delivery of 158 dwellings compared with the 146 that were originally proposed or the 149 that were anticipated at budget setting stage in January / February 2014. The funding required to complete the programme is detailed below:

Scheme	Status	HRA MFR Revised Social Housing Units for Approval	Percentage Social Housing on Site	HRA MFR Revised Net Funding for Approval (Capital Cost net of Land Transfer)
Water Lane	Conditional	14	58%	1,644,960
Aylesborough Close (Phase 1b)	Conditional	10	57%	609,680
<b>Total</b>		<b>24</b>	<b>56%</b>	<b>2,254,640</b>

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

### Acquisition of Market Housing on the 146 Programme Sites with RTB Receipts

In order to meet the deadlines for the use of the earlier retained right to buy receipts, funding of £2,875,000 was ear-marked in the Housing Capital Investment Plan for the purchase of some of the market dwellings on the 146 Programme development sites. The use of retained right to buy receipts is only applicable on sites which were previously vacant or contained garages, or in the case of existing social housing, where additionality can be clearly demonstrated.

Permission to purchase specific dwellings has been obtained using the urgent decision process, as outlined in the HRA Acquisition and Disposal Policy.

The table below identifies the market dwellings which the authority currently proposes the direct market purchase of, with the impact this will have on the proportion of social housing delivered on these sites:

Scheme	No. of Market Units to be Purchased	Revised Percentage Social Housing on Site	Market Purchase Price (with on costs)
Colville Road	6	76%	1,051,350
Wadloes Road	3	100%	736,500
Atkins Close (Garage Site)	4	100%	1,106,400
<b>Total Purchases</b>	<b>13</b>		<b>2,894,250</b>

## Clay Farm

Work continues with Hill Partnerships, in the development of the Clay Farm site, which will deliver 104 new dwellings which the City Council will own and manage. Following consideration at Community Services Committee in January 2014 and subsequent approval by Council in February 2014, the scheme is anticipated to deliver 104 homes, comprising 78 affordable rented dwellings and 26 shared ownership dwellings.

The scheme is registered for planning approval, and will be considered during the summer and autumn of 2014. It is anticipated that the funding for the scheme will include the use of retained right to buy receipts to fund 30% of the social rented housing on the site, which will maximise the use of these receipts against this scheme. It is assumed that the balance of the costs will be met from existing HRA resource and borrowing, ensuring that the scheme included in the Housing Capital Investment Plan is financially viable.

Delivery of the affordable housing accommodation on the Clay Farm site is now expected in phases beginning in the spring of 2016, with final completion by spring of 2017.

## £300 Million Fund

The Government offered local authorities the opportunity to bid for permission to borrow above their debt cap, with additional borrowing approvals of £300 million available nationally.

There were constraints applied to the bidding process, with an inability to use any additional borrowing awarded to aid the delivery of a unit that might also benefit from the use of retained right to buy receipt funding. This, coupled with an indication that government anticipated the borrowing approval to represent approximately £30,000 of each dwelling delivered, made it impossible for Cambridge City to make any firm bids in the 2014/15 to 2015/16 programme, but instead to express interest in the later years. An expression of interest was lodged for approximately £6 million of borrowing approval, to aid delivery of 193 homes across 3 strategic development sites in 2016/17 and 2017/18.

The first round of firm bids resulted in borrowing approvals nationally of £61 million, set to deliver 1,030 new homes, at additional borrowing of £59,000 per dwelling, far higher than the £30,000 originally indicated.

A second firm bid round has been announced for September 2014.



# Section 8

## Summary and Conclusions

### HRA Budget Strategy

#### The Budget Process

The HRA budget process for 2015/16 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.

A fundamental review of the HRA as a whole is proposed, but this piece of work is expected to take some time to both plan appropriately and deliver effectively. The fundamental review of the Housing Service is intended to address the longer-term balance of investment between meeting priorities for the delivery of new social housing, agreeing an appropriate level of investment in the existing housing stock and ensuring that the needs and pressures in the delivery of day to day housing services are met.

For the budget process in 2015/16, some initial preparatory work for this larger project is proposed. The key proposals are:

- A review of historic underspending, as in previous years, to drive out any areas where savings can be identified, which allow re-allocation of resource into other areas of the housing service.
- Undertaking zero based budget exercises or service reviews in a number of specific areas, where a commitment has already been given as part of the 2013/14 outturn process or an early review of spending is considered appropriate, to include:

Void Repairs

Day to Day Repairs

Cyclical Revenue Repairs  
Leasehold Services

- In line with tenants views obtained as part of the 2014 Satisfaction Survey, a review, as part of the 2015/16 budget process, of 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 2015/16 budget process, recommending the level of savings required to maintain flexibility in decision making and to meet both current and anticipated spending needs as they are known at present.

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 2015/16 budget.

### **Approach to HRA Savings**

The September 2013 HRA Mid-Year Business Plan Update set a target of 2% for ongoing savings in general management expenditure for 2014/15 and an assumed reduction in repairs expenditure in line with estimated stock changes. This resulted in an overall target of £140,030 being set in preparation for the 2014/15 budget process. This target recognised the desire to continue to create policy space for strategic re-investment and allowed the inclusion of priority policy funding at the previously enhanced level of £150,000 per annum.

For 2015/16, a sustainable position is sought, continuing to assume that resources are set-aside for the future repayment of 25% of the housing debt by the point at which the loan portfolio begins to reach maturity, 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.

One of the key challenges for 2015/16 and beyond, is the need to identify sufficient resource for investment in new build housing to ensure that the authority can continue to retain right to buy receipts and re-invest them appropriately. This challenge has driven the need for a fundamental review of spending elsewhere across the Housing Service, both in terms of revenue spending and capital investment in the existing housing stock.

For 2015/16 budget process it is considered pre-emptive to assume that a fundamental review of the HRA will deliver a higher level of savings than have been achieved in previous years, and therefore the ongoing level of savings assumed in the 2014/15 HRA Budget Setting Report of 2% is proposed to continue to be adopted for 2015/16.

This target is set assuming savings in both general management and repairs administration expenditure. Savings assumptions for the remainder of the 5 year budget period have been maintained at the level of 2% ongoing per annum ongoing until the findings of the fundamental review of the HRA are clear, which is anticipated to be during 2015/16.

A target of 2% for 2015/16 will require savings in the region of £115,000 per annum, with the continued assumption that responsive repair expenditure is amended in line with assumed changes in stock levels. 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 2015/16 budget process, to whether the level of policy space should be retained at this higher level in the medium term.

The level of capital investment in the housing stock from a decent homes perspective will be reviewed over the longer term, with the intention of reducing the investment assumptions to a level where the decent homes standard can be fully met, but where the timing of investment is such that there is no longer set at investment standard which sees the replacement of components before they are anticipated to fully age or fail. It is anticipated that independent decisions can then be made about each aspect of investment, increasing the investment levels where deemed appropriate.

The position will be reviewed again as part of the January 2015 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 G summarises the revenue budget position for the HRA for the period between 2014/15 and 2018/19, based upon inclusion of the amended financial assumptions that form part of the update to the Self-Financing Business Plan.

## HRA MFR Conclusions

Updating the base assumptions for the HRA has had a significantly negative impact on the future financial assumptions for the housing business. There are two key changes which have contributed to this.

An increase in the inflation rate used for the cost of obtaining labour for planned revenue repair and capital works to the housing stock, assuming the Building Cost Index maintains an upward trend at 5% for the next 5 years as opposed to 3.5% as was assumed previously, results in a significantly higher level of anticipated investment in the stock.

The assumed reduction in CPI from 2.5% to 2%, means that rent increases are anticipated to grow at a far slower rate than previously assumed, which in turn generates a far smaller revenue surplus across the HRA. This surplus was assumed to be available to deliver new homes over 30 year life of the business plan

With the latest financial assumption incorporated into financial plans, the number of new homes that can be delivered using HRA surpluses is expected to be in the region of 1,200 over 30 years, compared with the 1,910 deemed deliverable as part of the HRA Budget Report.

# Appendix A

## Financial Planning Timetable 2015/16

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

Date	Major Stage
2014	
12-Jun	Council adopts Annual Statement setting out plan & priorities from 2014/15
27-Aug	SLT / Exec consider MFR items
17-Sep	General Fund (GF) Mid-Year Financial Review (MFR) published for S&R Scrutiny Committee
18-Sep	Housing Revenue Account (HRA) MFR published
w/c 22 Sep	Finance despatch Budget Process Guidance and Budget Proposal Forms
29-Sep	S&R Scrutiny Committee / Leader recommendation of GF MFR to Council
30-Sep	Housing Committee considers the HRA MFR
01-Oct	Finance despatch Budget Working Papers.
Sept / Oct	MFR & budget briefing for Members
Sept / Oct	Budget process workshops for managers
15-Oct	Managers to complete and return Budget Proposal Forms to Finance for 2015/16 Revenue and Capital Budget Proposals
20-Oct	SLT consider HRA and Capital Budget Proposals
22-Oct	Finance to send proposals to officer groups, including corporate strategy, to assess climate change and poverty ratings and EqIA requirements
w/c 27 Oct	Officer Working Groups meet to consider and comment on budget proposals
28-Oct	SLT / Exec consider HRA and Capital Budget Proposals
29-Oct	GF MFR published for Council on 6 November
03-Nov	SLT consider General Fund Budget Proposals
06-Nov	Council considers GF and HRA Mid-Year Financial Review reports
17-Nov	SLT consider General Fund Budget Proposals
21-Nov	Managers to complete and return budget working papers, incorporating all budget proposals, to Finance
25-Nov	SLT / Exec consideration of General Fund Budget Proposals
08-Dec	HRA EqIA Deadline
10-Dec	SLT / Exec review General Fund and HRA BSR's
15-Dec	General Fund EqIA deadline

Date	Major Stage
17-Dec	Publish HRA Budget Setting Report 2015/16
Dec	Provisional Government Settlement Announcement
<b>2015</b>	
05-Jan	Publish HRA Opposition Budget Amendment
05-Jan	GF budget proposals for Environment Scrutiny Committees published
07-Jan	GF budget proposals for Community Services Scrutiny Committees published
09-Jan	Publish General Fund Budget Setting Report and GF budget proposals for Strategy & Resources
13-Jan	Environment Scrutiny Committee consider budget proposals for own portfolios
14-Jan	Meeting of The Executive agenda published
<b>14-Jan</b>	<b>Housing Committee considers any HRA Budget Amendment Executive Councillor for Housing approves rent levels and revenue budgets Executive Councillor makes final capital proposal recommendations to Council Housing Committee considers General Fund Housing budget proposals</b>
15-Jan	Community Services considers GF proposals for its own portfolios
19-Jan	Strategy & Resources Scrutiny Committee considers GF budget proposals for its own portfolios and GF Budget Setting Report
Jan	Final Government Settlement Announcement
<b>22-Jan</b>	<b>Meeting of The Executive to consider and recommend GF Budget Setting Report and Council Tax requirement</b>
05-Feb	Publish General Fund Opposition Budget Amendment
<b>13-Feb</b>	<b>Special Strategy &amp; Resources Scrutiny Committee considers any GF budget amendment proposals</b>
<b>26-Feb</b>	<b>Council approves GF Budget and sets Council Tax (including precepts) Council approves General Fund Capital Plan Council approves Housing Capital Plan as part of HRA BSR</b>
31-Mar	Approved budget reports to be sent to Cost Centre Managers by Finance

# Appendix B

## Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
<b>Effects of Legislation / Regulation</b>	
<p>Implications of new legislation / regulation or changes to existing are not identified.</p> <p>Funding is not identified to meet the costs associated with changes in statutory requirements.</p> <p>HRA Debt Settlement could be re-opened by Government</p>	<ul style="list-style-type: none"> <li>• Effective processes are in place for the HRA to ensure that implications are identified and raised</li> <li>• Additional / specific funding enhancements for new services are earmarked for that purpose, to ensure effective implementation</li> <li>• The Council has processes in place to manage the demands of local and national housing agendas, including the Vision Statement and HRA Business Plan</li> </ul>
<b>Housing Portfolio &amp; Spending Plans</b>	
<p>The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets.</p>	<ul style="list-style-type: none"> <li>• Council has adopted medium and long-term modelling (up to 30 years) for HRA, to ensure decisions are made in the knowledge of long-term deliverability issues / implications</li> <li>• Council has a policy of requiring R&amp;R Funds to be in place to cover all major assets with a finite life, with long-term programmes for key areas</li> <li>• The Business Plan includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications</li> <li>• Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures</li> </ul>
<b>Financial planning lacks appropriate levels of prudence</b>	
<p>Business Planning assumptions are wildly inaccurate</p> <p>Financial policies, in general, are not sufficiently robust</p> <p>Funding to support the approved Capital Plan is not available</p>	<p>Council has adopted key prudence principles, reflected in:</p> <ul style="list-style-type: none"> <li>• Use of external expert opinion and detailed trend data to inform assumptions</li> <li>• Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process</li> <li>• Adoption of strict medium / long-term planning</li> <li>• Policy on applying general capital receipts for strategic disposals only at point of receipt</li> </ul>

Risk Area & Issue arising	Controls / Mitigation Action
<b>External income / funding streams</b>	
<p>Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure</p> <p>Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms</p> <p>Rent income is under-achieved due to a major incident in the housing stock</p> <p>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</p> <p>The economic downturn reduces the ability to fund capital pressures from the sale of assets</p>	<ul style="list-style-type: none"> <li>• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis on potential changes</li> <li>• Council seeks to influence national settlements and legislative changes through response to formal consultation and the provision of information to negotiation bodies such as LGA and CIH</li> <li>• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.</li> <li>• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of incident</li> <li>• Sensitivities modelled so potential impacts are understood</li> <li>• Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity</li> <li>• Policy on applying general capital receipts for strategic disposals only at point of receipt</li> </ul>
<b>Use of resources including Projects and Partnerships</b>	
<p>There is ineffective use of the resources available to the HRA</p> <p>Failure to deliver Major Housing / Development Projects, i.e. return on capital, project on time etc.</p>	<ul style="list-style-type: none"> <li>• Council employs robust business planning in key activity areas</li> <li>• Council has adopted a standard project management framework</li> <li>• Housing Service is required to contribute to Portfolio Planning process, linked directly to resources</li> <li>• MTOs are used to prioritise available resources ensuring best match with objectives</li> <li>• Performance and contractor management procedures have been updated</li> <li>• Organisational development and workforce planning activity is being targeted</li> <li>• The Council has been recognised as a high performer under the national Use of Resources assessment, scoring a maximum rating of 4 in 2008</li> </ul>



# Appendix C

## Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	2%	General inflation on expenditure included at 2% (Based upon CPI to June 2014), from 2015/16.	Amended
Capital Inflation	5% for 5 years, then 3% ongoing	Real increase above CPI of 3% for 5 years, then reverting to 1% above CPI from 2020/21.	Amended
Debt Repayment	Set-aside 25% to Repay Debt	Assumes surplus is re-invested in income generating assets, with 25% of resource set-aside to repay debt as loans reach maturity dates.	Retained
Capital Investment	Partial Investment Standard (in 10 Years)	Base model assumes partial investment standard in the housing stock, compared with a basic decent homes standard. This will be reviewed in 2015/16.	Retained
Pay Inflation	1.9% Pay Progression plus: 2014/15 – 1.0% 2015/16 – 1.0% 2016/17 – 1.5% 2017/18 – 2.0% 2.5% ongoing	Assume allowance for increments at 1.9%. Pay inflation for 2014/15 and 2015/16 at 1% reflecting Government guidance to 2015/16, and a stepped increase thereafter, reflecting economic recovery.	Amended
Employee Turnover	3%	Employee budgets assume a turnover saving of 3.0% of gross pay budget for office-based staff.	Retained
Rent Increase Inflation	3% for 2015/16 for 10 years, then 2.5%	Rent increases in line with government guidelines of CPI at the preceding September plus 1% from 2015/16 to 2024/25, then CPI plus 0.5%. Assume CPI in September 2014 is 2%. CPI as above.	Amended
Rent Convergence	Energy Efficient Voids Only	Ability to move to target rent achieved only through movement of energy efficient void properties directly to target rent.	Retained
External Lending Interest Rate	0.64%, 0.78%, 0.78%, then 1% ongoing	Interest rates based on latest market projections, an average of 0.64% for 2014/15, 0.78% for 2015/16 and 2016/17, then 1% from 2017/18.	Amended
Internal Lending Interest Rate	0.64%, 0.78%, 0.78%, then 1% 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.	Amended
External Borrowing Interest Rate	4.5%	Assumes additional PWLB borrowing at a rate of 4.5%. Current rates for 25 to 50 years are between 4.28% and 4.31%. Retain 4.5% for prudence.	Retained
Internal Borrowing Interest Rate	4.5%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Retained
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising risks in a Self-Financing environment.	Retained
HRA Target	£3,000,000	Maintain HRA target balance at £3,000,000.	Retained

Key Area	Assumption	Comment	Status
Balances			
Right to Buy Sales	60, 50, 40, 30, then 20 sales ongoing	<b>Scheme reinvigoration has prompted sustained increased activity. Assume 60 for 2014/15, reducing by 10 sales per annum, until 20 are assumed on an ongoing basis.</b>	Amended
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for-one receipts included, but prudently only those received to date are committed to specific new build schemes. Debt repayment proportion has currently been set-aside.	Retained
Void Rates	1%	Assumes 1% per annum from 2014/15 onwards.	Retained
Bad Debts	0.56% for 2014/15 and 2015/16, then 1.12%	<b>Bad debt provision made in the HRA was increased by 100% to reflect the requirement to collect 100% of rent directly, assuming an extension of the existing payment profile across the entire housing stock. Universal Credit is delayed until 2016, so amend current and next year back to 0.56%.</b>	Amended
Rent Collection Transactional Costs	Increase in transactional costs of £100,000 per annum from 2015/16	<b>An increase of £100,000 per annum was included anticipating an 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. Universal Credit delayed now until 2016, with cost collection assumption again deferred by one year.</b>	Amended
Debt Management Expenses	£20,000 per annum	<b>Internal treasury management is recharged within existing SLA's. This allows a provision for specialist financial advice in this field, now from 2015/16.</b>	Amended
5-Year New Build Programme	Up to 444 Units	<b>Assumes delivery of the balance of the current 3-year affordable housing investment programme of 138 units plus 13 purchases, 104 units on the Clay Farm site and the potential to build up to 189 dwellings on development sites using further RTB receipts by 2018/19.</b>	Amended
Savings Target	2%	Target included assuming efficiencies will be driven out to allow strategic re-investment. Target is a percentage of net general management and repairs administration expenditure.	Retained
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Policy Space	£150,000	Policy space retained in base model at the level of £150,000 for 5 years recognising desire to expand services and respond to external pressures. To be reviewed again as part of 2015/16 HRA BSR.	Retained
Service Reviews	On case by case basis	Service review outcomes assumed to deliver to the HRA as indicated in the review business case.	Retained

# Appendix D

## 2014/15 Mid-Year HRA Revenue Budget Amendments

Area of Income / Expenditure	Justification	Increase or Reduced Income / (Decrease or Increased Income) in 2014/15 Budget (£)	Ongoing / One-Off
<b>General Management Expenditure</b>			
Resident Involvement	Reduction based on prior year underspending, allowing for increase in staffing numbers to 3 and review of resident involvement programme	(20,000)	Ongoing
Business Overheads	Savings in office running costs, cash collection charges and a reduction in the cost of administering the now obsolete Housing Act Advances scheme, based upon expenditure in 2013/14	(11,000)	Ongoing
Rent Collection Costs	Saving due to the deferred need to meet rent collection costs for 100% of tenants, as a result of delays in the implementation of Universal Credit	(94,040)	One-Off
Under-Occupation Scheme	Additional funding for the Under Occupation Incentive Scheme in 2014/15, to meet the level of demand experienced this year to date. Ongoing funding will be reviewed as part of the 2015/16 HRA budget process	40,000	One-Off
Housing Management Staffing	Additional funding to allow the temporary employment of additional housing management staff to address the increased workload that will result from the completion, initial letting and early occupation of the new build housing provided as part of both the 146 Programme and Clay Farm, based upon experience of the first scheme completion in 2013/14	13,600	Ongoing £81,800 in 2015/16 and £20,500 in 2016/17
Contribution to Pension Reserve	Reduced contribution to HRA Pension Reserve in 2014/15 based upon latest actuarial review	(88,970)	One-Off
<b>Total General Management Expenditure Changes (2014/15)</b>		<b>(160,410)</b>	
<b>Special Services</b>			
Independent Living Staffing	Removal of the balance of a special project budget held to ensure that current staffing levels could be maintained in the Independent Living Team whilst funding from the County Council for support was confirmed	(6,490)	Ongoing
<b>Total Special Services Changes (2014/15)</b>		<b>(6,490)</b>	
<b>Repairs and Maintenance</b>			

Area of Income / Expenditure	Justification	Increase or Reduced Income / (Decrease or Increased Income) in 2014/15 Budget (£)	Ongoing / One-Off
Responsive and Void Repairs	Funding for an increase in the number of Repairs Apprentices from 2 to 4, with the intention to recruit the first pair during 2014/15, to be followed by a new in-take in 2015/16	0	£15,000 from 2015/16
Asset Management Overheads	Savings in travel costs, subscriptions and office running costs, based upon expenditure in 2013/14	(11,550)	Ongoing
<b>Total Repairs and Maintenance Changes (2014/15)</b>		<b>(11,550)</b>	
<b>HRA Summary Account Expenditure</b>			
Debt Management Costs	Reduction 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	(20,580)	One-Off
Bad Debt Provision	Reduction in the annual contribution to the bad debt provision for 2014/15, recognising that the impact of being required to collect 100% of rent directly from tenants will not be realised until 2016/17	(201,500)	2014/15 and 2015/16
Interest Paid	Reduction recognising the use of Direct Revenue Financing of Capital Expenditure in 2014/15 in place of the anticipated need to borrow	(118,790)	One-Off
Depreciation	Increase in net depreciation costs for the housing stock, based upon the latest estimates, and including revised inflation in all aspects of the transitional MRA	28,110	Ongoing
<b>Total HRA Summary Account Expenditure Changes (2014/15)</b>		<b>(312,760)</b>	
<b>HRA Income</b>			
Right to Buy Capitalisation	Increase in income in respect of the capitalisation of the costs of administering a continuing higher level of right to buy sales in 2014/15 and beyond	(53,210)	Ongoing in part
Rent Income	Increase in anticipated rental income for 2014/15 compared to original budgets in February 2014, where specific assumptions were made in respect of occupation of the new build housing as part of the 146 re-development programme and the move of energy efficient properties directly to target rent levels	(33,520)	Ongoing in part
Interest Received	Increase in interest received on HRA balances due to a higher than anticipated average cash balance in 2014/15 to date and the legislative change from April	(94,180)	Ongoing in part

Area of Income / Expenditure	Justification	Increase or Reduced Income / (Decrease or Increased Income) in 2014/15 Budget (£)	Ongoing / One-Off
	2014 which requires local authorities to credit their HRA's with the interest on unapplied housing capital receipts. These changes more than offset the negative impact of a lower than anticipated interest rate, where recovery in this area has been far slower than anticipated		
Support Income (Temporary Housing)	Additional income for the provision of support services in Temporary Housing in 2014/15, where prudent assumptions were made as part of the 2014/15 budget process, recognising that Supporting People contracts were due to terminate in March 2014. A contract extension for the value of £100,000 for the year means that income is still being received at a higher level than originally budgeted in 2014/15	(14,890)	Assume loss of all income from 1/4/2015 resulting in reduction of £85,110 ongoing
Support Income (Older People)	Additional income for the provision of support services to older people on an ongoing basis from 2014/15, where prudent assumptions were made as part of the 2014/15 budget process, recognising that Supporting People contracts were due to terminate in March 2014. New contracts are now in place for a period of 3 years, with an option to extend for a further 2 years, and as such the income assumption has been included on an ongoing basis	(69,190)	Ongoing
<b>Total HRA Income Changes (2014/15)</b>		<b>(264,990)</b>	
Direct Revenue Financing of Capital	Increase in use of revenue surplus and revenue reserves to fund capital expenditure, thus negating the need to borrow in 2014/15	2,517,920	
HRA Set-Aside	Ability to set-aside resource in 2014/15 for future debt repayment, assuming that 25% of loan values are set-aside by the point of first redemption	811,270	
<b>Total Net Increase in Use of / (Contribution to) HRA Reserves (2014/15)</b>		<b>2,572,990</b>	

# Appendix E

## 2014/15 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
<b>Total Housing Capital Plan Expenditure pre HRA MFR</b>	<b>41,932</b>	<b>22,634</b>	<b>30,604</b>	<b>21,039</b>
<b>Decent Homes</b>				
Re-phasing of heating works between years to smooth delivery of programme	(250)	500	(250)	0
Re-phasing of wall structure works between years to smooth delivery of programme	(300)	150	150	0
Re-phasing of wall finish works between years to smooth delivery of programme	(230)	30	100	100
Re-phasing of an element of the decent homes backlog funding into future years to aid delivery	(1,031)	1,031	0	0
Re-allocate residual decent homes backlog funding to specific elements	(1,100)	0	0	0
Transfer funding from decent homes backlog into door replacement	150	0	0	0
Transfer funding from decent homes backlog into roofing works	500	0	0	0
Transfer funding from decent homes backlog into kitchen replacements	300	0	0	0
Transfer funding from decent homes backlog into bathroom replacement	150	0	0	0
Adjustment to Planned Maintenance Overheads	(240)	172	10	10
Increase in decent homes for new builds	0	69	203	278
<b>Other Spend on HRA Stock</b>				
Re-phasing of communal area uplift funding between following completion of initial surveys	(350)	0	350	0
Increase in fencing investment	0	100	100	100
Adjustment to Planned Maintenance Overheads	(71)	(7)	38	10
<b>New Build</b>				
2011-15 New Build Investment Programme changes	(2,145)	5,629	0	0
Increase in cost of purchase of market dwellings	19	0	0	0
Re-phasing of spend for Clay Farm	1,413	(7,840)	121	6,306
Additional RTB / HRA Surplus New Build Investment	0	9,731	1,335	4,981
<b>Other HRA Capital Spend</b>				
Funding for air cooling systems in area offices	11	0	0	0
Unallocated Inflation Changes	(1)	68	(212)	358
<b>Total Housing Capital Plan Expenditure post HRA MFR</b>	<b>38,757</b>	<b>32,267</b>	<b>32,549</b>	<b>33,182</b>

# Appendix F

## 2011-15 New Build Programme (3 Year Rolling Programme)

Scheme	HRA MFR Revised Social Housing Units for Approval	Affordable Housing Scheme Cost (Cash Spend)	Affordable Housing Scheme Cost (Notional Spend = Estimated Notional Land Value)	HCA Grant and Area Committee Funding	Estimated Notional Land Value	HRA MFR Revised Net Funding for Approval (Capital Cost net of Grant and Land Transfer)
Jane's Court	20	1,233,070	1,500,000	(354,460)	(1,500,000)	878,610
Latimer Close	12	1,569,740	875,860	(212,680)	(875,860)	1,357,060
Barnwell Road	12	1,067,640	1,043,550	(212,680)	(1,043,550)	854,960
Campkin Road	20	2,718,100	1,557,520	(354,460)	(1,557,520)	2,363,640
Colville Road	19	1,493,590	1,598,030	(336,740)	(1,598,030)	1,156,850
Aylesborough Close	10	2,226,620	768,910	(177,230)	(768,910)	2,049,390
Stanesfield Road	4	570,540	536,890	(170,890)	(536,890)	399,650
Wadloes Road	6	675,100	256,540	(106,340)	(256,540)	568,760
Atkins Close (Garage Site)	8	588,430	635,750	(141,780)	(635,750)	446,650
Hawkins (Garage Site)	9	1,353,500	0	(159,510)	0	1,193,990
Fulbourn (Garage Site)	8	1,268,980	0	(141,780)	0	1,127,200
Ekin Road (Garage Site)	6	934,860	0	(106,340)	0	828,520
<b>Sub Total (With HCA Grant)</b>	<b>134</b>	<b>15,700,170</b>	<b>8,773,050</b>	<b>(2,474,890)</b>	<b>(8,773,050)</b>	<b>13,225,280</b>
Water Lane	14	1,644,960	561,590	0	(561,590)	1,644,960
Aylesborough Close	10	609,680	728,410	0	(728,410)	609,680
<b>Total 3 Year Programme</b>	<b>158</b>	<b>17,954,810</b>	<b>10,063,050</b>	<b>(2,474,890)</b>	<b>(10,063,050)</b>	<b>15,479,920</b>

# Appendix G

## HRA Summary Forecast 2014/15 to 2018/19

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Income					
Rental Income (Dwellings)	(36,059,720)	(37,710,860)	(39,477,720)	(41,284,780)	(42,928,390)
Rental Income (Other)	(1,064,000)	(1,085,280)	(1,106,990)	(1,129,130)	(1,151,710)
Service Charges	(2,203,270)	(2,314,310)	(2,360,590)	(2,407,810)	(2,455,960)
Contribution towards Expenditure	(103,150)	(3,220)	(3,270)	(3,350)	(3,410)
Other Income	(466,140)	(455,080)	(443,400)	(431,060)	(418,060)
<b>Total Income</b>	<b>(39,896,280)</b>	<b>(41,568,750)</b>	<b>(43,391,970)</b>	<b>(45,256,130)</b>	<b>(46,957,530)</b>
Expenditure					
Supervision & Management - General	3,187,920	3,549,640	3,822,450	3,955,910	4,141,100
Supervision & Management - Special	2,201,970	2,257,800	2,319,660	2,388,050	2,463,540
Repairs & Maintenance	7,014,420	6,817,470	7,124,630	7,442,680	7,808,770
Depreciation – to Major Repairs Res.	10,410,800	10,588,780	10,949,630	12,691,470	13,423,920
Debt Management Expenditure	0	21,180	21,900	22,750	23,750
Other Expenditure	2,925,650	3,033,740	3,355,310	3,473,080	3,591,770
<b>Total Expenditure</b>	<b>25,740,760</b>	<b>26,268,610</b>	<b>27,593,580</b>	<b>29,973,940</b>	<b>31,452,850</b>
<b>Net Cost of HRA Services</b>	<b>(14,155,520)</b>	<b>(15,300,140)</b>	<b>(15,798,390)</b>	<b>(15,282,190)</b>	<b>(15,504,680)</b>
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(151,540)	(160,730)	(156,950)	(182,470)	(185,010)
<b>(Surplus) / Deficit on the HRA for the Year</b>	<b>(14,307,060)</b>	<b>(15,460,870)</b>	<b>(15,955,340)</b>	<b>(15,464,660)</b>	<b>(15,689,690)</b>
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,528,920	7,573,190	7,774,320	8,037,340	7,996,020
Housing Set Aside	811,270	0	0	0	7,366,580
Depreciation Adjustment	(2,475,770)	(2,317,110)	(2,134,700)	0	0
Direct Revenue Financing of Capital	14,338,460	10,188,470	10,320,300	7,432,830	280,200
<b>(Surplus) / Deficit for Year</b>	<b>5,895,820</b>	<b>(16,320)</b>	<b>4,580</b>	<b>5,510</b>	<b>(46,890)</b>
Balance b/f	(8,880,738)	(2,984,918)	(3,001,238)	(2,996,658)	(2,991,148)
<b>Total Balance c/f</b>	<b>(2,984,918)</b>	<b>(3,001,238)</b>	<b>(2,996,658)</b>	<b>(2,991,148)</b>	<b>(3,038,038)</b>



# Appendix H

## Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
<b>General Fund Housing Capital Spend</b>					
Assessment Centre	0	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
<b>Total General Fund Housing Capital Spend</b>	<b>765</b>	<b>765</b>	<b>765</b>	<b>765</b>	<b>765</b>
<b>HRA Capital Spend</b>					
<b>Decent Homes</b>					
Kitchens	918	598	292	466	500
Bathrooms	672	525	119	61	306
Boilers / Central Heating	1,114	1,106	1,326	1,357	1,902
Insulation / Energy Efficiency	100	100	100	100	100
External Doors	212	108	63	88	40
PVCU Windows	502	500	912	915	1,407
Wall Structure	334	213	264	105	78
Wall Finishes	89	260	265	267	352
Wall Insulation	100	100	100	100	100
External Painting	0	0	0	0	0
Roof Structure	945	687	322	300	307
Roof Covering	1,661	210	274	658	617
Chimneys	102	2	1	0	1
Electrical / Wiring	91	181	317	120	356
Smoke Detectors	27	109	9	26	18
Sulphate Attacks	102	102	102	102	102
Major Voids	201	48	53	53	54

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
HHSRS Contingency	117	150	100	100	100
Other Health and Safety Works (Balconies)	50	50	50	50	50
Other External Works	3	5	0	0	0
Rising Damp / Penetrating Damp	0	0	0	0	0
Professional Fees	439	439	439	439	439
External Professional Fees	22	22	22	22	22
Decent Homes Backlog	0	2,097	3,019	2,663	0
Planned Maintenance Contractor Overheads	751	731	786	770	654
Decent Homes New Build Allocation	0	69	203	278	381
<b>Total Decent Homes</b>	<b>8,552</b>	<b>8,412</b>	<b>9,138</b>	<b>9,040</b>	<b>7,886</b>
<b>Other Spend on HRA Stock</b>					
Garages	300	300	300	100	100
Asbestos Contingency	200	200	200	100	100
Disabled	938	878	878	878	878
TIS Schemes	21	21	21	21	21
Communal Areas Uplift	596	1,172	896	546	546
Fire Prevention / Fire Safety Works	938	300	300	300	300
Hard surfacing on HRA Land - Health and Safety Works	274	280	150	150	150
Hard surfacing on HRA Land - Recycling	0	0	142	0	0
Communal Areas Floor Coverings	235	0	0	0	0
Professional Fees	122	122	122	122	122
Lifts and Door Entry Systems	41	13	13	13	13
Fencing	215	200	200	200	200
Planned Maintenance Contractor Overheads	384	344	317	236	236
<b>Total Other Spend on HRA stock</b>	<b>4,264</b>	<b>3,830</b>	<b>3,539</b>	<b>2,666</b>	<b>2,666</b>
<b>HRA New Build / Re-Development</b>					
Roman Court	677	0	0	0	0
3 Year Affordable Housing Programme	11,114	2,013	0	0	0

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
3 Year Affordable Housing Programme (Notional Spend – Land Value)	4,947	3,616	0	0	0
Market Housing on Garage Sites	2,894	0	0	0	0
New Build - Clay Farm	1,552	265	8,082	6,306	0
New Build - Unallocated Retained RTB Receipts	0	9,731	8,243	10,981	0
New Build - Investment of HRA Surpluses	0	0	0	0	0
<b>Total HRA New Build</b>	<b>21,184</b>	<b>15,625</b>	<b>16,325</b>	<b>17,287</b>	<b>0</b>
<b>Cambridge Standard Works</b>					
Cambridge Standard Works	306	200	200	200	200
<b>Total Cambridge Standard Works</b>	<b>306</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>Sheltered Housing Capital Investment</b>					
Emergency Alarm Service	0	0	0	0	0
Ditchburn Place	1,900	1,900	0	0	0
Brandon Court	0	0	0	0	0
<b>Total Sheltered Housing Capital Investment</b>	<b>1,900</b>	<b>1,900</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other HRA Capital Spend</b>					
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	21	0	0	0	0
Cambridge Public Sector Network	76	0	0	0	0
Air Cooling Systems in Area Offices	11	0	0	0	0
Shared Ownership Repurchase	300	300	300	300	300
Right of First Refusal Buy Back	663	0	0	0	0
Commercial Property	178	30	30	30	30
<b>Total Other HRA Capital Spend</b>	<b>1,249</b>	<b>330</b>	<b>330</b>	<b>330</b>	<b>330</b>
<b>Total HRA Capital Spend</b>	<b>37,455</b>	<b>30,297</b>	<b>29,532</b>	<b>29,523</b>	<b>11,082</b>
<b>Total Housing Capital Spend at Base Year Prices</b>	<b>38,220</b>	<b>31,062</b>	<b>30,297</b>	<b>30,288</b>	<b>11,847</b>
Inflation Allowance and Stock Reduction Adjustment for Future Years	537	1,205	2,252	2,894	2,960

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
<b>Total Inflated Housing Capital Spend</b>	<b>38,757</b>	<b>32,267</b>	<b>32,549</b>	<b>33,182</b>	<b>14,807</b>
<b>Housing Capital Resources</b>					
Right to Buy Receipts	(495)	(516)	(522)	(527)	(532)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0
Notional Land Receipts (New Build Schemes)	(4,947)	(3,616)	0	0	0
Major Repairs Reserve	(12,855)	(8,272)	(8,815)	(12,691)	(13,424)
Direct Revenue Financing of Capital	(14,338)	(10,188)	(10,320)	(7,433)	(280)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(2,172)	(300)	(872)	(2,050)	(300)
Retained Right to Buy Receipts	(1,217)	(2,979)	(4,258)	(4,680)	0
Disabled Facilities Grant	(271)	(271)	(271)	(271)	(271)
Prudential Borrowing	0	(2,779)	(6,160)	(5,529)	0
<b>Total Housing Capital Resources</b>	<b>(36,295)</b>	<b>(28,921)</b>	<b>(31,218)</b>	<b>(33,181)</b>	<b>(14,807)</b>
Net (Surplus) / Deficit of Resources	2,462	3,346	1,331	1	0
<b>General Capital Balances b/f</b>	<b>(8,143)</b>	<b>(5,681)</b>	<b>(2,335)</b>	<b>(1,004)</b>	<b>(1,003)</b>
Use of / (Contribution to) Balances in Year	2,462	3,346	1,331	1	0
<b>General Capital Balances c/f</b>	<b>(5,681)</b>	<b>(2,335)</b>	<b>(1,004)</b>	<b>(1,003)</b>	<b>(1,003)</b>
The inflationary element of the decent homes spend for 2014/15 will be allocated against decent homes elements once the target prices for the new planned maintenance contract are known.					
<b>Other Capital Balances (Opening Balance 1/4/2014)</b>					
Major Repairs Reserve	(4,920)	Fully utilised in 2014/15 above			
Retained 1-4-1 Right to Buy Receipts	(5,783)	Utilised between 2014/15 to 2016/17 above			
Right to Buy Receipts for Debt Redemption	(2,600)	Retained for future debt repayment			
<b>Total Other Capital Balances</b>	<b>(13,303)</b>				

# Appendix I

## HRA Earmarked & Specific Funds (£'000)

### Repairs & Renewals

Housing Revenue Account	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management	(1,265.3)	(131.7)	6.00	(1,391.0)
Special Services	(1,073.5)	(141.1)	14.50	(1,200.1)
Repairs and Maintenance	(53.3)	(56.9)	0.0	(110.2)
<b>Totals</b>	<b>(2,392.1)</b>	<b>(329.7)</b>	<b>20.5</b>	<b>(2,701.3)</b>

### Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(4,920.0)	0.0	0.0	(4,920.0)

### 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	(41.5)	(6.2)	6.4	(41.3)

### Aerial – Roof Space Rental

	Opening Balance	Contributions	Expenditure to July	Current Balance
Aerial Income	(107.0)	(8.8)	0.0	(115.8)

### Pension Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
Pension Reserve	(390.0)	(219.9)	0.0	(609.9)

### 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 J

## 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 unless provided with specific government approval 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. It continues to be difficult to predict future sales, but further legislative changes indicate a continuation of high sales levels. 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 will soon exceed the level that the authority is able to support in 70% match funding. At present, the investment required to fulfil the resource held at 30<sup>th</sup> June 2014 has been incorporated into the HRA financial model, but specific sites for the investment of the resource have not been identified and approved to proceed. The potential interest that will be payable if the receipts are not utilised within the agreed 3-year period has not been incorporated into the HRA revenue projections.

#### Independent Living Service – Ditchburn Place Extra Care

The current care and support contract with the County Council is due to expire in March 2015, following acceptance of a 14 month extension. Although technically not an HRA function care is delivered alongside HRA services, and 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

A new broader contract is in place with the County Council for the delivery of support to older people across the city as a whole. There are uncertainties currently as to the level of demand that exists in the wider community compared with that in our sheltered housing schemes, although the services delivered there must be maintained within the cash envelope provided by the County Council

The contract for Temporary Housing support is due to end in March 2015, following a year's extension at a lower funding level than before. 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 this areas. The protracted timescales for this decision causes additional uncertainty for both residents and staff.

#### HRA Commercial Property

Stock condition surveys and investment profiles are required in respect of the HRA's commercial property portfolio, to ensure that sufficient resource is identified in the Housing Capital Plan to maintain the properties in a lettable condition

## Housing Revenue Account – Revenue Uncertainties

### HRA New Build

Although the 146 programme is progressing quite well, delays in respect of particular sites may jeopardise the ability to claim HCA grant funding. Dwellings need to be complete by 31<sup>st</sup> March 2015 to ensure that grant funding will be received. 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.

### 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 current lease expires in January 2020, with the last rent review due to take place in January 2015. If decisions about the future of area offices are clear prior to January 2020, there is an option to consider sub-let of the premises in the south of the city to reduce the cost to the HRA.

### National Rent Policy

New national rent policy sees a move from April 2015 to rent increases limited to CPI plus 1%, with the cessation of any further moves towards target rent for existing tenants. The expectation that local authorities will move all vacant properties directly to target rent levels makes projecting future rental streams more difficult.

### Cyclical Revenue Maintenance

Arrangements for much of 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 new planned maintenance contract, which is anticipated to be operational from October / November 2014. The cost base for the revenue elements of these large contracts needs to be separately identified and incorporated into future financial projections. The contract for gas inspections and servicing, previously procured jointly with South Cambridgeshire District Council, is operating under an 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. Further delays in implementation make this an area shrouded with continued uncertainty.

## 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. Uncertainty also exists with regard the future of care provision at Ditchburn Place, which could impact the specification of works to be completed.

### 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 the generally available element of right to buy receipts in any 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 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.





To: Executive Councillor for Housing: Councillor Kevin Price  
Report by: Julia Hovells, Business Manager / Principal Accountant  
Relevant scrutiny committee: Housing 30/9/2014 Scrutiny Committee  
Wards affected: Abbey Arbury Castle Cherry Hinton Coleridge East Chesterton King's Hedges Market Newnham Petersfield Queen Edith's Romsey Trumpington West Chesterton

**HOUSING REVENUE ACCOUNT MID-YEAR FINANCIAL REVIEW  
(BUSINESS PLAN UPDATE)  
Key Decision**

**Open for Publication**

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**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**

**Recommendations to be considered under Part 1 of the Housing Scrutiny Committee Agenda:**

The Executive Councillor is recommended:

a) To approve the Housing Revenue Account Mid-Year Financial Review attached, to include all proposals for changes in:

- Financial assumptions as detailed in Appendix C of the document.
- Revenue budgets as introduced in Section 4, detailed in Appendix D, and summarised in the HRA Summary Forecast at Appendix G of the document.

### **Recommendations to be considered under Part 2 of the Housing Scrutiny Committee Agenda:**

The Executive Councillor is asked to recommend to Council:

- b) Proposals for changes in existing housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the document, with the resulting position summarised in Appendix H, for decision at Council on 6<sup>th</sup> November 2014.
- c) Inclusion of a new scheme in the Housing Capital Investment Plan, relating to the replacement of air cooling systems at the area housing offices, at a cost of £11,000.

### **3. Background**

- 3.1 The Housing Revenue Account budget was set for 2014/15 as part of 2014/15 HRA Budget Setting Report, approving a net contribution to reserves in the year of £70,490.
- 3.2 This figure was later amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2013/14 into 2014/15 as part of the closedown process for 2013/14. Following these changes, the sum of £3,322,830 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 2014/15 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** (if not covered in Consultations Section)

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

### (c) **Equal Opportunities Implications**

An equalities impact assessment for the HRA Mid-Year Financial Review as a whole is attached at Appendix B to this report.

### (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 Housing Committee 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 Mid-Year Financial Review (October 2013)
- Housing Revenue Account Budget Setting Report (February 2014)

## **6. Appendices**

Appendix A Housing Revenue Account Mid-Year Financial Review  
Appendix B HRA Mid-Year Financial Review EqIA

## **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  
Housing Committee

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

September  
2014

2014/15 to 2043/44

Cambridge City Council



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# Section 1

## Introduction and Local Context

### Foreword by the Executive Councillor for Housing

The Mid Year Financial Review is set in the context of the Council's vision of a united Cambridge, One Cambridge – Fair for All, and lays the basis for the detailed, longer-term Housing Revenue Account Budget Review to be started as part of the 2015/16 budget process.

The national context is very challenging. The government's harsh austerity programme makes for difficult choices. Changes to the welfare system have required additional funding to support vulnerable tenants, and this will continue to be a strong focus in the forthcoming review. Grant funding investment per new social home has reduced steadily since 2010 with the expectation that higher rents will make up the difference – a transfer of the debt, in effect, from bricks and mortar to tenants themselves which threatens to widen inequality in an already divided City.

The increase in the Right to Buy discount from April 2012 and the inflexible constraints on spending retained capital receipts within three years whilst requiring councils to match every £1 received with over £2 from its own budget, have already led to a need to find almost £16,000,000 before June 2017 and will continue to put significant pressure on the HRA.

The Council's pride in its role as a social landlord and its belief that social housing is vital to tackling the housing crisis facing so many in the City are at the core of every decision made for the HRA. Our support for the national cross party SHOUT (Social Housing under Threat) campaign has been affirmed by Full Council in July 2014.

Our Cambridge Social Rent Programme recognises that private sector rents in Cambridge are the highest of any city outside London and uses the Local Housing Allowance as a benchmark, to ensure that Cambridge remains a city open to all regardless of income.

Our City Homes Improvement Programme is set to restore pride in our council estates, tackling a legacy of underspend and slippage in the Capital Programme.

We have already begun this process. We have doubled the fencing budget for 2014/15 to tackle open spaces on City Homes estates.

We have committed to ensuring no tenant is evicted solely because of the 'bedroom tax' and to ongoing support through additional staffing and using Discretionary Housing Payments, which has meant in the first year of the legislative change nearly 80% of that funding being used to support those affected.

We have recognised the social value of our strong and established communities by halting the previous administration's planned redevelopment of Lichfield Road and parts of Campkin Road, seeking redevelopment through consensus not imposition. We have been clear that council land is an invaluable and limited asset which must not be used to do deals with private developers that maximise profit at the expense of our current and future tenants.

We will continue to advocate nationally for a lifting of the HRA debt cap and a recognition that the key role Cambridge plays in the UK economy is best served by a City which is diverse and underpinned by social equality, and by sharing prosperity across all wards.

We will prioritise the delivery of new social housing by working with partners such as other local councils and housing associations and investigate all options for funding to free our hands from national constraints.

This is the first year of the new Labour administration, underpinned by our vision of One Cambridge – Fair for All, our commitment to public service and our belief in the key role of social landlords.

*Councillor Kevin Price.*

## Background

The Housing Revenue Account (HRA) Mid-Year Financial Review is to be read in conjunction with the original HRA 30-Year Business Plan approved in February 2012, which sets the scene for the current financial environment and the HRA Budget Setting Report of February 2014.

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 2015/16 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 2015/16, 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 and legislation or as a result of decisions taken locally.

The HRA Mid-Year Financial Review incorporates a review of the current year budget position (2014/15), and updated projections for the following 4 years from 2015/16 to 2018/19, 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

Committee dates in the financial planning and budget preparation timetable are shown below:

Date	Task
<b>2014</b>	
30 September	Executive Councillor for Housing considers HRA Mid-Year Financial Review and incorporates Housing Scrutiny Committee views in recommendations to Council
6 November	Council considers HRA Mid-Year Financial Review
<b>2015</b>	
14 January	Executive Councillor for Housing considers HRA Budget Setting Report, approves rent levels and revenue budgets, following consideration of Housing Scrutiny Committee views, making final capital related recommendations to Council
26 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 1/4/2014	Estimated Stock Numbers as at 1/4/2015
General Housing	6,531	6,482
Sheltered Housing	520	506
Supported Housing	24	24
Temporary Housing (Individual Units)	49	49
Temporary Housing (HMO's / EA)	21	22
Miscellaneous Leased Dwellings	19	18
Shared Ownership Dwellings	84	83
<b>Total Dwellings</b>	<b>7,248</b>	<b>7,184</b>

Property Type (Excluding Shared Ownership)	Actual Stock Numbers as at 1/4/2014	Estimated Stock Numbers as at 1/4/2015
Bedsits	107	105
1 Bed	1,782	1,700
2 Bed	2,383	2,410
3 Bed	2,267	2,274
4 / 4+ Bed	105	106
Sheltered Housing	520	506
<b>Total Dwellings</b>	<b>7,164</b>	<b>7,101</b>

#### Leasehold Stock

At 1<sup>st</sup> April 2014, the Council retained the freehold and managed the leases for 1,109 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 most recent assumptions, made as part of the HRA Budget Setting Report approved in February 2014. 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.

A table detailing all of the revised business planning assumptions is included at Appendix C.

### 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 2.1%, with a downward trend appearing over the last 7 months, with rates now just below 2%.

Recognising the downward trend overall, it is proposed to amend the base inflation rate of 2.5% included in the HRA financial model as part of the HRA Budget Setting Report, instead assuming a rate of 2% in the mid-year review.

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 as increasing at lower levels than the standard measures of

inflation. Recovery in this industry however now seems clear, with growth in the index over the last 12 months of 6.25%, and forecasts indicating this index will continue to grow at a rate of between 5% and 5.5% per annum. On the basis of the recent recovery, and the predictions provided for the coming 5 year period, it is recommended that the assumption incorporated is that this index runs at 3% above CPI for 5 years and then reverts to 1% above CPI over the longer term and for the remainder 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. From April 2014, a legislative change means that the definition of 'balances' which the HRA is entitled to earn interest upon, has been expanded to include unallocated housing capital receipts. This change will benefit the HRA in financial terms, but will have a corresponding negative impact on the General Fund, which will be incorporated into the General Fund Mid-Year Financial Review.

Although the level of balances which the HRA holds and is now entitled to receive interest upon will be higher, the rate of interest receivable on the investment of these balances and reserves remains very low. Although anticipated to be slow, some recovery in the rates available is still predicted in the longer term. Revised interest rate assumptions are included in Appendix C.

In the medium to long-term, if the HRA holds significant cash reserves, set-aside to repay an element of 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. The alternative to this would be to explore early repayment of the HRA debt, particularly if the benefit of doing so can be demonstrated to out-perform the interest anticipated to be earned on the retention of the balance until the loan's maturity date.

## **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 28<sup>th</sup> 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. The borrowing cap may be increased in future years as a direct result of the authority expressing interest in a Government initiative which seeks to increase the debt cap nationally by up to £300 million in a bid to increase the supply of affordable housing. If successful, the expression of interest could see the HRA debt cap increased by just over £6 million.

There is still the possibility that some of the additional borrowing anticipated in the HRA may be met internally by borrowing from the General Fund, although this is in no way guaranteed, as it would be subject to the availability of the resource at the point at which it is required. The option to internally borrow would be fully explored before any decisions were taken for the authority to prudentially borrow.

For the purpose of financial planning, it has prudently been assumed that the HRA will borrow externally, thus ensuring that the assumed interest rates payable will be sufficient to meet the cost of this borrowing route if required.

The authority has taken advantage of a certainty rate from the Public Works Loans Board (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 October 2014. If available again from October 2014 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 4.5%, and having reviewed the rates currently available from the PWLB for maturity loans with a 30 year duration, and without any guarantee that the certainty rate will continue to be available, it is considered prudent to retain this assumption 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 significant and sustained increase in right to buy activity.

During 2013/14, 114 right to buy applications were received and recorded, compared with 135 in the previous year. It is difficult to predict whether this level of activity will continue in the

medium to long term or whether we will now begin to see the predicted slowing down, but consideration is being given to the staffing resource allocated to this area of activity as part of a review of the Leasehold Service.

In 2013/14, 60 of the applications proceeded to completion of the sale of the property, compared with only 41 in 2012/13. In the first 3 months of 2014/15, 16 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 2014/15 to date and the suggestion, by Central Government, that the qualifying period will be reduced from 5 years to 3 years and the promised introduction of a Right to Buy Agent to support tenants through the purchase process, both of which are likely to prompt another peak in activity, it is considered prudent to increase the assumed level of sales to 60 for 2014/15 in line with sales in 2013/14, to 50 in 2015/16, 40 in 2016/17, 30 in 2017/18, and to 20 sales per annum from 2018/19.

Further legislative changes, debated in Parliament during July 2014, will come into force during July 2014 as part of new Statutory Instruments. These include:

- An annual increase in the maximum right to buy discount value (cash cap), ensuring that the discount keeps pace with inflation. From 21<sup>st</sup> July 2014 the maximum discount that a prospective purchaser can obtain will increase from £75,000 to £77,000, and will be reviewed annually in April of each year, increasing by CPI at the preceding September. However, if CPI is negative, the maximum discount will not be reduced, but will remain at the previous year's level.
- An increase in the maximum discount rate which can be applied to the purchase of a house under the right to buy, from 60% to 70%, with effect from the end of July 2014. Discounts for houses will continue to start at 35%, increasing by 1% for each year up to the maximum 70%. For flats, the discount starts at 50%, increasing by 2% each year up to the current maximum of 70%.

The annual increase in the maximum discount value (cash cap) will need to be incorporated into future financial projections from this point onwards. The increase in the discount rate for houses to 70% is not expected to impact significantly, as the majority of right to buy purchasers in Cambridge City are limited by the cash cap well before they reach the maximum discount rates.

## Right to Buy Receipts

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

The call on right to buy receipts is as follows:

- Receipts from the level of sales assumed in the Self-Financing Settlement are split between CLG (75%) and the authority (25%) after allowable deductions. 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 those assumed in the settlement, 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 capital purposes, e.g.; investment in new affordable housing. There is currently nothing legislatively to stop the authority using these receipts for wider capital purposes, although CLG are clear that the intention in allowing the authority to retain the sums is that the HRA has debt relational to the dwellings sold, and should either redeem the debt or create an asset to replace it, thus allowing the debt to continue to be supported.
- 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 housing resource held is capital in nature, prior to April 2014, the General Fund benefited from any interest earned on it. Due to a change in legislation, with effect from April 2014, the HRA will benefit from interest earned on all unallocated housing capital receipts. This change has been brought about to recognise that any receipts not re-invested appropriately within the

3 year time frame have to be paid over to central government, with the 'penalty' interest payable at 4% above the base rate, far exceeding the level of interest that is likely to have been earned in the interim. The change in legislation ensures that any interest earned on housing capital balances is available for re-investment in housing activity, assuming that retained right to buy receipts are appropriately spent.

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 New 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
30/9/2013	648,902.97	3,287,087.99	10,956,959.97	30/9/2016
31/12/2013	939,637.07	4,226,725.06	14,089,083.53	31/12/2016
31/3/2014	1,556,452.02	5,783,177.08	19,277,256.93	31/3/2017
30/6/2014	1,025,279.68	6,808,465.76	22,694,885.87	30/6/2017

It is clear from the above figures, that the authority is required to invest a significant sum in the delivery of new social housing over the next 3 years. For the investment to qualify, money has to be physically expended on a dwelling, but the dwelling itself does not need to be fully complete by the deadline. Although the assumed expenditure to meet the above commitment has been included in the Housing Capital Investment Plan, specific sites now need to be identified that can be delivered within the time frames. If this is not possible, the authority will need to consider the purchase of existing dwellings on the open market or alternatively passing the funding on to a registered provider to deliver the housing, before releasing existing and future 1-4-1 receipts directly to Central Government, as a last resort. A judgement will be made in this regard at the end of each quarter, and funds will be paid to Central Government if they are not deemed appropriately re-investable.



# 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 proposals were subject to consultation, with the outcome of this published in May 2014, and intended to span the coming 10 years.

There are a number of key changes introduced from April 2015 as part of the outcome to the Rent Policy Consultation, summarised in a document called 'Rents for Social Housing from 2015/16' with associated CLG Guidance issued alongside. The key changes are:

- A change in the inflationary rate used as part of the rent review each year, with a move for both actual and target rents from the historic inflationary rate of RPI (Retail Price Index) plus 0.5% to the use of CPI (Consumer Price Index) plus 1%, for the 10 year period from 2015/16 to 2024/25.
- Cessation of the rent convergence policy for existing tenants from 2015/16.
- Assumption that authorities will move the rent levels for all properties directly to target rent when a property becomes void, thus still achieving rent convergence, but over a longer time frame.
- Assumption that new homes will be let at the higher 'Affordable Rents' of up to 80% market rent levels (inclusive of service charge), if the authority has a Framework Development Agreement in place, or has entered into a Retention Agreement for the ability to retain right to buy receipts.
- Assumption that the rent for properties where the household income exceeds £60,000 per annum should be set at full market rent levels.

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.

## Welfare Reforms

The Welfare Reform Act 2012 introduced a number of changes to Housing and other Benefits.

In respect of under-occupation cases, Discretionary Housing Payment (DHP) continues to be considered, with time-limited top-up payments being awarded from a finite resource, supporting the most vulnerable tenants whilst alternative options are considered where appropriate. In some cases, tenants have registered with Homelink, and are actively looking to downsize to a property which suits their household size in terms of this reform. DHP can be awarded to meet the additional rent payments whilst this takes place, but in certain cases where awarded due to a disability, awards are made on an annual basis with a light touch review where circumstances are known to be the same. The DWP has published an interim report on the impact of the removal of the spare room subsidy that shows that nationally just 4.5% of affected claimants have downsized and that overall rent arrears had risen by 16%.

At the end of June 2014, approximately 415 HRA tenants were affected by the under-occupation deduction, with an estimated 80% of those residents affected paying the additional rent due. It is estimated that £37,500 of arrears relate to households affected by this change.

The Benefit Cap, (a cap of £500 per week for families, and £350 per week for a single person), introduced from 15th July 2013, currently impacts 15 City Council tenants, based upon the cases notified to us by the Department for Work and Pensions (DWP) at the time of writing this report.

Housing Benefit will eventually be incorporated into Universal Credit, but implementation delays mean that local authorities will now continue to administer Housing Benefit for much longer than previously anticipated.

From the point of introduction residents will be paid directly, and will receive calendar monthly payments, in arrears, administered centrally by the DWP. Pensioners continue to be excluded from these arrangements at present. In some cases an alternative payment arrangement might be available for those who genuinely cannot manage their monthly payment. This could take the form of a more frequent payment, split payment across the household or a managed

payment direct to the landlord. Universal Credit will always be calculated based on a 52 week year.

A DWP report published in May 2014 (Direct Payment Demonstration Project: learning and payment figures from payments 18 and 16) revealed that where tenants were paying their rent, the contact, advice and collection was a very resource intensive exercise, resulting in other landlord services being compromised and it remains concerned about how its tenants will manage direct payment when the wider and cumulative impacts of welfare reform take effect.

The full impact of these reforms remains unquantifiable at present, but the experience of many pilot authorities was a significant increase in both rent arrears and collection and recovery costs. It is anticipated that residents of supported exempt accommodation will have help with their housing costs provided separately to Universal Credit in a similar way to Housing Benefit in the short term.

The current intention is that Universal Credit will be fully available during 2016 with the majority of the remaining Housing Benefit caseload moving to Universal Credit during 2016/17. Local support will be available to help support claimants and will be provided through local partnerships.

## Support for Vulnerable People

There is still uncertainty in respect of the longer-term position for funding managed on a county-wide basis by the County Council, for the provision of support services in the city. There is however more clarity now over the shorter-term position for some of the work streams.

Cambridge City Council entered into a new contract for the delivery of support services to older people across the city from 30<sup>th</sup> April 2014. The contract runs for three years, with an option to extend for up to two further years, but with services delivered on a city-wide basis, and not just to HRA residents as was the case under the previous contract. There are concerns that the demand for support services across the city as a whole is unquantifiable. All existing service recipients will undergo a needs assessment during the first year of the new contract, and support services will then be targeted at those in the greatest need, with signposting to other agencies available for those with lower support needs.

The authority is also contracted to deliver support services in both extra care housing and temporary accommodation across the housing stock. The current contracts have been operating under temporary extensions whilst the County Council decided upon the most appropriate delivery vehicle for the future. Discussions are expected to take place with the County Council in the coming months in respect of both of these contracts.

Funding for the provision of alarms, and the telephone response to alarms, in sheltered and older persons housing is being phased out by the County Council, with the expectation that its continued provision across our housing stock will form the basis of a separately identified service charge, which would be payable by all residents benefiting from the service, and not just the proportion who are self-funders, as is the case at present.

The table below summarises the current funding received for the provision of support services:

Contract	No. of Units	Contract Status	Estimated County Support Funding 2014/15 (£)	Risks / Ongoing Assumptions
Temporary Housing	60	Block Gross Contract – Extension Expires 31/3/2015.	100,000	Uncertainty exists around County Council's plans after March 2015.
Older People Support Services	City-Wide	Fixed Price City-Wide Contract – Expires 30/4/2017, with an option to extend for up to 2 further years	180,000 (plus £51,700 TUPE funding for minimum of 1 year)	Risks exist that additional funding for an initially higher staffing level will cease, whilst demand for services across the city will outstrip supply, with services only delivered to those in greatest need.
Sheltered Housing Alarms	470	Contract addendum to extend until 31/3/2016.	9,440	Supporting People funding for alarm services will cease with effect from 31/3/2016
Community Alarms (HRA Stock)	34	Contract addendum to extend until 31/3/2016.	7,830	Supporting People funding for alarm services will cease with effect from 31/3/2016
Ditchburn Place (Extra Care)	36	Block Gross Contract (Part of Care Contract) – Expires 31/3/2015.	45,740 (Accounted for outside of the HRA)	Uncertainty exists around the County Council's plans for care at Ditchburn Place post March 2015
<b>Total County Council Support Funding</b>			<b>394,710</b>	

# Section 4

## Housing Service Mid-Year Budget Issues

### 2013/14 Outturn

The position at outturn for 2013/14 has been scrutinised and changes to the 2014/15 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 2013/14 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.

### 2014/15 Budget

In addition to reviewing the prior year outturn, consideration has been given to the impact on 2014/15 budgets of the review of key business planning assumptions, driven by both changes in legislation and in response to an assessment of changes in the current economic climate.

### HRA General Management

The key issues affecting estimated general management expenditure for 2014/15 and future years relate to a combination of the changes either being experienced, or anticipated, as part of the Welfare Reforms and the workload anticipated as new build housing is delivered into our housing stock. It is currently difficult to accurately predict the impact that the former of these things 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 impact on workload in respect of the delivery of new build housing however, can now be based on the early experience at Jane's Court.

## HRA Special Services

One of the key areas of uncertainty across special services is the remainder of anticipated changes in the delivery and funding mechanisms for the provision of support services, where the County Council are yet to confirm their future position for Temporary Housing and Extra Care Services and the demand for Older People Services across the city, within a cash limited budget, has yet to be fully quantified. The HRA also awaits clarity from 2015/16 onwards 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 need to be able to demonstrate value for money in the provision of special services is greater than ever, as the HRA expands the delivery of services to both new tenants and owner occupiers in the market housing on the mixed tenure housing development sites.

## Repairs & Maintenance

The Repairs and Maintenance Service responded positively to the challenges of demonstrating that the responsive repair and void services could be delivered in-house more efficiently, and this needs to be monitored and further improved upon in the coming months. One of the key challenges that the service faces in 2014/15 is the transfer of planned maintenance services to new contractors, following a procurement process resulting in a number of separate contracting decisions.

## HRA Summary Account

The key changes impacting income and expenditure charged directly to the HRA Summary Account are the impact of legislative changes surrounding interest receipts, changes in assumptions of the level of right to buy sales, the impact of delays in the implementation of Universal Credit, and the effect on the revenue position of any delays in the delivery of new build social housing compared with assumptions made as part of the HRA Budget Setting Report.

The resulting revenue budgetary changes proposed are detailed in Appendix D of this document, and are also incorporated into the HRA Summary Statement (2014/15 to 2018/19) at Appendix G.

# Section 5

## Revenue Resources – Rent and Other Income

### Rent Arrears and Bad Debt Provision

Rent collection performance locally has been consistently good, with approximately 98% of the value of current tenant arrears brought forward and new rent due, collected in year.

The year-end position in respect of rent debt is summarised in the table below:

Financial Year End	Value of Year End Arrears in Accounts (Current Tenants)	Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2010	£625,433	2.05%	£642,521
31/3/2011	£582,400	1.88%	£746,852
31/3/2012	£655,177	1.98%	£863,677
31/3/2013	£661,246	1.86%	£862,042
31/3/2014	£619,986	1.68%	£967,755

Maintaining and continually improving the performance with regard to collection of rent income is key in the delivery of the Housing Revenue Account Business Plan.

Performance in the collection of current tenant debt was improved in 2013/14, despite the introduction of both the social sector size criteria reduction in housing benefit and the benefit cap. Performance in the early part of 2014/15 has been maintained, when compared with the profile in 2013/14. Officers continue to work proactively with all tenants, but particularly those affected by the benefit changes, in an attempt to minimise the financial impact on the Housing Revenue Account and maintain or improve upon the current level of rent arrears by the end of 2014/15.

There is the need for a particular focus on former tenant arrears, where the value has been seen to increase quite dramatically over the last year. Provision is made in the Housing Revenue Account to write off of 92% of former tenant debt, but a decision to do this is not taken until all avenues for collection have been exhausted. The processes surrounding recovery and write off of former tenant debt are currently being reviewed, with a view to streamlining the administrative process once recovery has been exhausted.

The position in respect of rent arrears as a whole is anticipated to worsen during 2015/16, with the introduction of Universal Credit, based on the initial experience of pilot authorities seeing a marked increase in the level of rent arrears.

Taking the information above into consideration, the higher level of contribution that was approved for the bad debt provision for 2014/15, assuming the need to collect 100% of rent from a point in 2014, is not anticipated to be required. The higher level will need to be retained from 2015/16, and further consideration, as part of the 2015/16 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 2014, the provision for bad debt stood at £1,259,257, representing 79% of the total debt outstanding.

## Void Levels

The value of rent not collected as a direct result of void dwellings in 2013/14 was £330,126, representing a void loss of 0.93%, compared with £336,335 in 2012/13, representing a void loss of 1.11%.

Void levels remain low in 2014/15 to date, with properties awaiting re-development now de-commissioned once the whole dwelling is vacated for the last time. This ensures that the authority has a proper picture of those dwellings vacant, but anticipated to be available for re-let once any essential void works have been completed.

On an ongoing basis, an assumption of 1% voids in general housing is still considered prudent, recognising the release of a considerable amount of new build affordable housing in the city, and the intention to refurbish Ditchburn Place in 3 phases.



## Rent Restructuring

Rent restructuring, which was designed to ensure consistency in rent levels for all social housing tenants irrespective of landlord, has been retained as the method of calculation for social housing rents following the Government's review of rent policy over the last year.

Cambridge City Council has followed government guidelines in setting rents since the introduction of rent restructuring, including adhering to the numerous constraints introduced by Government throughout the process. The result is that rent levels for the authority are still considerably below the level of target rents, with only 4% of properties assumed to move to target rent levels each year during void periods.

The average target rent at the start of 2014/15 across the housing stock was £103.57, with the average actual rent charged being £98.49, both recorded on a 52 week basis. The average actual rent was therefore representative of 95% of the average target rent, with only 9% of the housing stock being charged at target rent levels.

The gap between actual and target rent levels equates to an annual loss of income of approximately £1,876,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement, where convergence was anticipated.

From April 2015, the gap between target and actual rents can only be closed at the point at which a property becomes vacant, when the rent is expected to be moved directly to the target rent level. On this basis, it will be many years before the housing stock as a whole reaches target rent levels, having a significant negative financial impact on the HRA as a housing business, when rents are compared with the assumptions made by Government as part of the HRA Self-Financing Debt Settlement.

## Rent Policy and Rent Setting

As identified in Section 3, National Housing Policy, significant changes have been made to national rent setting policy from April 2015.

These changes include:

- The use of the Consumer Price Index (CPI) plus 1% as the inflation driver for annual rent reviews
- The assumption that all void properties will be increased to target social rent levels before re-let
- The expectation that new build housing will be let at rent levels of up to 80% of market rent
- The expectation that households with incomes exceeding £60,000 per annum will be charged full market rent levels.

The financial impact of the move to using CPI as the driver for rents inflation, as opposed to RPI, was incorporated into financial assumptions as part of the 2014/15 HRA Budget Setting Report and has been retained in the modelling undertaken alongside the HRA Mid-Year financial Review. It is difficult to predict the impact that this change will have over the longer term, as historically these rates have been volatile, but with CPI general running at between 0.5% and 1% below RPI. The HRA Business Plan incorporates the assumption that the base rate of inflation, CPI, is the same for both expenditure and income, with variable adjustment factors applied to specific types of expenditure to ensure that the authority can meet the cost of any increase in expenditure in contractual terms.

From April 2013, the authority introduced a policy which allowed for the transition of energy efficient void properties direct to target rent before re-let. Based upon inspections undertaken during 2013/14, 66% of void dwellings were assessed as having an energy efficiency rating of C or above, and were therefore increased directly to target rent levels. Work began, under the previous administration, to undertake additional work during void periods to improve the energy efficiency of the dwelling and therefore allow re-let at target rent level. From April 2015, the authority could follow government policy to move 100% of void properties directly to target rent irrespective of energy efficiency status.

A decision to comply with government guidelines in respect of charging higher income households a market rent for their property would need some detailed consideration, to ensure that appropriate processes were in place to gather, monitor and react appropriately to this financial information, whilst also ensuring that the authority had a mechanism for continually measuring the market rent levels which drive this proposal.

Consideration will be given to any changes in Rent Policy at a local level as part of the 2015/16 HRA budget setting process, and it is anticipated that this topic will be the subject of a specific Housing Committee Report at this time.

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 Committee.

## 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 2013/14, and 2014/15 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	Financial Year	
	2013/14 £'000	2014/15 £'000
Original Budget (Approved in February)	<b>(726)</b>	<b>(70)</b>
Carry Forwards (Approved in June)	3,109	3,393
Total Including Carry Forwards	<b>2,383</b>	<b>3,323</b>
MFR Mid-Year Review (Approved in October)	(579)	2,573
Total Including Mid-Year Amendments	<b>1,804</b>	<b>5,896</b>
Budget Setting Report Revised Budget (February)	72	-
Total Including Revised Budget Changes	<b>1,876</b>	-
Actual Outturn (Reported in June)	<b>(3,385)</b>	-

The original budget for 2014/15 approved a net contribution to reserves of £70,490, recognising the desire to hold target HRA general reserves of £3,000,000 over the longer term. The budget incorporated a revenue contribution of £8,911,130 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 2013/14.

The final general HRA reserves position for 31 March 2014 was £8,880,738. This included £3,393,320, which will be required to fund the approved carry forward items.

The revised projection of the use of reserves in the current year (2014/15) now indicates that there is expected to be a net contribution from reserves of £5,895,820.

## 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 I for detail of existing balances held.

# 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 weak was 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. This piece of work is now well progressed, and the findings need to be incorporated into the Housing Capital Plan as part of the 2015/16 budget process.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2014 at 97.9%, compared with just over 96.5% achieving the desired standard at 31 March 2013. There were 151 properties that were considered to be non-decent (in addition to refusals), with another 510 anticipated to become non-decent during 2014/15.

### Stock Investment

Appendix H 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 2014.
- Re-phasing of expenditure anticipated to take place in 2013/14 into 2014/15 and beyond, as approved in July 2014.
- 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 are detailed at Appendix E, and include the following types of change:

- 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).
- In-year re-allocation and re-phasing between years, of budgets for decent homes and other works to the housing stock in line with contract packages awarded to Keepmoat (Apollo), Kier and other contractors under the SCAPE and ESPO frameworks.
- Inclusion of an additional £100,000 per annum in the allocation for fencing works from 2015/16 onwards.
- Inclusion of resource of £11,000 to fund unavoidable capital expenditure in respect of work to air cooling systems in both area offices to ensure that the authority complies with current legislation.

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

During 2015/16 officers will consider the difference in costs over the longer-term 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. Changes to achieve this have either been incorporated as part of this document if information is available currently, or will be addressed in the 2015/16 HRA Budget Setting Report.

# Section 7

## Capital & Asset Management – New Build & Re-Development

### Asset Management

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

A review was also undertaken in respect of the HRA's shared ownership portfolio, currently consisting of 84 dwellings, with one of the key outcomes of the review being a decision to consider the future of each shared ownership dwelling as part of a business case evaluating agreed criteria which include the condition, use and occupancy of the existing shared ownership property, before recommending re-purchase as shared ownership housing, re-purchase and use as general needs housing, re-purchase and subsequent sale on the open market or allowing the resident to dispose of their share on the market directly.

Receipts from individual 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
18A Magrath Avenue	Dwelling requires significant investment. Approval to dispose of leasehold dwelling and freehold jointly with the neighbour to achieve the benefit of a share in the higher marriage value for the asset as a whole.	In negotiation
101a Gwydir Street	Ground floor bedsit which is tenanted, but requires significant investment. Options are being evaluated as to the most appropriate way forward.	Under investigation

Potential Acquisition/Disposal	Comment	Status
Engineers House	Dwelling is a 3-bedroomed detached house in a non-estate location. Options for this property will be considered at the point at which the dwelling becomes vacant.	Future Investigation

## New Build & Re-Development

### 146 HCA Grant New Build Programme

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 was the first to complete in 2013/14, with the new Jane's Court available for let in the second half of the year.

At the time of writing this report, all but 2 of the tenanted households affected by the re-development programme had been re-housed and 16 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 at the next approval opportunity. 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 in all cases, but will ensure that the most up to date data is being utilised.

Due to delays on some of the development sites, it has been necessary to switch the application of HCA grant funding to alternative units, ensuring that the authority maximises the grant that is received. New build dwellings that were originally identified for market sale on some of the garage sites (Hawkins, Ekin and Fulbourn), have since been amended to deliver a greater proportion (up to 100%) of social housing on each site. These changes are also reflected in the table below, but it must be noted that the decision to utilise resource to deliver



a greater proportion of social housing on some of the earlier sites will result in an inability to meet the full costs of the later sites without the approval of additional resource for 2015/16.

The table below details the final sites against which the authority intends to apply HCA grant, identifying the current scheme costs for approval as part of this HRA MFR, comparing the costs to the approvals granted at budget setting stage in January / February 2014.

Scheme	Status	HRA BSR Approved Social Housing Units	HRA BSR Net Funding Approved (Capital Cost net of Grant and Land Transfer)	HRA MFR Revised Social Housing Units for Approval	Percentage Social Housing on Site	HRA MFR Revised Net Funding for Approval (Capital Cost net of Grant and Land Transfer)
Jane's Court	Complete	20	878,440	20	59%	878,610
Latimer Close	Unconditional	12	1,250,180	12	60%	1,357,060
Barnwell Road	Unconditional	12	1,094,750	12	59%	854,960
Campkin Road	Unconditional	20	2,451,640	20	63%	2,363,640
Colville Road	Unconditional	19	1,304,920	19	58%	1,156,850
Water Lane	Delayed	14	1,384,170	0		
Aylesborough Close (Phase 1)	Delayed	21	2,543,670	0		
Aylesborough Close (Phase 1a)	Conditional	0	0	10	63%	2,049,390
Stanesfield Road	Unconditional	4	554,020	4	50%	399,650
Wadloes Road	Conditional	6	646,530	6	60%	568,760
Atkins Close (Garage Site)	Unconditional	8	601,070	8	67%	446,650
Hawkins (Garage Site)(*)	Not in Contract	5	513,640	9	100%	1,193,990
Fulbourn (Garage Site)(*)	Not in Contract	4	252,670	8	100%	1,127,200
Ekin Road (Garage Site)(*)	Not in Contract	4	403,140	6	100%	828,520
<b>Total</b>		<b>149</b>	<b>13,878,840</b>	<b>134</b>	<b>64%</b>	<b>13,225,280</b>

The sums included for sites not yet at unconditional contract stage, are the latest working estimates, but will still be subject to change before finalisation.

### Non-HCA Grant Balance of New Build Programme

Re-allocation of HCA grant to some of the garage sites above in order to meet the time scales for receipt of this external funding, result in the authority owning a greater proportion of the new build housing on each of these sites. Investment in these dwellings means that additional resource will be required to complete the build on the Aylesborough Close and Water Lane sites, but the overall impact will mean delivery of 158 dwellings compared with the 146 that were originally proposed or the 149 that were anticipated at budget setting stage in January / February 2014. The funding required to complete the programme is detailed below:

Scheme	Status	HRA MFR Revised Social Housing Units for Approval	Percentage Social Housing on Site	HRA MFR Revised Net Funding for Approval (Capital Cost net of Land Transfer)
Water Lane	Conditional	14	58%	1,644,960
Aylesborough Close (Phase 1b)	Conditional	10	57%	609,680
<b>Total</b>		<b>24</b>	<b>56%</b>	<b>2,254,640</b>

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

### Acquisition of Market Housing on the 146 Programme Sites with RTB Receipts

In order to meet the deadlines for the use of the earlier retained right to buy receipts, funding of £2,875,000 was ear-marked in the Housing Capital Investment Plan for the purchase of some of the market dwellings on the 146 Programme development sites. The use of retained right to buy receipts is only applicable on sites which were previously vacant or contained garages, or in the case of existing social housing, where additionality can be clearly demonstrated.

Permission to purchase specific dwellings has been obtained using the urgent decision process, as outlined in the HRA Acquisition and Disposal Policy.

The table below identifies the market dwellings which the authority currently proposes the direct market purchase of, with the impact this will have on the proportion of social housing delivered on these sites:

Scheme	No. of Market Units to be Purchased	Revised Percentage Social Housing on Site	Market Purchase Price (with on costs)
Colville Road	6	76%	1,051,350
Wadloes Road	3	100%	736,500
Atkins Close (Garage Site)	4	100%	1,106,400
<b>Total Purchases</b>	<b>13</b>		<b>2,894,250</b>

## Clay Farm

Work continues with Hill Partnerships, in the development of the Clay Farm site, which will deliver 104 new dwellings which the City Council will own and manage. Following consideration at Community Services Committee in January 2014 and subsequent approval by Council in February 2014, the scheme is anticipated to deliver 104 homes, comprising 78 affordable rented dwellings and 26 shared ownership dwellings.

The scheme is registered for planning approval, and will be considered during the summer and autumn of 2014. It is anticipated that the funding for the scheme will include the use of retained right to buy receipts to fund 30% of the social rented housing on the site, which will maximise the use of these receipts against this scheme. It is assumed that the balance of the costs will be met from existing HRA resource and borrowing, ensuring that the scheme included in the Housing Capital Investment Plan is financially viable.

Delivery of the affordable housing accommodation on the Clay Farm site is now expected in phases beginning in the spring of 2016, with final completion by spring of 2017.

## £300 Million Fund

The Government offered local authorities the opportunity to bid for permission to borrow above their debt cap, with additional borrowing approvals of £300 million available nationally.

There were constraints applied to the bidding process, with an inability to use any additional borrowing awarded to aid the delivery of a unit that might also benefit from the use of retained right to buy receipt funding. This, coupled with an indication that government anticipated the borrowing approval to represent approximately £30,000 of each dwelling delivered, made it impossible for Cambridge City to make any firm bids in the 2014/15 to 2015/16 programme, but instead to express interest in the later years. An expression of interest was lodged for approximately £6 million of borrowing approval, to aid delivery of 193 homes across 3 strategic development sites in 2016/17 and 2017/18.

The first round of firm bids resulted in borrowing approvals nationally of £61 million, set to deliver 1,030 new homes, at additional borrowing of £59,000 per dwelling, far higher than the £30,000 originally indicated.

A second firm bid round has been announced for September 2014.

# Section 8

## Summary and Conclusions

### HRA Budget Strategy

#### The Budget Process

The HRA budget process for 2015/16 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.

A fundamental review of the HRA as a whole is proposed, but this piece of work is expected to take some time to both plan appropriately and deliver effectively. The fundamental review of the Housing Service is intended to address the longer-term balance of investment between meeting priorities for the delivery of new social housing, agreeing an appropriate level of investment in the existing housing stock and ensuring that the needs and pressures in the delivery of day to day housing services are met.

For the budget process in 2015/16, some initial preparatory work for this larger project is proposed. The key proposals are:

- A review of historic underspending, as in previous years, to drive out any areas where savings can be identified, which allow re-allocation of resource into other areas of the housing service.
- Undertaking zero based budget exercises or service reviews in a number of specific areas, where a commitment has already been given as part of the 2013/14 outturn process or an early review of spending is considered appropriate, to include:
  - Void Repairs
  - Day to Day Repairs

- Cyclical Revenue Repairs
- Leasehold Services

- In line with tenants views obtained as part of the 2014 Satisfaction Survey, a review, as part of the 2015/16 budget process, of 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 2015/16 budget process, recommending the level of savings required to maintain flexibility in decision making and to meet both current and anticipated spending needs as they are known at present.

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 2015/16 budget.

### **Approach to HRA Savings**

The September 2013 HRA Mid-Year Business Plan Update set a target of 2% for ongoing savings in general management expenditure for 2014/15 and an assumed reduction in repairs expenditure in line with estimated stock changes. This resulted in an overall target of £140,030 being set in preparation for the 2014/15 budget process. This target recognised the desire to continue to create policy space for strategic re-investment and allowed the inclusion of priority policy funding at the previously enhanced level of £150,000 per annum.

For 2015/16, a sustainable position is sought, continuing to assume that resources are set-aside for the future repayment of 25% of the housing debt by the point at which the loan portfolio begins to reach maturity, 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.

One of the key challenges for 2015/16 and beyond, is the need to identify sufficient resource for investment in new build housing to ensure that the authority can continue to retain right to buy receipts and re-invest them appropriately. This challenge has driven the need for a fundamental review of spending elsewhere across the Housing Service, both in terms of revenue spending and capital investment in the existing housing stock.

For 2015/16 budget process it is considered pre-emptive to assume that a fundamental review of the HRA will deliver a higher level of savings than have been achieved in previous years, and therefore the ongoing level of savings assumed in the 2014/15 HRA Budget Setting Report of 2% is proposed to continue to be adopted for 2015/16.

This target is set assuming savings in both general management and repairs administration expenditure. Savings assumptions for the remainder of the 5 year budget period have been maintained at the level of 2% ongoing per annum ongoing until the findings of the fundamental review of the HRA are clear, which is anticipated to be during 2015/16.

A target of 2% for 2015/16 will require savings in the region of £115,000 per annum, with the continued assumption that responsive repair expenditure is amended in line with assumed changes in stock levels. 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 2015/16 budget process, to whether the level of policy space should be retained at this higher level in the medium term.

The level of capital investment in the housing stock from a decent homes perspective will be reviewed over the longer term, with the intention of reducing the investment assumptions to a level where the decent homes standard can be fully met, but where the timing of investment is such that there is no longer set at investment standard which sees the replacement of components before they are anticipated to fully age or fail. It is anticipated that independent decisions can then be made about each aspect of investment, increasing the investment levels where deemed appropriate.

The position will be reviewed again as part of the January 2015 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 G summarises the revenue budget position for the HRA for the period between 2014/15 and 2018/19, based upon inclusion of the amended financial assumptions that form part of the update to the Self-Financing Business Plan.

## HRA MFR Conclusions

Updating the base assumptions for the HRA has had a significantly negative impact on the future financial assumptions for the housing business. There are two key changes which have contributed to this.

An increase in the inflation rate used for the cost of obtaining labour for planned revenue repair and capital works to the housing stock, assuming the Building Cost Index maintains an upward trend at 5% for the next 5 years as opposed to 3.5% as was assumed previously, results in a significantly higher level of anticipated investment in the stock.

The assumed reduction in CPI from 2.5% to 2%, means that rent increases are anticipated to grow at a far slower rate than previously assumed, which in turn generates a far smaller revenue surplus across the HRA. This surplus was assumed to be available to deliver new homes over 30 year life of the business plan

With the latest financial assumption incorporated into financial plans, the number of new homes that can be delivered using HRA surpluses is expected to be in the region of 1,200 over 30 years, compared with the 1,910 deemed deliverable as part of the HRA Budget Report.



# Appendix A

## Financial Planning Timetable 2015/16

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

Date	Major Stage
2014	
12-Jun	Council adopts Annual Statement setting out plan & priorities from 2014/15
27-Aug	SLT / Exec consider MFR items
17-Sep	General Fund (GF) Mid-Year Financial Review (MFR) published for S&R Scrutiny Committee
18-Sep	Housing Revenue Account (HRA) MFR published
w/c 22 Sep	Finance despatch Budget Process Guidance and Budget Proposal Forms
29-Sep	S&R Scrutiny Committee / Leader recommendation of GF MFR to Council
30-Sep	Housing Committee considers the HRA MFR
01-Oct	Finance despatch Budget Working Papers.
Sept / Oct	MFR & budget briefing for Members
Sept / Oct	Budget process workshops for managers
15-Oct	Managers to complete and return Budget Proposal Forms to Finance for 2015/16 Revenue and Capital Budget Proposals
20-Oct	SLT consider HRA and Capital Budget Proposals
22-Oct	Finance to send proposals to officer groups, including corporate strategy, to assess climate change and poverty ratings and EqIA requirements
w/c 27 Oct	Officer Working Groups meet to consider and comment on budget proposals
28-Oct	SLT / Exec consider HRA and Capital Budget Proposals
29-Oct	GF MFR published for Council on 6 November
03-Nov	SLT consider General Fund Budget Proposals
06-Nov	Council considers GF and HRA Mid-Year Financial Review reports
17-Nov	SLT consider General Fund Budget Proposals
21-Nov	Managers to complete and return budget working papers, incorporating all budget proposals, to Finance
25-Nov	SLT / Exec consideration of General Fund Budget Proposals
08-Dec	HRA EqIA Deadline
10-Dec	SLT / Exec review General Fund and HRA BSR's
15-Dec	General Fund EqIA deadline

Date	Major Stage
17-Dec	Publish HRA Budget Setting Report 2015/16
Dec	Provisional Government Settlement Announcement
2015	
05-Jan	Publish HRA Opposition Budget Amendment
05-Jan	GF budget proposals for Environment Scrutiny Committees published
07-Jan	GF budget proposals for Community Services Scrutiny Committees published
09-Jan	Publish General Fund Budget Setting Report and GF budget proposals for Strategy & Resources
13-Jan	Environment Scrutiny Committee consider budget proposals for own portfolios
14-Jan	Meeting of The Executive agenda published
<b>14-Jan</b>	<b>Housing Committee considers any HRA Budget Amendment Executive Councillor for Housing approves rent levels and revenue budgets Executive Councillor makes final capital proposal recommendations to Council Housing Committee considers General Fund Housing budget proposals</b>
15-Jan	Community Services considers GF proposals for its own portfolios
19-Jan	Strategy & Resources Scrutiny Committee considers GF budget proposals for its own portfolios and GF Budget Setting Report
Jan	Final Government Settlement Announcement
<b>22-Jan</b>	<b>Meeting of The Executive to consider and recommend GF Budget Setting Report and Council Tax requirement</b>
05-Feb	Publish General Fund Opposition Budget Amendment
<b>13-Feb</b>	<b>Special Strategy &amp; Resources Scrutiny Committee considers any GF budget amendment proposals</b>
<b>26-Feb</b>	<b>Council approves GF Budget and sets Council Tax (including precepts) Council approves General Fund Capital Plan Council approves Housing Capital Plan as part of HRA BSR</b>
31-Mar	Approved budget reports to be sent to Cost Centre Managers by Finance

# Appendix B

## Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
<b>Effects of Legislation / Regulation</b>	
<p>Implications of new legislation / regulation or changes to existing are not identified.</p> <p>Funding is not identified to meet the costs associated with changes in statutory requirements.</p> <p>HRA Debt Settlement could be re-opened by Government</p>	<ul style="list-style-type: none"> <li>• Effective processes are in place for the HRA to ensure that implications are identified and raised</li> <li>• Additional / specific funding enhancements for new services are earmarked for that purpose, to ensure effective implementation</li> <li>• The Council has processes in place to manage the demands of local and national housing agendas, including the Vision Statement and HRA Business Plan</li> </ul>
<b>Housing Portfolio &amp; Spending Plans</b>	
<p>The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets.</p>	<ul style="list-style-type: none"> <li>• Council has adopted medium and long-term modelling (up to 30 years) for HRA, to ensure decisions are made in the knowledge of long-term deliverability issues / implications</li> <li>• Council has a policy of requiring R&amp;R Funds to be in place to cover all major assets with a finite life, with long-term programmes for key areas</li> <li>• The Business Plan includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications</li> <li>• Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures</li> </ul>
<b>Financial planning lacks appropriate levels of prudence</b>	
<p>Business Planning assumptions are wildly inaccurate</p> <p>Financial policies, in general, are not sufficiently robust</p> <p>Funding to support the approved Capital Plan is not available</p>	<p>Council has adopted key prudence principles, reflected in:</p> <ul style="list-style-type: none"> <li>• Use of external expert opinion and detailed trend data to inform assumptions</li> <li>• Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process</li> <li>• Adoption of strict medium / long-term planning</li> <li>• Policy on applying general capital receipts for strategic disposals only at point of receipt</li> </ul>

Risk Area & Issue arising	Controls / Mitigation Action
<b>External income / funding streams</b>	
<p>Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure</p> <p>Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms</p> <p>Rent income is under-achieved due to a major incident in the housing stock</p> <p>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</p> <p>The economic downturn reduces the ability to fund capital pressures from the sale of assets</p>	<ul style="list-style-type: none"> <li>• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis on potential changes</li> <li>• Council seeks to influence national settlements and legislative changes through response to formal consultation and the provision of information to negotiation bodies such as LGA and CIH</li> <li>• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.</li> <li>• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of incident</li> <li>• Sensitivities modelled so potential impacts are understood</li> <li>• Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity</li> <li>• Policy on applying general capital receipts for strategic disposals only at point of receipt</li> </ul>
<b>Use of resources including Projects and Partnerships</b>	
<p>There is ineffective use of the resources available to the HRA</p> <p>Failure to deliver Major Housing / Development Projects, i.e. return on capital, project on time etc.</p>	<ul style="list-style-type: none"> <li>• Council employs robust business planning in key activity areas</li> <li>• Council has adopted a standard project management framework</li> <li>• Housing Service is required to contribute to Portfolio Planning process, linked directly to resources</li> <li>• MTOs are used to prioritise available resources ensuring best match with objectives</li> <li>• Performance and contractor management procedures have been updated</li> <li>• Organisational development and workforce planning activity is being targeted</li> <li>• The Council has been recognised as a high performer under the national Use of Resources assessment, scoring a maximum rating of 4 in 2008</li> </ul>

# Appendix C

## Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	2%	General inflation on expenditure included at 2% (Based upon CPI to June 2014), from 2015/16.	Amended
Capital Inflation	5% for 5 years, then 3% ongoing	Real increase above CPI of 3% for 5 years, then reverting to 1% above CPI from 2020/21.	Amended
Debt Repayment	Set-aside 25% to Repay Debt	Assumes surplus is re-invested in income generating assets, with 25% of resource set-aside to repay debt as loans reach maturity dates.	Retained
Capital Investment	Partial Investment Standard (in 10 Years)	Base model assumes partial investment standard in the housing stock, compared with a basic decent homes standard. This will be reviewed in 2015/16.	Retained
Pay Inflation	1.9% Pay Progression plus: 2014/15 – 1.0% 2015/16 – 1.0% 2016/17 – 1.5% 2017/18 – 2.0% 2.5% ongoing	Assume allowance for increments at 1.9%. Pay inflation for 2014/15 and 2015/16 at 1% reflecting Government guidance to 2015/16, and a stepped increase thereafter, reflecting economic recovery.	Amended
Employee Turnover	3%	Employee budgets assume a turnover saving of 3.0% of gross pay budget for office-based staff.	Retained
Rent Increase Inflation	3% for 2015/16 for 10 years, then 2.5%	Rent increases in line with government guidelines of CPI at the preceding September plus 1% from 2015/16 to 2024/25, then CPI plus 0.5%. Assume CPI in September 2014 is 2%. CPI as above.	Amended
Rent Convergence	Energy Efficient Voids Only	Ability to move to target rent achieved only through movement of energy efficient void properties directly to target rent.	Retained
External Lending Interest Rate	0.64%, 0.78%, 0.78%, then 1% ongoing	Interest rates based on latest market projections, an average of 0.64% for 2014/15, 0.78% for 2015/16 and 2016/17, then 1% from 2017/18.	Amended
Internal Lending Interest Rate	0.64%, 0.78%, 0.78%, then 1% 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.	Amended
External Borrowing Interest Rate	4.5%	Assumes additional PWLB borrowing at a rate of 4.5%. Current rates for 25 to 50 years are between 4.28% and 4.31%. Retain 4.5% for prudence.	Retained
Internal Borrowing Interest Rate	4.5%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Retained
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising risks in a Self-Financing environment.	Retained
HRA Target	£3,000,000	Maintain HRA target balance at £3,000,000.	Retained

Key Area	Assumption	Comment	Status
Balances			
Right to Buy Sales	60, 50, 40, 30, then 20 sales ongoing	Scheme reinvigoration has prompted sustained increased activity. Assume 60 for 2014/15, reducing by 10 sales per annum, until 20 are assumed on an ongoing basis.	Amended
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for-one receipts included, but prudently only those received to date are committed to specific new build schemes. Debt repayment proportion has currently been set-aside.	Retained
Void Rates	1%	Assumes 1% per annum from 2014/15 onwards.	Retained
Bad Debts	0.56% for 2014/15 and 2015/16, then 1.12%	Bad debt provision made in the HRA was increased by 100% to reflect the requirement to collect 100% of rent directly, assuming an extension of the existing payment profile across the entire housing stock. Universal Credit is delayed until 2016, so amend current and next year back to 0.56%.	Amended
Rent Collection Transactional Costs	Increase in transactional costs of £100,000 per annum from 2015/16	An increase of £100,000 per annum was included anticipating an 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. Universal Credit delayed now until 2016, with cost collection assumption again 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 2015/16.	Amended
5-Year New Build Programme	Up to 444 Units	Assumes delivery of the balance of the current 3-year affordable housing investment programme of 138 units plus 13 purchases, 104 units on the Clay Farm site and the potential to build up to 189 dwellings on development sites using further RTB receipts by 2018/19.	Amended
Savings Target	2%	Target included assuming efficiencies will be driven out to allow strategic re-investment. Target is a percentage of net general management and repairs administration expenditure.	Retained
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Policy Space	£150,000	Policy space retained in base model at the level of £150,000 for 5 years recognising desire to expand services and respond to external pressures. To be reviewed again as part of 2015/16 HRA BSR.	Retained
Service Reviews	On case by case basis	Service review outcomes assumed to deliver to the HRA as indicated in the review business case.	Retained

# Appendix D

## 2014/15 Mid-Year HRA Revenue Budget Amendments

Area of Income / Expenditure	Justification	Increase or Reduced Income / (Decrease or Increased Income) in 2014/15 Budget (£)	Ongoing / One-Off
<b>General Management Expenditure</b>			
Resident Involvement	Reduction based on prior year underspending, allowing for increase in staffing numbers to 3 and review of resident involvement programme	(20,000)	Ongoing
Business Overheads	Savings in office running costs, cash collection charges and a reduction in the cost of administering the now obsolete Housing Act Advances scheme, based upon expenditure in 2013/14	(11,000)	Ongoing
Rent Collection Costs	Saving due to the deferred need to meet rent collection costs for 100% of tenants, as a result of delays in the implementation of Universal Credit	(94,040)	One-Off
Under-Occupation Scheme	Additional funding for the Under Occupation Incentive Scheme in 2014/15, to meet the level of demand experienced this year to date. Ongoing funding will be reviewed as part of the 2015/16 HRA budget process	40,000	One-Off
Housing Management Staffing	Additional funding to allow the temporary employment of additional housing management staff to address the increased workload that will result from the completion, initial letting and early occupation of the new build housing provided as part of both the 146 Programme and Clay Farm, based upon experience of the first scheme completion in 2013/14	13,600	Ongoing £81,800 in 2015/16 and £20,500 in 2016/17
Contribution to Pension Reserve	Reduced contribution to HRA Pension Reserve in 2014/15 based upon latest actuarial review	(88,970)	One-Off
<b>Total General Management Expenditure Changes (2014/15)</b>		<b>(160,410)</b>	
<b>Special Services</b>			
Independent Living Staffing	Removal of the balance of a special project budget held to ensure that current staffing levels could be maintained in the Independent Living Team whilst funding from the County Council for support was confirmed	(6,490)	Ongoing
<b>Total Special Services Changes (2014/15)</b>		<b>(6,490)</b>	
<b>Repairs and Maintenance</b>			

Area of Income / Expenditure	Justification	Increase or Reduced Income / (Decrease or Increased Income) in 2014/15 Budget (£)	Ongoing / One-Off
Responsive and Void Repairs	Funding for an increase in the number of Repairs Apprentices from 2 to 4, with the intention to recruit the first pair during 2014/15, to be followed by a new in-take in 2015/16	0	£15,000 from 2015/16
Asset Management Overheads	Savings in travel costs, subscriptions and office running costs, based upon expenditure in 2013/14	(11,550)	Ongoing
<b>Total Repairs and Maintenance Changes (2014/15)</b>		<b>(11,550)</b>	
<b>HRA Summary Account Expenditure</b>			
Debt Management Costs	Reduction 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	(20,580)	One-Off
Bad Debt Provision	Reduction in the annual contribution to the bad debt provision for 2014/15, recognising that the impact of being required to collect 100% of rent directly from tenants will not be realised until 2016/17	(201,500)	2014/15 and 2015/16
Interest Paid	Reduction recognising the use of Direct Revenue Financing of Capital Expenditure in 2014/15 in place of the anticipated need to borrow	(118,790)	One-Off
Depreciation	Increase in net depreciation costs for the housing stock, based upon the latest estimates, and including revised inflation in all aspects of the transitional MRA	28,110	Ongoing
<b>Total HRA Summary Account Expenditure Changes (2014/15)</b>		<b>(312,760)</b>	
<b>HRA Income</b>			
Right to Buy Capitalisation	Increase in income in respect of the capitalisation of the costs of administering a continuing higher level of right to buy sales in 2014/15 and beyond	(53,210)	Ongoing in part
Rent Income	Increase in anticipated rental income for 2014/15 compared to original budgets in February 2014, where specific assumptions were made in respect of occupation of the new build housing as part of the 146 re-development programme and the move of energy efficient properties directly to target rent levels	(33,520)	Ongoing in part
Interest Received	Increase in interest received on HRA balances due to a higher than anticipated average cash balance in 2014/15 to date and the legislative change from April	(94,180)	Ongoing in part



Area of Income / Expenditure	Justification	Increase or Reduced Income / (Decrease or Increased Income) in 2014/15 Budget (£)	Ongoing / One-Off
	2014 which requires local authorities to credit their HRA's with the interest on unapplied housing capital receipts. These changes more than offset the negative impact of a lower than anticipated interest rate, where recovery in this area has been far slower than anticipated		
Support Income (Temporary Housing)	Additional income for the provision of support services in Temporary Housing in 2014/15, where prudent assumptions were made as part of the 2014/15 budget process, recognising that Supporting People contracts were due to terminate in March 2014. A contract extension for the value of £100,000 for the year means that income is still being received at a higher level than originally budgeted in 2014/15	(14,890)	Assume loss of all income from 1/4/2015 resulting in reduction of £85,110 ongoing
Support Income (Older People)	Additional income for the provision of support services to older people on an ongoing basis from 2014/15, where prudent assumptions were made as part of the 2014/15 budget process, recognising that Supporting People contracts were due to terminate in March 2014. New contracts are now in place for a period of 3 years, with an option to extend for a further 2 years, and as such the income assumption has been included on an ongoing basis	(69,190)	Ongoing
<b>Total HRA Income Changes (2014/15)</b>		<b>(264,990)</b>	
Direct Revenue Financing of Capital	Increase in use of revenue surplus and revenue reserves to fund capital expenditure, thus negating the need to borrow in 2014/15	2,517,920	
HRA Set-Aside	Ability to set-aside resource in 2014/15 for future debt repayment, assuming that 25% of loan values are set-aside by the point of first redemption	811,270	
<b>Total Net Increase in Use of / (Contribution to) HRA Reserves (2014/15)</b>		<b>2,572,990</b>	

# Appendix E

## 2014/15 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
<b>Total Housing Capital Plan Expenditure pre HRA MFR</b>	<b>41,932</b>	<b>22,634</b>	<b>30,604</b>	<b>21,039</b>
<b>Decent Homes</b>				
Re-phasing of heating works between years to smooth delivery of programme	(250)	500	(250)	0
Re-phasing of wall structure works between years to smooth delivery of programme	(300)	150	150	0
Re-phasing of wall finish works between years to smooth delivery of programme	(230)	30	100	100
Re-phasing of an element of the decent homes backlog funding into future years to aid delivery	(1,031)	1,031	0	0
Re-allocate residual decent homes backlog funding to specific elements	(1,100)	0	0	0
Transfer funding from decent homes backlog into door replacement	150	0	0	0
Transfer funding from decent homes backlog into roofing works	500	0	0	0
Transfer funding from decent homes backlog into kitchen replacements	300	0	0	0
Transfer funding from decent homes backlog into bathroom replacement	150	0	0	0
Adjustment to Planned Maintenance Overheads	(240)	172	10	10
Increase in decent homes for new builds	0	69	203	278
<b>Other Spend on HRA Stock</b>				
Re-phasing of communal area uplift funding between following completion of initial surveys	(350)	0	350	0
Increase in fencing investment	0	100	100	100
Adjustment to Planned Maintenance Overheads	(71)	(7)	38	10
<b>New Build</b>				
2011-15 New Build Investment Programme changes	(2,145)	5,629	0	0
Increase in cost of purchase of market dwellings	19	0	0	0
Re-phasing of spend for Clay Farm	1,413	(7,840)	121	6,306
Additional RTB / HRA Surplus New Build Investment	0	9,731	1,335	4,981
<b>Other HRA Capital Spend</b>				
Funding for air cooling systems in area offices	11	0	0	0
Unallocated Inflation Changes	(1)	68	(212)	358
<b>Total Housing Capital Plan Expenditure post HRA MFR</b>	<b>38,757</b>	<b>32,267</b>	<b>32,549</b>	<b>33,182</b>

# Appendix F

## 2011-15 New Build Programme (3 Year Rolling Programme)

Scheme	HRA MFR Revised Social Housing Units for Approval	Affordable Housing Scheme Cost (Cash Spend)	Affordable Housing Scheme Cost (Notional Spend = Estimated Notional Land Value)	HCA Grant and Area Committee Funding	Estimated Notional Land Value	HRA MFR Revised Net Funding for Approval (Capital Cost net of Grant and Land Transfer)
Jane's Court	20	1,233,070	1,500,000	(354,460)	(1,500,000)	878,610
Latimer Close	12	1,569,740	875,860	(212,680)	(875,860)	1,357,060
Barnwell Road	12	1,067,640	1,043,550	(212,680)	(1,043,550)	854,960
Campkin Road	20	2,718,100	1,557,520	(354,460)	(1,557,520)	2,363,640
Colville Road	19	1,493,590	1,598,030	(336,740)	(1,598,030)	1,156,850
Aylesborough Close	10	2,226,620	768,910	(177,230)	(768,910)	2,049,390
Stanesfield Road	4	570,540	536,890	(170,890)	(536,890)	399,650
Wadloes Road	6	675,100	256,540	(106,340)	(256,540)	568,760
Atkins Close (Garage Site)	8	588,430	635,750	(141,780)	(635,750)	446,650
Hawkins (Garage Site)	9	1,353,500	0	(159,510)	0	1,193,990
Fulbourn (Garage Site)	8	1,268,980	0	(141,780)	0	1,127,200
Ekin Road (Garage Site)	6	934,860	0	(106,340)	0	828,520
<b>Sub Total (With HCA Grant)</b>	<b>134</b>	<b>15,700,170</b>	<b>8,773,070</b>	<b>(2,374,890)</b>	<b>(8,773,070)</b>	<b>13,225,280</b>
Water Lane	14	1,644,960	561,590	0	(561,590)	1,644,960
Aylesborough Close	10	609,680	728,410	0	(728,410)	609,680
<b>Total 3 Year Programme</b>	<b>158</b>	<b>17,954,810</b>	<b>10,063,070</b>	<b>(2,374,890)</b>	<b>(10,063,070)</b>	<b>15,479,920</b>

# Appendix G

## HRA Summary Forecast 2014/15 to 2018/19

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Income					
Rental Income (Dwellings)	(36,059,720)	(37,710,860)	(39,477,720)	(41,284,780)	(42,928,390)
Rental Income (Other)	(1,064,000)	(1,085,280)	(1,106,990)	(1,129,130)	(1,151,710)
Service Charges	(2,203,270)	(2,314,310)	(2,360,590)	(2,407,810)	(2,455,960)
Contribution towards Expenditure	(103,150)	(3,220)	(3,270)	(3,350)	(3,410)
Other Income	(466,140)	(455,080)	(443,400)	(431,060)	(418,060)
<b>Total Income</b>	<b>(39,896,280)</b>	<b>(41,568,750)</b>	<b>(43,391,970)</b>	<b>(45,256,130)</b>	<b>(46,957,530)</b>
Expenditure					
Supervision & Management - General	3,187,920	3,549,640	3,822,450	3,955,910	4,141,100
Supervision & Management - Special	2,201,970	2,257,800	2,319,660	2,388,050	2,463,540
Repairs & Maintenance	7,014,420	6,817,470	7,124,630	7,442,680	7,808,770
Depreciation – to Major Repairs Res.	10,410,800	10,588,780	10,949,630	12,691,470	13,423,920
Debt Management Expenditure	0	21,180	21,900	22,750	23,750
Other Expenditure	2,925,650	3,033,740	3,355,310	3,473,080	3,591,770
<b>Total Expenditure</b>	<b>25,740,760</b>	<b>26,268,610</b>	<b>27,593,580</b>	<b>29,973,940</b>	<b>31,452,850</b>
<b>Net Cost of HRA Services</b>	<b>(14,155,520)</b>	<b>(15,300,140)</b>	<b>(15,798,390)</b>	<b>(15,282,190)</b>	<b>(15,504,680)</b>
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(151,540)	(160,730)	(156,950)	(182,470)	(185,010)
<b>(Surplus) / Deficit on the HRA for the Year</b>	<b>(14,307,060)</b>	<b>(15,460,870)</b>	<b>(15,955,340)</b>	<b>(15,464,660)</b>	<b>(15,689,690)</b>
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,528,920	7,573,190	7,774,320	8,037,340	7,996,020
Housing Set Aside	811,270	0	0	0	7,366,580
Depreciation Adjustment	(2,475,770)	(2,317,110)	(2,134,700)	0	0
Direct Revenue Financing of Capital	14,338,460	10,188,470	10,320,300	7,432,830	280,200
<b>(Surplus) / Deficit for Year</b>	<b>5,895,820</b>	<b>(16,320)</b>	<b>4,580</b>	<b>5,510</b>	<b>(46,890)</b>
Balance b/f	(8,880,738)	(2,984,918)	(3,001,238)	(2,996,658)	(2,991,148)
<b>Total Balance c/f</b>	<b>(2,984,918)</b>	<b>(3,001,238)</b>	<b>(2,996,658)</b>	<b>(2,991,148)</b>	<b>(3,038,038)</b>

# Appendix H

## Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
<b>General Fund Housing Capital Spend</b>					
Assessment Centre	0	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
<b>Total General Fund Housing Capital Spend</b>	<b>765</b>	<b>765</b>	<b>765</b>	<b>765</b>	<b>765</b>
<b>HRA Capital Spend</b>					
<b>Decent Homes</b>					
Kitchens	918	598	292	466	500
Bathrooms	672	525	119	61	306
Boilers / Central Heating	1,114	1,106	1,326	1,357	1,902
Insulation / Energy Efficiency	100	100	100	100	100
External Doors	212	108	63	88	40
PVCU Windows	502	500	912	915	1,407
Wall Structure	334	213	264	105	78
Wall Finishes	89	260	265	267	352
Wall Insulation	100	100	100	100	100
External Painting	0	0	0	0	0
Roof Structure	945	687	322	300	307
Roof Covering	1,661	210	274	658	617
Chimneys	102	2	1	0	1
Electrical / Wiring	91	181	317	120	356
Smoke Detectors	27	109	9	26	18
Sulphate Attacks	102	102	102	102	102
Major Voids	201	48	53	53	54

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
HHSRS Contingency	117	150	100	100	100
Other Health and Safety Works (Balconies)	50	50	50	50	50
Other External Works	3	5	0	0	0
Rising Damp / Penetrating Damp	0	0	0	0	0
Professional Fees	439	439	439	439	439
External Professional Fees	22	22	22	22	22
Decent Homes Backlog	0	2,097	3,019	2,663	0
Planned Maintenance Contractor Overheads	751	731	786	770	654
Decent Homes New Build Allocation	0	69	203	278	381
<b>Total Decent Homes</b>	<b>8,552</b>	<b>8,412</b>	<b>9,138</b>	<b>9,040</b>	<b>7,886</b>
<b>Other Spend on HRA Stock</b>					
Garages	300	300	300	100	100
Asbestos Contingency	200	200	200	100	100
Disabled	938	878	878	878	878
TIS Schemes	21	21	21	21	21
Communal Areas Uplift	596	1,172	896	546	546
Fire Prevention / Fire Safety Works	938	300	300	300	300
Hard surfacing on HRA Land - Health and Safety Works	274	280	150	150	150
Hard surfacing on HRA Land - Recycling	0	0	142	0	0
Communal Areas Floor Coverings	235	0	0	0	0
Professional Fees	122	122	122	122	122
Lifts and Door Entry Systems	41	13	13	13	13
Fencing	215	200	200	200	200
Planned Maintenance Contractor Overheads	384	344	317	236	236
<b>Total Other Spend on HRA stock</b>	<b>4,264</b>	<b>3,830</b>	<b>3,539</b>	<b>2,666</b>	<b>2,666</b>
<b>HRA New Build / Re-Development</b>					
Roman Court	677	0	0	0	0
3 Year Affordable Housing Programme	11,114	2,013	0	0	0

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
3 Year Affordable Housing Programme (Notional Spend – Land Value)	4,947	3,616	0	0	0
Market Housing on Garage Sites	2,894	0	0	0	0
New Build - Clay Farm	1,552	265	8,082	6,306	0
New Build - Unallocated Retained RTB Receipts	0	9,731	8,243	10,981	0
New Build - Investment of HRA Surpluses	0	0	0	0	0
<b>Total HRA New Build</b>	<b>21,184</b>	<b>15,625</b>	<b>16,325</b>	<b>17,287</b>	<b>0</b>
<b>Cambridge Standard Works</b>					
Cambridge Standard Works	306	200	200	200	200
<b>Total Cambridge Standard Works</b>	<b>306</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>Sheltered Housing Capital Investment</b>					
Emergency Alarm Service	0	0	0	0	0
Ditchburn Place	1,900	1,900	0	0	0
Brandon Court	0	0	0	0	0
<b>Total Sheltered Housing Capital Investment</b>	<b>1,900</b>	<b>1,900</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other HRA Capital Spend</b>					
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	21	0	0	0	0
Cambridge Public Sector Network	76	0	0	0	0
Air Cooling Systems in Area Offices	11	0	0	0	0
Shared Ownership Repurchase	300	300	300	300	300
Right of First Refusal Buy Back	663	0	0	0	0
Commercial Property	178	30	30	30	30
<b>Total Other HRA Capital Spend</b>	<b>1,249</b>	<b>330</b>	<b>330</b>	<b>330</b>	<b>330</b>
<b>Total HRA Capital Spend</b>	<b>37,455</b>	<b>30,297</b>	<b>29,532</b>	<b>29,523</b>	<b>11,082</b>
<b>Total Housing Capital Spend at Base Year Prices</b>	<b>38,220</b>	<b>31,062</b>	<b>30,297</b>	<b>30,288</b>	<b>11,847</b>
Inflation Allowance and Stock Reduction Adjustment for Future Years	537	1,205	2,252	2,894	2,960

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
<b>Total Inflated Housing Capital Spend</b>	<b>38,757</b>	<b>32,267</b>	<b>32,549</b>	<b>33,182</b>	<b>14,807</b>
<b>Housing Capital Resources</b>					
Right to Buy Receipts	(495)	(516)	(522)	(527)	(532)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0
Notional Land Receipts (New Build Schemes)	(4,947)	(3,616)	0	0	0
Major Repairs Reserve	(12,855)	(8,272)	(8,815)	(12,691)	(13,424)
Direct Revenue Financing of Capital	(14,338)	(10,188)	(10,320)	(7,433)	(280)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(2,172)	(300)	(872)	(2,050)	(300)
Retained Right to Buy Receipts	(1,217)	(2,979)	(4,258)	(4,680)	0
Disabled Facilities Grant	(271)	(271)	(271)	(271)	(271)
Prudential Borrowing	0	(2,779)	(6,160)	(5,529)	0
<b>Total Housing Capital Resources</b>	<b>(36,295)</b>	<b>(28,921)</b>	<b>(31,218)</b>	<b>(33,181)</b>	<b>(14,807)</b>
Net (Surplus) / Deficit of Resources	2,462	3,346	1,331	1	0
<b>General Capital Balances b/f</b>	<b>(8,143)</b>	<b>(5,681)</b>	<b>(2,335)</b>	<b>(1,004)</b>	<b>(1,003)</b>
Use of / (Contribution to) Balances in Year	2,462	3,346	1,331	1	0
<b>General Capital Balances c/f</b>	<b>(5,681)</b>	<b>(2,335)</b>	<b>(1,004)</b>	<b>(1,003)</b>	<b>(1,003)</b>
The inflationary element of the decent homes spend for 2014/15 will be allocated against decent homes elements once the target prices for the new planned maintenance contract are known.					
<b>Other Capital Balances (Opening Balance 1/4/2014)</b>					
Major Repairs Reserve	(4,920)	Fully utilised in 2014/15 above			
Retained 1-4-1 Right to Buy Receipts	(5,783)	Utilised between 2014/15 to 2016/17 above			
Right to Buy Receipts for Debt Redemption	(2,600)	Retained for future debt repayment			
<b>Total Other Capital Balances</b>	<b>(13,303)</b>				



# Appendix I

## HRA Earmarked & Specific Funds (£'000)

### Repairs & Renewals

Housing Revenue Account	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management	(1,265.3)	(131.7)	6.00	(1,391.0)
Special Services	(1,073.5)	(141.1)	14.50	(1,200.1)
Repairs and Maintenance	(53.3)	(56.9)	0.0	(110.2)
<b>Totals</b>	<b>(2,392.1)</b>	<b>(329.7)</b>	<b>20.5</b>	<b>(2,701.3)</b>

### Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(4,920.0)	0.0	0.0	(4,920.0)

### 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	(41.5)	(6.2)	6.4	(41.3)

### Aerial – Roof Space Rental

	Opening Balance	Contributions	Expenditure to July	Current Balance
Aerial Income	(107.0)	(8.8)	0.0	(115.8)

### Pension Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
Pension Reserve	(390.0)	(219.9)	0.0	(609.9)

### 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 J

## 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 unless provided with specific government approval 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. It continues to be difficult to predict future sales, but further legislative changes indicate a continuation of high sales levels. 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 will soon exceed the level that the authority is able to support in 70% match funding. At present, the investment required to fulfil the resource held at 30<sup>th</sup> June 2014 has been incorporated into the HRA financial model, but specific sites for the investment of the resource have not been identified and approved to proceed. The potential interest that will be payable if the receipts are not utilised within the agreed 3-year period has not been incorporated into the HRA revenue projections.

#### Independent Living Service – Ditchburn Place Extra Care

The current care and support contract with the County Council is due to expire in March 2015, following acceptance of a 14 month extension. Although technically not an HRA function care is delivered alongside HRA services, and 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

A new broader contract is in place with the County Council for the delivery of support to older people across the city as a whole. There are uncertainties currently as to the level of demand that exists in the wider community compared with that in our sheltered housing schemes, although the services delivered there must be maintained within the cash envelope provided by the County Council

The contract for Temporary Housing support is due to end in March 2015, following a year's extension at a lower funding level than before. 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 this areas. The protracted timescales for this decision causes additional uncertainty for both residents and staff.

#### HRA Commercial Property

Stock condition surveys and investment profiles are required in respect of the HRA's commercial property portfolio, to ensure that sufficient resource is identified in the Housing Capital Plan to maintain the properties in a lettable condition

## Housing Revenue Account – Revenue Uncertainties

### HRA New Build

Although the 146 programme is progressing quite well, delays in respect of particular sites may jeopardise the ability to claim HCA grant funding. Dwellings need to be complete by 31<sup>st</sup> March 2015 to ensure that grant funding will be received. 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.

### 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 current lease expires in January 2020, with the last rent review due to take place in January 2015. If decisions about the future of area offices are clear prior to January 2020, there is an option to consider sub-let of the premises in the south of the city to reduce the cost to the HRA

### National Rent Policy

New national rent policy sees a move from April 2015 to rent increases limited to CPI plus 1%, with the cessation of any further moves towards target rent for existing tenants. The expectation that local authorities will move all vacant properties directly to target rent levels makes projecting future rental streams more difficult.

### Cyclical Revenue Maintenance

Arrangements for much of 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 new planned maintenance contract, which is anticipated to be operational from October / November 2014. The cost base for the revenue elements of these large contracts needs to be separately identified and incorporated into future financial projections. The contract for gas inspections and servicing, previously procured jointly with South Cambridgeshire District Council, is operating under an 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. Further delays in implementation make this an area shrouded with continued uncertainty.

## 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. Uncertainty also exists with regard the future of care provision at Ditchburn Place, which could impact the specification of works to be completed.

### 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 the generally available element of right to buy receipts in any 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 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.

# Cambridge City Council Equality Impact Assessment



## 1. Title of strategy, policy, plan, project, contract or major change to your service:

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

## 2. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?

The objective of the HRA Mid-Year Financial Review is to review financial assumptions for the HRA, consider the impact of changes in external factors and legislation, to recommend any mid-year changes to budgets as a result of the review and propose the budget strategy for the coming financial year.

## 3. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)

Residents

Visitors

Staff

A specific client group or groups (please state):  
Particular impact for HRA tenants and leaseholders

## 4. What type of strategy, policy, plan, project, contract or major change to your service is this? (Please tick)

New

Revised

Existing

## 5. Responsible directorate and service

Directorate: Customer & Community Services

Service: City Homes, Strategic Housing and Estates and Facilities

**6. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service?**

No

Yes (please give details):

A number of other Council departments play a role in the delivery of services to the HRA, including Legal, Property Services, ICT, HR, Corporate Finance, Environmental Services. The HRA works with a number of partners, including other local authorities in the delivery of planned maintenance works, new build housing and housing lettings and management services.

## 7. Potential impact

**(a) Age** (any group of people of a particular age, including younger and older people – in particular, please consider any safeguarding issues for children and vulnerable adults)

A reduction in the **Resident Involvement** budget based upon lower levels of spending in prior years, is not expected to reduce the level of service provided, but will limit the capacity to expand services in any particular area or with any particular equalities group. To mitigate any negative impact on any one equalities group, officers will ensure that the programme of resident involvement activity is fully inclusive.

An increase in the budget for the **Under Occupation Scheme** for 2014/15 will allow the authority to financially assist more residents who opt to down size to a smaller property that better meets their needs and financial circumstances. This scheme is of particular benefit to older people who no longer have a need for family accommodation, and may have been impacted by Welfare Reform changes, whilst also increasing the availability of family housing for those in current need.

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will positively impact all equalities groups, ensuring that targeted services are available to all prospective residents.

Additional funding to increase the number of **Repairs Apprentices** from 2 to 4 will provide valuable employment and future career opportunities for young people.

Continued funding from the County Council for the provision of **Support Services** to older people, will enable the authority to continue delivering valuable support services to older and vulnerable people, now on a wider basis across the city as a whole, negating the need for those on lower incomes to be required to pay for services received.

Delaying some **Investment in Heating Works** for one year, will result in delays in the positive impact of the installation of more energy efficient boilers. This has the potential to result in residents reducing the use of their heating during colder months, and suffering associated health issues, which may have a particular impact for older people. To mitigate the likelihood of this, the Council will use a variety of communication media to promote the need for the use of heating and to provide energy efficiency advice.

Delay in the delivery of **New Build Housing** on the re-development site at Water Lane, will result in the replacement supply of housing, designated for use by older people, not being available as early as planned. Both Jane's Court and Roman Court have been recently completed, with units available to meet immediate need, thus mitigating the impact of the delay at Water Lane to some degree.

**(b) Disability** (including people with a physical impairment, sensory impairment, learning disability, mental health problem or other condition which has an impact on their daily life)

A reduction in the **Resident Involvement** budget based upon lower levels of spending in prior years, is not expected to reduce the level of service provided, but will limit the capacity to expand services in any particular area or with any particular equalities group. To mitigate any negative impact on any one equalities group, officers will ensure that the programme of resident involvement activity is fully inclusive.

An increase in the budget for the **Under Occupation Scheme** for 2014/15 will allow the authority to financially assist more residents who opt to down size to a smaller property that better meets their needs and financial circumstances. This scheme is of particular benefit to those with a disability in adapted accommodation, who may have been impacted by Welfare Reform changes, whilst also increasing the availability of family housing for those in current need.

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will positively impact all equalities groups, ensuring that targeted services are available to all prospective residents.

Continued funding from the County Council for the provision of **Support Services** in temporary housing, will enable the authority to continue delivering valuable support services to vulnerable people and those with mental health issues.

Delaying some **Investment in Heating Works** for one year, will result in delays in the positive impact of the installation of more energy efficient boilers. This has the potential to result in residents reducing the use of their heating during colder months, and suffering associated health issues, which may have a particular impact for those with a disability or those who are less mobile. To mitigate the likelihood of this, the Council will use a variety of communication media to promote the need for the use of heating and to provide energy efficiency advice.

**(c) Gender**

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will positively impact all equalities groups, ensuring that targeted services are available to all prospective residents.

**(d) Pregnancy and maternity**

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will positively impact all equalities groups, ensuring that targeted services are available to all prospective residents.

**(e) Transgender** (including gender re-assignment)

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will positively impact all equalities groups, ensuring that targeted services are available to all prospective residents.



#### **(f) Marriage and Civil Partnership**

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will positively impact all equalities groups, ensuring that targeted services are available to all prospective residents.

#### **(g) Race or Ethnicity**

A reduction in the **Resident Involvement** budget based upon lower levels of spending in prior years, is not expected to reduce the level of service provided, but will limit the capacity to expand services in any particular area or with any particular equalities group. To mitigate any negative impact on any one equalities group, officers will ensure that the programme of resident involvement activity is fully inclusive.

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will positively impact all equalities groups, ensuring that targeted services are available to all prospective residents.

#### **(h) Religion or Belief**

A reduction in the **Resident Involvement** budget based upon lower levels of spending in prior years, is not expected to reduce the level of service provided, but will limit the capacity to expand services in any particular area or with any particular equalities group. To mitigate any negative impact on any one equalities group, officers will ensure that the programme of resident involvement activity is fully inclusive.

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will positively impact all equalities groups, ensuring that targeted services are available to all prospective residents.

#### **(i) Sexual Orientation**

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will positively impact all equalities groups, ensuring that targeted services are available to all prospective residents.

**(j) Other factors that may lead to inequality – in particular – please consider the impact of any changes on low income groups or those experiencing the impacts of poverty (please state):**

A reduction in the **Resident Involvement** budget based upon lower levels of spending in prior years, is not expected to reduce the level of service provided, but will limit the capacity to expand services in any particular area or with any particular equalities group. To mitigate any negative impact on those on those lower incomes, officers will ensure that the programme of resident involvement activity is fully inclusive.

An increase in the budget for the **Under Occupation Scheme** for 2014/15 will allow the authority to financially assist more residents who opt to down size to a smaller property that better meets their needs and financial circumstances. This scheme is of particular benefit to those on low incomes who no longer have a need for accommodation of the size that they are occupying, and may have been impacted by Welfare Reform changes. The scheme also increases the availability of family housing for those in current need.

A temporary increase in **Housing Management Staff** to support the initial letting of new build properties as part of the HRA New Build Programme will ensure that services to existing residents, and particularly those on low incomes who need more immediate support, are in no way negatively impacted by the introduction of additional housing.

Additional funding to increase the number of **Repairs Apprentices** from 2 to 4 will provide valuable employment and future career opportunities for young people, thus ensuring earnings for the skills acquired as a tradesperson.

A budgeted increase in **Rent Income**, partially due to the move of rents to target social rent levels, where an energy efficient property is re-let, has the potential to impact negatively on a household income. The higher rent charged, is however expected to be offset in some way by lower energy bills.

Delaying some **Investment in Heating Works** for one year, will result in delays in the positive impact of the installation of more energy efficient boilers. This has the potential to result in residents reducing the use of their heating during colder months as a result of fuel poverty, and suffering associated health issues. To mitigate the likelihood of this, the Council will use a variety of communication media to promote the need for the use of heating and to provide energy efficiency advice.

Delays in the anticipated timescale for delivery of some of the **New Build Housing** on the site at Aylesborough Close and the development at Clay Farm, will result in the additional provision of social housing being made available later than originally anticipated. Other social housing providers are delivering new affordable housing accommodation in and around the city as part of the growth agenda, which will meet some of the immediate housing shortfall.

An increase in the number of **Right to Buy Sales**, results in the authority having more resource to invest in the delivery of new build housing, subject to being able to top up the funding appropriately. The increase in resource will allow the authority to build or buy more housing for social housing purposes in the period up 2018/19 than previously anticipated, thus helping to meet the housing need in the city.

## 8. If you have any additional comments please add them here

This EqIA addresses a number of budgetary change proposals. If any of the budgetary changes result in a change in future policy, this will be subject to a separate EqIA by the relevant service area.

## 9. Conclusions and Next Steps

See Action Plan attached at Appendix 1.

## 10. Sign off

Name and job title of assessment lead officer:

Julia Hovells, Business Manager / Principal Accountant

Names and job titles of other assessment team members and people consulted:

Hilary Newby, Housing Asset Maintenance Accountant

Catherine Buckle, Business Development Officer

Date of completion: 28<sup>th</sup> August 2014

Date of next review of the assessment: August 2015

## Action Plan

## Appendix 1

**Equality Impact Assessment title:** Housing Revenue Account Mid-Year Financial Review (Business Plan Update)

**Date of completion:** 28<sup>th</sup> August 2014

Equality Group	All Groups
Details of possible disadvantage or negative impact	Reduction in Resident Involvement expenditure could result in less capacity to undertake targeted activity.
Action to be taken to address the disadvantage or negative impact	Review and monitor the work plan for the Resident Involvement Service, to ensure that its fully inclusive of all equalities groups.
Officer responsible for progressing the action	James Bull, Resident Involvement Facilitator
Date action to be completed by	30/9/2014

Equality Group	Age, Disability and Poverty
Details of possible disadvantage or negative impact	Delays in the installation of more energy efficient boilers may deter residents from using their heating during colder months.
Action to be taken to address the disadvantage or negative impact	Utilise Open Door, Residents Meetings and other communication forums to provide energy efficiency advice.
Officer responsible for progressing the action	Sam Griggs, Energy Officer
Date action to be completed by	Winter Open Door edition deadline

Equality Group	Age and Poverty
Details of possible disadvantage or negative impact	Delays in delivery of New Build Housing will result in availability of accommodation being later than anticipated.
Action to be taken to address the disadvantage or negative impact	Make best use of existing appropriate accommodation to meet immediate need, using the Sub-Regional Choice Based Lettings Scheme and Local Lettings Policy.
Officer responsible for progressing the action	Robert Hollingsworth , Head of City Homes Alan Carter, Head of Strategic Housing
Date action to be completed by	Ongoing

Equality Group	Poverty
Details of possible disadvantage or negative impact	Re-letting energy efficient properties at target social rents will result in higher rents for some new tenants.
Action to be taken to address the disadvantage or negative impact	<p>Utilise Open Door, Residents Meetings and other communication forums to provide energy efficiency advice.</p> <p>Provide financial advice to ensure that residents are benefitting from all financial assistance to which they are entitled.</p>
Officer responsible for progressing the action	<p>Sam Griggs, Energy Officer</p> <p>James Stephenson, Financial Inclusion Officer</p>
Date action to be completed by	<p>Winter Open Door edition deadline</p> <p>Ongoing</p>

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<p style="text-align: center;"><b>RECOMMENDATION TO COUNCIL</b> <b>(Executive Councillor for Finance and Resources)</b></p>
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## **MID-YEAR FINANCIAL REVIEW (MFR) 2014/15 TO 2017/18 - TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT**

The Council is required by regulations issued under the Local Government Act 2003, to produce a half yearly 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 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 2013/14, on 14<sup>th</sup> July 2014.

<p><u>Further officer clarification post committee:</u></p>
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The final paragraph of 3.2 of the officer's report refers to HRA debt which is repayable in tranches from 2038. The graph in Appendix A assumes no rescheduling of this debt i.e. it will be repaid when due.

However, a revised approach was approved through the HRA Budget Setting Report 2014, with 75% of surpluses to be reinvested and the remainder being held to allow for potential debt reduction. No changes have been made to Appendix A of the officer's report, as it is not possible to determine a revised repayment trajectory with any certainty.

However, there are plans to utilise HRA reserves to repay debt, around the first maturity (on 28<sup>th</sup> March 2038), the detail of which has been previously highlighted as part of the HRA's Budget Setting Reports and 30 year Business Plan

The Strategy and Resources Scrutiny Committee considered and approved the amended recommendations unanimously.

**Accordingly, Council is recommended:**

i. To agree amendments to the Counterparty list, which highlighted changes in Capita's (Council's Treasury Adviser) credit criteria, within Appendix B of the officer's report. These are summarised below:-

- Name 'smaller' building societies with an asset value greater than £5billion; and;
- Show the limits for 'smaller' building societies meeting these criteria.

ii. To add equity investment in the Local Capital Finance Company, the legal entity of the UK Municipal Bonds Agency, to non-specified investments within the Council's investment strategy.

iii. To agree changes to the estimated Prudential & Treasury Indicators for 2014/15 to 2017/18, inclusive, as set out in Appendix G of the officer's report.

iv. To approve a capital investment of up to £50,000 in the equity share capital of the Local Capital Finance Company; and;

v. To delegate the final decision on investment to the Head of Finance in consultation with the Executive Councillor for Finance and Resources.

**ADDITIONAL RECOMMENDATION**

**Council is recommended:**

- i. To include additional capital expenditure of £220,000, funded by borrowing, to the capital plan, for the additional capital cost of the Clay Farm Community Centre (identified in the report to the Executive Councillor for Community, Arts and Recreation and Community Services Scrutiny Committee on 16 October 2014 - see attached)





To: The Executive Councillor for Finance & Resources:  
Councillor George Owers

Report by: Caroline Ryba – Head of Finance & S151 Officer

Relevant scrutiny committee: Strategy & Resources  
20/10/2014  
Scrutiny  
Committee

Wards affected: All Wards

## MID-YEAR FINANCIAL REVIEW (MFR) 2014/15 TO 2017/18 - TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT

### Key Decision

#### 1. **Executive summary**

- 1.1 The Council is required by regulations issued under the Local Government Act 2003, to produce a half yearly 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 2013/14, on 14<sup>th</sup> July 2014.

#### 2. **Recommendations**

2.1 The Executive Councillor is asked to recommend to Council amendments to the Counterparty list, which highlight changes in Capita's (Council's Treasury Adviser) credit criteria, within Appendix B. These are summarised below:-

- To name 'smaller' building societies with an asset value greater than £5billion; and;
- Show the limits for 'smaller' building societies meeting these criteria.

2.2 The Executive Councillor is asked to recommend to Council to add

equity investment in the Local Capital Finance Company, the legal entity of the UK Municipal Bonds Agency, to non-specified investments within the Council's investment strategy.

2.3 The Executive Councillor is asked to recommend to Council changes to the estimated Prudential & Treasury Indicators for 2014/15 to 2017/18, inclusive, as set out in Appendix G.

2.4 The Executive Councillor is asked to recommend to Council:-

- approval of a capital investment of up to £50,000 in the equity share capital of the Local Capital Finance Company; and;
- delegation of the final decision on investment to the Executive Councillor for Finance and Resources in consultation with the Head of Finance.

### 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 Capita Asset Services. Capita'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<sup>st</sup> April 2004.

The Council anticipates borrowing £2.804m within the General Fund during 2014/15 and £9.930m for the HRA (£4.469m during 2014/15 and £5.469m during 2016/17). 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.

### **Current Debt as at 31<sup>st</sup> March 2014**

The table below shows the Council's current outstanding debt and headroom (the amount of additional borrowing that is possible without breaching the Authorised Borrowing Limit):-

	<b>Principal (£)</b>
Authorised Borrowing Limit (A)	250,000,000
HRA Debt Limit (B)	230,839,000
2011/12 Borrowing (for HRA Self-Financing, C)	213,572,000
General Fund Headroom (A minus B)	19,161,000
HRA Headroom (B minus C)	17,267,000
2012/13 Borrowing	NIL
2013/14 Borrowing	NIL
2014/15 Borrowing	NIL
Total Current Headroom (A minus C)	36,428,000

At present the only debt held by the authority relates to the twenty loans from PWLB for self-financing the HRA. These are shown in the table, below:-

<b>Loan Ref:</b>	<b>Start Date</b>	<b>Principal (£)</b>	<b>Interest</b>	<b>Maturity Date</b>	<b>Term (Years)</b>
1	28-Mar-12	10,678,600	3.46%	28-Mar-38	26
2	28-Mar-12	10,678,600	3.47%	28-Mar-39	27
3	28-Mar-12	10,678,600	3.48%	28-Mar-40	28
4	28-Mar-12	10,678,600	3.49%	28-Mar-41	29
5	28-Mar-12	10,678,600	3.50%	28-Mar-42	30
6	28-Mar-12	10,678,600	3.51%	28-Mar-43	31
7	28-Mar-12	10,678,600	3.52%	28-Mar-44	32
8	28-Mar-12	10,678,600	3.52%	28-Mar-45	33
9	28-Mar-12	10,678,600	3.52%	28-Mar-46	34
10	28-Mar-12	10,678,600	3.52%	28-Mar-47	35
11	28-Mar-12	10,678,600	3.53%	28-Mar-48	36
12	28-Mar-12	10,678,600	3.53%	28-Mar-49	37

Loan Ref:	Start Date	Principal (£)	Interest	Maturity Date	Term (Years)
13	28-Mar-12	10,678,600	3.53%	28-Mar-50	38
14	28-Mar-12	10,678,600	3.53%	28-Mar-51	39
15	28-Mar-12	10,678,600	3.52%	28-Mar-52	40
16	28-Mar-12	10,678,600	3.52%	28-Mar-53	41
17	28-Mar-12	10,678,600	3.51%	28-Mar-54	42
18	28-Mar-12	10,678,600	3.51%	28-Mar-55	43
19	28-Mar-12	10,678,600	3.51%	28-Mar-56	44
20	28-Mar-12	10,678,600	3.50%	28-Mar-57	45
	<b>Total:-</b>	<b>213,572,000</b>	-	-	

This debt was financed entirely by fixed rate maturity loans which were in line with the assumptions made within the HRA's 30 year Business Plan.

The Council's debt portfolio is shown graphically at Appendix A. The graph highlights that HRA debt is reducing, and shows the HRA debt will be fully repaid by 2056/57. This assumes that no rescheduling of HRA debt takes place before then. The Council's Authorised Borrowing limit, Headroom (both HRA & General Fund), HRA 'cap' and Capital Financing Requirement, are also shown.

### 3.3 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 the MRP Guidance, as issued by DCLG (in February 2012).

A MRP does not extend to housing assets. However, the Council anticipates borrowing £4.469m during 2014/15 & £5.469m 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.

### 3.4 The Council's Capital Expenditure and Financing 2014/15 to 2017/18

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 will be financed. It also includes any re-phasing during 2014/15 and conforms to the agreed Capital Plan.

	<b>2014/15 Probable Outturn £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>
General Fund Capital Expenditure	29,385	8,571	2,516	1,185
HRA Capital Expenditure	31,675	19,811	26,394	20,830
<b>Total Capital Expenditure</b>	<b>61,060</b>	<b>28,382</b>	<b>28,910</b>	<b>22,015</b>
Resourced by:				
• Capital receipts	1,009	548	25	0
• Other contributions	52,778	27,834	23,424	22,015
<b>Total available resources for financing capital expenditure</b>	<b>53,787</b>	<b>28,382</b>	<b>23,449</b>	<b>22,015</b>
<b>Un-financed capital expenditure</b>	<b>7,273*</b>	<b>0</b>	<b>5,461*</b>	<b>0</b>

\*£2.804m (Clay Farm Community Centre, 2014/15), £9.930m in total (for Affordable Housing Projects, with £4.469m in 2014/15 & £5.461m in 2016/17)

#### 4. **The Public Works Loans Board (PWLB) Certainty Rate**

The Government announced in 2012 that a 0.20% discount on loans from the PWLB would apply to eligible local authorities.

Eligibility for this discount rate will be available to English, Scottish and Welsh local authorities operating the CIPFA Prudential Code (such as this Authority) and the discount rate will be available from 1<sup>st</sup> November 2012 until 31<sup>st</sup> October 2015 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. **The Council's Prudential and Treasury Management Indicators**

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

<b>Capital Financing Requirement &amp; Cumulative External Borrowing</b>	<b>2014/15 Probable Outturn £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>
General Fund Capital Financing Requirement	3,965	3,853	3,741	3,326
HRA Capital Financing Requirement	219,217	219,217	224,678	224,981
<b>Total Capital Financing Requirement</b>	<b>223,182</b>	<b>223,070</b>	<b>228,419</b>	<b>228,307</b>
<b>Movement in the Capital Financing Requirement</b>	<b>7,273*</b>	<b>(112)**</b>	<b>5,349*</b>	<b>(112)**</b>
Estimated External Gross Debt/Borrowing (Including HRA Reform)	220,845	220,845	226,306	226,306
Authorised Limit for External Debt	250,000	250,000	250,000	250,000
Operational Boundary for External Debt	223,182	223,070	228,419	228,307

\*£2.804m (Clay Farm Community Centre, 2014/15) & £9.930m (Affordable Housing Project, with £4.469m in 2014/15 & £5.461m in 2016/17)

\*\*General Fund MRP

## 6. **Future Treasury Management Plans**

### 6.1 **Introduction**

The Council takes a cautious approach within its Treasury Management Strategy. However, due to the worsening market conditions, counterparty limits and the extension of financial instruments have been increased at Council on 24<sup>th</sup> July 2014, to maintain yield levels with no compromise to risk. The increases which were agreed by Council on the above date, are summarised below:-

- Increased Counterparty limits to £20m (£30m for a Banking Group);
- Increased the limits for longer term deposits to £30m;
- Included other Building Societies on Counterparty list;
- Included suggested foreign banks on Counterparty list; and;
- Included deposits in the CCLA Local Authority Property Fund

The detailed counterparty list with limits is shown within Appendix B.

#### **Other UK Building Societies**

Additionally, Appendix B has been updated showing the following asset values and deposit limits for Building Societies. These values were deemed to be the most prudent minimum levels to use for this sector. The limits below clarify how our intended deposits with Other UK Building Societies will apply in practice:-

1. Asset value greater than (>) £5,000m – £2m limit;
2. Asset value > £50,000m - £5m limit; and;
3. Asset value > £100,000m - £20m limit

#### **Bank of England's Monetary Policy Committee (MPC)**

Furthermore, the Bank of England Monetary Policy Committee (MPC) publicised on 21<sup>st</sup> August 2014 that the base rate would rise sooner than originally forecast. However, 2 Members out of 9, voted to increase the base rate now, signalling a base rate rise is fairly imminent.

### 6.2 **Predicted Cash Balance Deposits – 2014/15 to 2017/18**

The table below shows the Council's predicted cash balances apportioned between short term (up to 3 months), medium term (up to 1 year) and long term (core cash, up to 5 years) deposits.

<b>SUMMARY DEPOSIT ANALYSIS</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Short Term	37,400	40,100	44,100	48,800
Medium Term	20,700	22,200	24,400	27,000
Long Term	29,900	32,100	35,300	39,100
Estimated Working Capital (to cover day to day expenditure)	9,600	9,600	9,600	9,600
<b>TOTAL PREDICTED CASH DEPOSITS:-</b>	<b>97,600*</b>	<b>104,000*</b>	<b>113,400*</b>	<b>124,500*</b>

**\*Based on current estimated net cash inflow trends**

The above table is represented graphically at Appendix C (and includes capital expenditure predictions for additional information). It can also be seen that our cash balances (short, medium & long term monies) are increasing over time. This makes it particularly challenging where to deposit the Council's available funds. The following funds and other financial instruments have been used that supplement our treasury policy and are shown in paragraph 6.3, below:-

### **6.3 Other Financial Instruments Currently Used**

#### **Custodian of Funds**

Customers can purchase gilts, treasury bills and certificates of deposit from them, and obtain a better interest return, and not compromising the risk of using these financial products. This Council would only deal with Custodian's that are AAA rated.

#### **Certificates of Deposit (CDs)**

These are certificates issued by a bank to raise funds. They offer a higher rate of return at 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 spread the risk for the Council. The resources available to the MMF are pooled (thus increasing cash available for deposit), which means the Council will obtain a higher rate of interest return than other deposits. The Council would only deposit in MMFs that are rated AAA. The Council has commenced using a MMF portal which further diversifies our ability to use these funds.



## 7. **Deposits**

The Council's balances, both earmarked and un-earmarked, have generally increased during the last year mainly as a result of Housing Reform. This change in regulations means the Council does not pay a subsidy into the National Pool, allowing its rents to be kept.

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

An analysis of the sources of the Council's deposits is shown at Appendix D.

## 8. **Investment in UK Municipal Bonds Agency**

- 8.1 The creation of a Bonds Agency, controlled and owned by local authorities, is expected to reduce the debt financing costs for its borrowing members and provide a collective investment vehicle that would secure good returns for its investing members whilst minimising risk. The new agency has successfully raised equity of £4.5m from 37 local authorities and the LGA to cover set up costs. It is now looking to raise a further £3.5 - £5.5m to complete the development of the agency, to undertake its first bond launch and to provide adequate working capital. The agency is currently appointing a permanent board and identifying an initial set of borrowers for the first bond launch. It is anticipated that, once in operation, the Agency will be able to pay a dividend to its shareholders commensurate with the level of risk and financial commitment.

Further information is provided in Appendix E, which contains a set of Q&A's published on the LGA website. The full business case and further information on the agency is available at [http://www.local.gov.uk/finance/-/journal\\_content/56/10180/3684139/ARTICLE](http://www.local.gov.uk/finance/-/journal_content/56/10180/3684139/ARTICLE).

Shares are available in tranches of £10,000. Currently investors have committed to amounts ranging from £10,000 to £200,000+, the size of the investment typically reflecting the size of the local authority concerned. Approval is being sought to invest up to £50,000 in the agency.

There are a number of risks that crystallise from participating in the share offering that could have the effect of reducing or nullifying the value of any investment made by the Council at this stage:

- As with all start ups, that the business model cannot be developed as envisaged;

- The Agency is unable to secure the working capital requirement;
- The anticipated demand from local authorities does not materialise;
- The Agency is not able to secure bond placements at the prices (interest rates) anticipated;
- The Government may decide to reduce the margin it levies on PWLB loans so reducing the attractiveness of the Agency as a fund raising vehicle; and;
- The Agency may not attract staff of the required calibre or at a cost higher than anticipated.

It is important to note, however, that participating as a shareholder will not impose a joint and several liability on the Council to guarantee bonds issued. This will only be imposed on Councils participating in an individual bond issuance and it is noted that there are significant protections under English Law for guarantors in these circumstances in any case.

## **9. Interest Receipts**

- 9.1 Due to counterparty and other financial instruments being increased, as discussed in paragraph 6.1, the Council is on target to achieving its half yearly interest receipts budget of £344k.

## **10. Interest Rates and Treasury Limits**

### **10.1 Interest Rate Update provided by Capita**

Capita Asset Services 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. Capita's opinion on interest rates is presented at Appendix F, and confirms those currently predicted by the Bank of England's Monetary Policy Committee.

### **10.2 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 G.

## **11. Implications**

### **(a) Financial Implications**

The prudential and treasury indicators have been amended to take account of known financial activities. Higher interest receipts have increased due to the revisions to the Council's Counterparty list agreed by Council on 24<sup>th</sup> July 2014.

- (b) **Staffing Implications**  
None.
- (c) **Equal & Poverty 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.

## 12. **Background Papers**

12.1 None were used in preparing this report.

## 13. **Appendices**

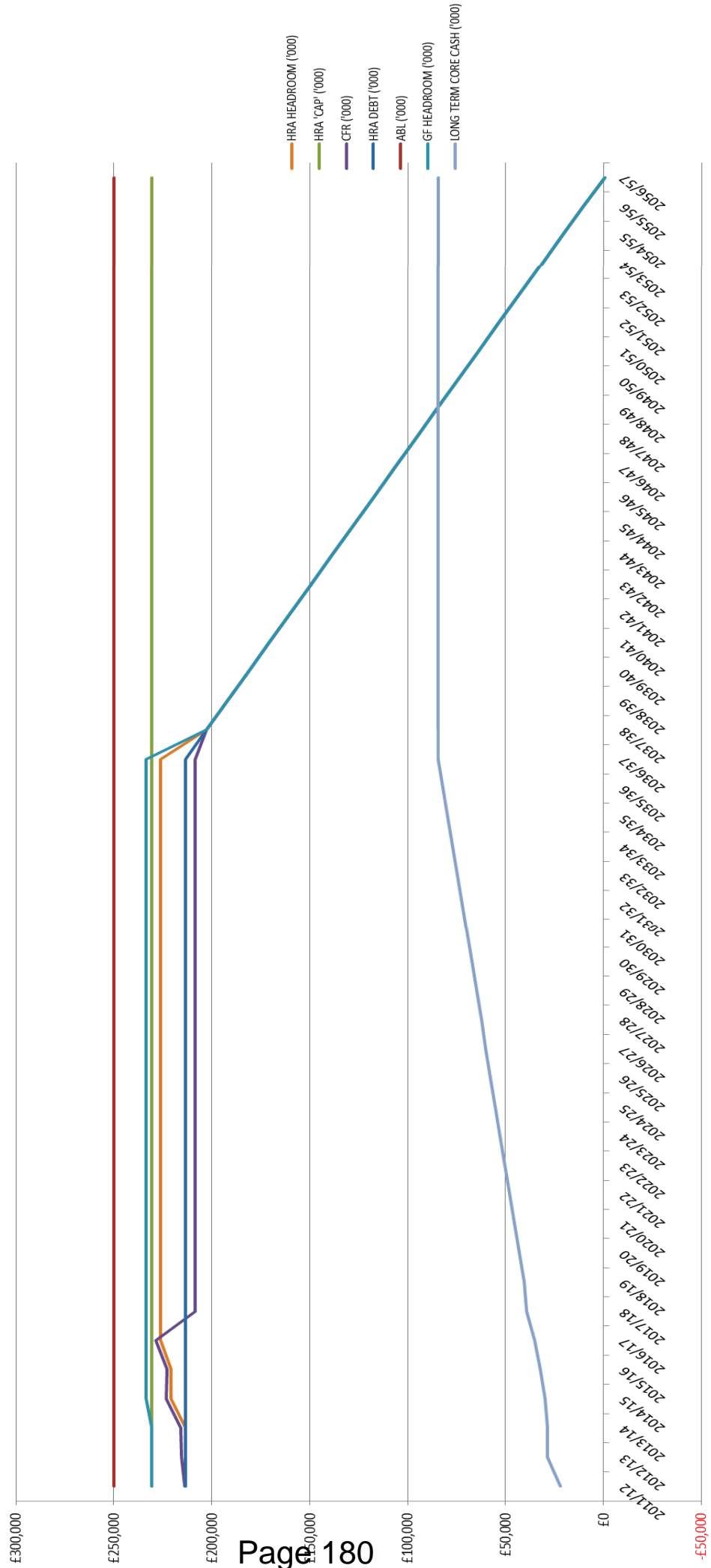
- 13.1 Appendix A – The Council's Debt information represented graphically
- Appendix B – The Council's current Counterparty list
- Appendix C – The Council's cash balances represented graphically
- Appendix D – Sources of the Council's Deposits
- Appendix E – Municipal Bonds Agency Q & A
- Appendix F – Capita's opinion on UK Forecast Interest Rates
- Appendix G – Prudential and Treasury Management Indicators
- Appendix H – Glossary of Terms and Abbreviations

## 14. **Inspection of Papers**

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

Author's Name: Stephen Bevis  
Author's Phone Number: 01223 - 458153  
Author's Email: [stephen.bevis@cambridge.gov.uk](mailto:stephen.bevis@cambridge.gov.uk)

The Council's Debt represented graphically



## Treasury Management Annual Investment Strategy

### Current Counterparty List

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. Amendments shown in bold:-

Name	Council's Current Deposit Period	Category	Limit (£)
All UK Local Authorities	N/A	Local Authority	20m
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	Up to 30m
CCLA Local Authorities' Property Fund	Minimum of 5 years	Pooled UK Property Fund	Up to 10m
All UK Passenger Transport Authorities	N/A	Passenger Transport Authority	20m
All UK Police Authorities	N/A	Police Authority	20m
All UK Fire Authorities	N/A	Fire Authority	20m
All UK Nationalised Industries	N/A	Nationalised Industry	20m
Debt Management Account Deposit Facility	N/A	DMADF	None
Barclays Bank Plc	Using Capita's Credit Criteria	UK Bank	20m
HSBC Bank Plc	Using Capita's Credit Criteria	UK Bank	25m
Standard Chartered Bank	Using Capita's Credit Criteria	UK Bank	20m
Bank of Scotland Plc (BoS)	Using Capita's Credit Criteria	UK Nationalised Bank	20m
Lloyds TSB Bank Plc	Using Capita's Credit Criteria	UK Nationalised Bank	20m
National Westminster Bank Plc (NWB)	Using Capita's Credit Criteria	UK Nationalised Bank	20m
The Royal Bank of Scotland Plc (RBS)	Using Capita's Credit Criteria	UK Nationalised Bank	20m
Members of a Banking Group (BoS Group includes Lloyds, RBS Group includes NWB)	Using Capita's Credit Criteria	UK Nationalised Bank	30m
Deutsche Bank	Using Capita's Credit Criteria	Non-UK Bank	5m

Name	Council's Current Deposit Period	Category	Limit (£)
Santander Bank UK Plc	Using Capita's Credit Criteria	Non-UK Bank	5m
Svenska Handelsbanken	Using Capita's Credit Criteria	Non-UK Bank	5m
Money Market Funds	Liquid Rolling Balance	Financial Instrument	15m (in total, per fund)
Certificate of Deposits (with UK Banking Institutions)	Liquid Rolling Balance	Financial Instrument	15m (per single counterparty)
Certificate of Deposits (with UK Building Societies)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
Certificate of Deposits (with Foreign Banking Institutions)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
Custodian of Funds	Requirement for Undertaking Financial Instruments	Fund Managers	Up to 15m (per single counterparty)
UK Government Gilts	Over 1 year & up to 30 Years	Financial Instrument	None
UK Government Treasury Bills	Up to 6 months	Financial Instrument	None
Supranational Bonds - AAA	Over 1 year & up to 50 Years	Multi-lateral Development Bank Bond	Using Capita's Lending Criteria
<b>UK Building Societies:-</b>			
Name	Council's Current Deposit Period	Asset Value (£'m)	Limit (£)
Nationwide Building Society	1 month or in line with Capita's Credit Criteria, if longer	188,889	Assets greater than £100,000m - £20m
Yorkshire Building Society		34,853	
Coventry Building Society		37,843	
Skipton Building Society		14,054	Assets between £50,000m and £99,999m - £5m
Leeds Building Society		11,231	
Principality Building Society		6,933	
West Bromwich Building Society		5,630	



**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<sup>st</sup> April 2014, the Council had deposits of £82.957m. The table below provides a sources breakdown of the funds deposited at that date:-

<b>Funds Deposited as at 1 April 2014</b>	<b>£'000</b>	<b>£'000</b>
Working capital		5,405
General Fund:		
General Reserve	9,176	
Asset Renewal Reserves	14,083	
Other Earmarked Reserves	9,860	33,119
Housing Revenue Account (HRA):		
General Reserve	8,881	
Asset Renewal Reserves	2,392	
Major Repairs Reserve	4,920	
Other Earmarked Reserves	1,929	
Capital Financing Requirement (Including HRA Reform)	(215,909)	
PWLB Borrowing for HRA Reform	213,572	15,785
Capital:		
Capital Contributions Unapplied	11,056	
Usable Capital Receipts	17,592	28,648
<b>Total Deposited</b>		<b>82,957</b>

The HRA accounts for around 50% of reserves deposited.



### **Municipal Bonds Agency Q & A**

#### **What will the Agency be?**

It will be an independent company owned by local government with the sole aim of reducing financing costs for councils through arranging lending at competitive interest rates. It is envisaged that the company will fund lending through any or all of the following:

- Raising money on the capital markets through issuing bonds;
- Arranging lending or borrowing directly from local authorities;
- Sourcing funding from other third party sources, such as banks, pension funds or insurance companies.

#### **What is the purpose of the Agency?**

It will offer councils a viable alternative source of capital funding at a lower cost than existing sources and introduce sector owned diversity into the local government lending market. It will allow local authorities greater control over their funding costs in the future, by being able to demonstrate the value of peer pressure and capital market disciplines

#### **Who would own it?**

It will be owned solely by the local authorities or their pension funds that invest in its establishment. They will become shareholders in the Agency and therefore have a say in the way it is run. In due course, we would expect to be able to accommodate all local authorities, who wish to become shareholders.

#### **Who would run it?**

The Agency expects to have a wide local authority shareholder base. It will be a limited company, with its own Board of Directors comprising local authority finance experts, financial services experts from risk management and debt capital markets backgrounds and representatives elected by shareholders, all of who will go through a rigorous selection process.

#### **How will councils recoup their investments?**

It is envisaged that once the Agency is generating sufficient profit, it would be able to start paying a dividend to investors, while delivering economic benefits to borrowers. Its aim, as reflected in its incorporation documents, will be to deliver an overall benefit to the local government sector as a whole, and any future dividend policy set by its board would be subject to that. Its shares will be transferrable and therefore a council could sell its shares to other local authorities or eligible public bodies.

### **Does it have Ministerial support?**

The Government's view is that it is within the powers of local authorities to establish a municipal bond agency. Ministers have said, "It remains for the local authority sector to determine collectively whether a local authority bond agency could be delivered on a sustainable and affordable footing. It is consistent with the localism agenda that the autonomous local government sector considers whether it is able to deliver and sustain alternative financing models."

### **What happens if the Public Works Loans Board changes its interest rates?**

The effect of PWLB rate change on the Bonds Agency's business would depend on its amount and how permanent the change was. The business case assesses the risk from future PWLB competition. Nevertheless the Treasury has said publicly that reducing PWLB margins is not being considered.

### **How long will it take to establish the Agency?**

The business case assumes that the Agency would be ready to issue its first bonds in March/April 2015 to meet the normal peaks in council demand for borrowing.

### **Is additional legislation required to enable the Agency to be established?**

No. Councils have the necessary powers.

### **What impact will this proposal have on the Government's control of overall government borrowing?**

Nothing in this proposal seeks to change existing arrangements. The proposals do not facilitate additional borrowing over what is already permitted within the capital regulatory system. The existing arrangements with the Government retaining ultimate regulatory control are to be maintained and borrowing authorities will be required to operate within the current prudential code. What it will do is, for any given level of borrowing, reduce the interest bill local taxpayers have to fund.

### **Is it legal for councils to guarantee each other's debts?**

Our very clear legal advice is that the General Power of Competence (GPC) introduced in the Localism Act 2011 gives English councils the power to do this. Because the GPC does not cover other public bodies such as Police, Fire and National Park Authorities, it is less clear whether they could do the same without a change in the legislation, which applies to them.

## **Should councils be concerned about providing a joint and several guarantee?**

The Agency will have in place a credit process, underpinned by ongoing monitoring; risk and liquidity capital; and a right of recourse, which will ensure, in the event of the guarantee being called, that it will be applied proportionally. Even were the guarantee to be called, creditors would be confident of receiving their money back in time. The protections available would be stronger than currently apply in the case of inter-council lending. Nevertheless, no local authority has ever defaulted and for the joint and several guarantee to be called an unprecedented situation would have arisen.

## **What controls are in place to prevent a default and what measures are available to a council to recover sums owing to it?**

There are a range of controls designed to prevent a Local Authority from defaulting on its obligations. In addition, there are legislative measures that are likely to ensure that even if a Local Authority does default, its creditors are able to recover sums owing to them. These controls and measures include:

- Councils are statutorily prevented from borrowing to avoid raising taxes and cutting spending, thereby reducing the risk of a council entering financial distress;
- The prudential code forces councils to consider whether borrowing is affordable and financially sustainable;
- The responsibility of Section 151 officers under Section 114 of the Local Government Finance Act 1988 to ensure that councils can meet their obligations as they fall due, and to formally report if the council's expenditure will exceed its resources;
- Continuing access to the PWLB for liquidity support;
- Government reserve powers to intervene. To date, the Government has not allowed any Local Authority to default on its obligations;
- If a Local Authority defaults on a debt greater than £10,000 for a period of two months, under Section 13(5) of the Local Government Act 2003 a creditor may apply to the High Court for an administrator to be appointed. This process should ensure that any Local Authority that is called upon under the guarantee can recover the debt via the courts if need be. The powers of the administrator will be determined by the High Court, but can include:
  - Collecting, receiving or recovering the revenues of the local authority;
  - Issuing levies or precepts; or
  - Setting, collecting or recovering Council Tax.

## **What is the reaction of local authorities to the establishment of an agency?**

A significant number of local authorities have been very supportive of the initiative to date, devoting time and resources to help ensure that the business case is fully robust. As part of the business case review, we carried out a survey of English councils and, in addition, presented at a number of local authority conferences. Since publishing the revised business case we have spoken directly to over 90 councils. These recent conversations, the survey, and conference feedback, have confirmed to us that there is significant demand for an alternative, local authority controlled, source of capital finance

## **How much will it cost?**

We are looking to raise £8 to £10 million capital, which includes a buffer to ensure that the agency is well capitalised. Our project plans envisage that this will be used within a staged process, with a number of checkpoints overseen by a rigorous governance process. We have established the Local Capital Finance Company Ltd and have now presented a firm investment proposition to all councils and related bodies, such as local authority pension funds, in an Information Memorandum.

## Capita'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 (Capita) 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 2014/15. Going-forward, the Council's treasury advisor, Capita, has provided the following interest rate forecasts issued on 1<sup>st</sup> July 2014:-

	Now	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Bank rate</b>	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
<b>3 month LIBID</b>	0.50%	0.50%	0.60%	0.80%	0.80%	1.10%	1.10%	1.40%	1.40%	1.60%	1.90%	2.10%	2.25%
<b>6 month LIBID</b>	0.58%	0.60%	0.80%	0.90%	1.00%	1.15%	1.20%	1.50%	1.50%	1.80%	2.00%	2.20%	2.30%
<b>12 month LIBID</b>	0.80%	0.80%	1.00%	1.00%	1.20%	1.30%	1.40%	1.80%	1.80%	2.10%	2.20%	2.30%	2.40%
<b>5yr PWLB rate</b>	2.70%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.30%	3.30%	3.30%	3.40%	3.50%	3.60%
<b>10yr PWLB rate</b>	3.50%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.20%	4.20%	4.20%	4.30%	4.40%	4.40%
<b>25yr PWLB rate</b>	4.10%	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%
<b>50yr PWLB rate</b>	4.10%	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%

Capita's interest rate forecast is for the first increase in the bank rate to be in January 2015. With higher growth predictions and lower un-employment forecasts for the U.K, are the main reasons for this change in interest rates overall.

## PRUDENTIAL &amp; TREASURY MANAGEMENT INDICATORS

	Probable 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
<b>PRUDENTIAL INDICATORS</b>				
<b>Capital expenditure</b>				
- General Fund	29,385	8,571	2,516	1,185
- HRA	31,675	19,811	26,394	20,830
<b>Total</b>	<b>61,060</b>	<b>28,382</b>	<b>28,910</b>	<b>22,015</b>
<b>Incremental impact of capital deposit decisions on:</b>				
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
<b>Capital Financing Requirement (CFR) as at 31 March</b>				
- General Fund	3,965	3,853	3,741	3,629
- HRA	219,217	219,217	224,678	224,678
<b>Total</b>	<b>223,182</b>	<b>223,070</b>	<b>228,419</b>	<b>228,307</b>
<b>Change in the CFR</b>	<b>7,273</b>	<b>(112)</b>	<b>5,349</b>	<b>(112)</b>
<b>Deposits at 31 March</b>	<b>97,600</b>	<b>104,000</b>	<b>113,400</b>	<b>124,500</b>
<b>External Gross Debt</b>	<b>220,845</b>	<b>220,845</b>	<b>226,306</b>	<b>226,306</b>
<b>Ratio of financing costs to net revenue stream</b>				
-General Fund	(3.17%)	(3.83%)	(5.48%)	(6.61%)
-HRA	18.50%	18.05%	18.32%	15.44%
<b>Total</b>	<b>15.34%</b>	<b>14.21%</b>	<b>12.84%</b>	<b>8.83%</b>

## PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Probable 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
<b>TREASURY INDICATORS</b>				
<b>Authorised limit</b>				
for borrowing	250,000	250,000	250,000	250,000
for other long term liabilities	0	0	0	0
<b>Total</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>
HRA Debt Limit	230,839	230,839	230,839	230,839
<b>Operational boundary</b>				
for borrowing	223,182	223,070	228,419	228,307
for other long term liabilities	0	0	0	0
<b>Total</b>	<b>223,182</b>	<b>223,070</b>	<b>228,419</b>	<b>228,307</b>
<b>Upper limit for total principal sums deposited for over 364 days</b>	10,000	10,000	10,000	10,000
<b>Upper limit for fixed &amp; variable interest rate exposure</b>				
Net interest on fixed rate borrowing/deposits	7,003	6,828	7,383	7,500
Net interest on variable rate borrowing/deposits	(23)	(23)	(23)	(23)
<b>Maturity structure of new fixed rate borrowing</b>		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
Credit Risk	Risk of borrower defaulting on any type of debt by failing to make payments which it is obligated to do
DCLG	Department for Communities & Local Government
Eurocurrency	Any deposits residing in banks located outside borders of the country that issues the deposit that it is denominated in
Gross Domestic Product (GDP)	GDP per capita is considered an indicator of a country's 'standard of living'
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
Liquidity	A measure of how readily available a deposit is
MPC	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate



Term	Definition
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

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To: Executive Councillor for Community, Arts and Recreation: Councillor Richard Johnson  
Report by: Alan Carter  
Relevant scrutiny committee: Community Services Scrutiny Committee 16/10/2014  
Wards affected: Trumpington

### CLAY FARM COMMUNITY CENTRE

#### Key Decision

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**It is recommended that the committee resolves to exclude the press and public during any discussion of Appendix One of the report by virtue of paragraph(s)3 of Part 1 of Schedule 12A of the Local Government Act 1972**

**These sections of the report are exempt from publication because they contain information which, if disclosed to the public, would, or would be likely to, prejudice the commercial interests of any person (including the local authority holding it).**

#### 1. Executive summary

This project was considered by the Customer and Community Services Committee in January 2012 and the Executive Councillor approved that the project should proceed. The project has reached the stage where tenders have been received to build the new Community Centre. Due to build cost inflation the budget for the project has increased significantly although the increased contribution required from the Council is more marginal. This is because of the partnership nature of the project and because funding for the project comes from a number of sources, much of which is building cost index linked. Nevertheless, as the project has reached a key point and in view of the budget variation it was felt appropriate for the Committee to scrutinise the project again at this stage.

#### 2. Recommendations

The Executive Councillor is recommended to approve the revised budget for the project of £10,950,000.

### 3. Background

The City Council is leading the partnership project to provide the new multi-use Community Centre at the heart of Clay Farm. The Community Centre will sit on City Council land and therefore the City Council is the lead partner. Other partners include the local General Practice backed by the NHS; the County Council; and bpha (Affordable Housing provider). A representative from Trumpington Residents Association is part of the partnership Project Group.

Situated at centre of the Southern Fringe Growth site, the Clay Farm Community Centre will be a high profile building that reflects the Council's objectives to promote high quality and sustainable development. By the time the Centre is built in Spring 2016 about 40% (2000) of the new homes on the Southern Fringe will be occupied.

The following facilities were required to be provided in the new Clay Farm Community Centre from the outset of the project.

- **a community centre**: comprising a multi-use hall with sprung floor, suitable for performance and exhibition, and flexible meeting rooms
- **a community café** large enough to be viable
- **a youth wing** with games area, band & DJ room, and space for craft activities.
- **a public library** with internet access and areas for lending and reading materials
- **a health centre** with consultation rooms for eight general practitioners, flexible spaces for primary care support services, waiting areas, and a minor surgery suite
- **residential accommodation** – up to 20 affordable flats
- touchdown facilities and accommodation for **police and social services** and other providers
- **car parking** for essential staff and emergency vehicles with external areas for community use

The Design Code for this part of the Southern Fringe development calls for a building of between three and five storeys in this location. In order to achieve the height and stature required the concept for the building is for the community facilities to occupy the ground and first floors; the Health Centre to occupy the second floor; with the Affordable Housing units on floors three and four.

The following approvals have been agreed to-date;

- To approve that a Design Team be commissioned to design and oversee the delivery of the Community Centre and that a Contractor be procured to build the Community Centre.
- To delegate authority to the Director of Customer and Community Services to sign a contract with both the Design Team and the Building Contractor in liaison with the Director of Resources and the Head of Legal Services and in consultation with the Executive Councillor for Community Development and Health and the Opposition Spokesperson and the Chair of the Community Services Scrutiny Committee.
- To delegate the decision to complete appropriate legal agreements and set up a management company with the County Council to run the planned Clay Farm Multi-use Centre subject to:
  - a) Agreement of lease arrangements and financial contributions with partners.
  - b) Prior consultation with the Head of Finance, Head of Legal Services, Executive Councillor and Spokes for Community Well-being and Chair of Community Services Scrutiny Committee.

The key milestones in the Programme to complete the new Community Centre are as follows;

November 2012 – Design Team appointed

November 2012 to January 2014 – Develop Design for the Community Centre with the Design Team

January 2014 – Submit Planning Application

April 2014 – Planning Approval

April 2014 – Start procurement of Building Contractor

*November 2014 – Appoint Building Contractor*

*January 2015 - Start on Site*

*March 2016 – Complete new Clay Farm Community Centre*

## **4. Implications**

### **(a) Financial Implications**

When the project was reported to Committee in January 2012 the estimated cost was £8.199m. The incumbent Executive Councillor and Opposition spokesperson were briefed on progress with all aspects of the project in June 2013 (briefings have been held more recently specifically in relation to the proposed future management of the Centre). At that point the project

was estimated to cost £8.825 million. Appendix 1 shows the current budget and an estimated cost of £10.950. Appendix 1 also shows the funding streams to meet the estimated costs.

The budget has increased because of building cost inflation (as an illustration of how quickly building costs have increased, tender prices are about 9% higher than anticipated by the Quantity Surveyor for the project had estimated in March 2014).

Approximately half of the funding for the project is provided through Developer Contributions that are build cost index linked. A significant part of the increased cost is therefore covered by this. Also the housing provider will cover the cost of the housing and its contribution has increased accordingly.

Some of the funding streams are not indexed linked to cover build cost inflation and therefore the partners are working together to secure additional sources of income or to reduce the specification and cost of the building accordingly. The notes to the budget shown as Appendix 1 explain that at the time of writing this exercise is not yet completed.

The January 2012 report to Committee explained one of the complexities of the funding of this project which bears repeating at this stage. Developer Contributions are available to part fund the new Community Centre and have begun to be received. These are paid in two ways

- a. In lump sums on the completion of houses on each site. These payments are phased. For example 5% of the total Developer Contribution to the Community Centre from the Clay Farm site is payable on occupation on the 150<sup>th</sup> home; and a further 5% on occupation of the 250<sup>th</sup> home etc. These Developer Contributions totalled £3,529,000 when set as part of the section 106 planning agreement but an additional £674,000 is due to be received due to index linking these contributions.
- b. The Developer Contribution in respect of the health centre will be in the form of eight equal annual payments over the first eight years life of the centre (totalling £1,010,770) but is also subject to the health authority agreeing a 15 year lease on the health centre. This revenue contribution is also index linked.

During the section 106 negotiations it was agreed that the City Council will provide development funding for the Community Centre because of the timing of the receipt of the Developer Contributions. The development funding will be repaid by the rent from the health centre. Initially £2.8m development finance was budgeted to be provided. The current budget

estimate requires £2.9m. The initial cash-flow forecasts estimated that the £2.8m would be repaid over 18 years (using 3.11% interest on borrowing). With movement in interest rates the current estimate is for repayment of the £2.9m over 24 years (using 4.1% interest on borrowing).

#### **(b) Staffing Implications**

The co-location of services within the Community Centre has led to the consideration of a model that will facilitate shared facilities management arrangements (such as maintenance and cleaning).

As reported to this committee in January 2014, the governance and management model that has emerged is to establish a joint venture leasehold management company between the City Council and the County Council with membership and voting balance reflecting the capital investment of the two local authorities ie a ratio of two to one in favour of the City Council

Due to the requirements of the Health Centre and the Affordable Housing they will be the subject of long term leases to the local GP Practice and to bpha respectively and therefore these organisations will not be party to the joint venture leasehold management company, but will in effect, be long term tenants.

Working with the County an estimated net revenue cost for the Centre has been calculated at £200,000. This is a reduction on an earlier estimate. The City Council's contribution will be £120,000 per annum which will be built into the Council's budget forecasts.

#### **(c) Equal Opportunities Implications**

An Equality Impact Assessment has been conducted and has been considered by the Project Board. The conclusions from the Assessment have been built into the development of the design of the new building by the Design Team being mindful that the Centre needs to be fully accessible to the more vulnerable and disadvantaged groups.

#### **(d) Environmental Implications**

The Design Team, ADP, has a track record in delivering environmental sustainable buildings. They also have the credentials and are as aspirational as the Council in evolving the development of design; use of materials; and function of buildings to promote low carbon living and the

minimisation of waste. The baseline for the building set some time ago was for the new Community Centre to be designed to at least the 'BREAAAM Excellent' standard. It is the aim to work with the Design Team to deliver a building to as high a standard as we can in relation to the budget and contemporary practice and design.

The new multi-use Community Centre will be located adjacent to an area of land also owned by the City Council that is to be developed as part of the residential development of Clay Farm. The Council is requiring the residential area to be developed as an environmentally sustainable exemplar and therefore the Design Team for the new Community Centre has been cognisant of the inter-relationship of the two sites in terms of environmental sustainability.

#### **(e) Procurement**

The Design Team for the project were recruited through OJEU compliant restricted procedure.

The selection of the building contractor is following the same path and is at the stage of evaluation of final tenders.

#### **(f) Consultation and communication**

There has been extensive consultation with the local community throughout the design process including displays and presentations at Southern Fringe Forum meetings. Trumpington Residents Association also have a representative on the Project Board.

#### **(g) Community Safety**

There are no particular implications for Community Safety of this project. The design of the building has been developed bearing in my good practice in relation to 'Secure by Design' principles.

### **5. Background papers**

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

Clay Farm Community Centre: Report to Community Services Scrutiny Committee on 12 January 2014  
<http://mgsqImh01/mgChooseDocPack.aspx?ID=530>



Clay Farm Multi-Use Centre – Management Proposal: Report to Community Services Scrutiny Committee on 16<sup>th</sup> January 2014. See item 16  
<http://democracy.cambridge.gov.uk/mgChooseDocPack.aspx?ID=1000>

## 6. Appendices

Appendix 1 Clay Farm Community Centre Budget – October 2014

**Note - Appendix 1 is not for publication as it contains “Information which, if disclosed to the public, would, or would be likely to, prejudice the commercial interests of any person(including the local authority holding it).”**

## 7. Inspection of papers

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

Author's Name: Alan Carter  
Author's Phone Number: 01223 - 457948  
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Version 2  
Council

# General Fund Mid-year Financial Review

October  
2014

2014/15 to 2019/20

Cambridge City Council



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# Foreword by the Leader of the Council and the Executive Councillor for Finance and Resources

This Mid-year Financial Review shows the enormous financial challenge faced by Cambridge City Council in delivering the quality future services our residents need. It reveals that the scale of savings required, in the context of existing government spending cuts, is greater than previously assumed due to a long list of unavoidable and unpredictable pressures on our budget. It also shows how the financial risks faced by the council have increased in recent years because of the extra responsibilities passed down from central to local government. Addressing these issues is a daunting, but not unassailable, task. This document gives an initial indication of our strategy as we move towards the new administration's first budget in early 2015.

The underlying challenge is the Coalition Government's austerity programme, which has fallen particularly hard on local government, as well as too often on the poorest in our community. This review underlines the likelihood of continued likely yearly funding cuts of 13% per year. Other sources of funding are also uncertain, such as New Homes Bonus and the retained element of business rates. In the latter case, the risk inherent in the collection of business rates, valuations of which are subject to an unpredictable appeals process, means that the anticipated growth in business rate revenue is not materialising. The transfer of risk to local government has been exacerbated by the rushed and poorly-planned process by which the government has implemented it, and other measures like welfare reform.

These increased risks are why we have recalculated our target general reserves level slightly upwards. This will provide a more robust basis for our long-term financial stability, as well as redirecting some of the risk-bearing burden away from earmarked reserves towards general reserves.

In addition to the effect of the predictable continued reduction of our core government funding, which already implied a savings target for 2015/6 of approximately £1.3m, a series of unforeseen revenue pressures has effectively increased our savings requirement to over £1.8m. This is in the context of the overall projection of the need for £6m savings in the next 5 years. Pressures include changes to accounting for the division of interest on capital receipts between the General Fund and the Housing Revenue Account, disappointing projected reductions in rental income on the Lion Yard, and similar rental reductions from our wider commercial property portfolio.

A detailed programme of savings will be developed. Those published now have been assessed to be at a sufficient stage of readiness to be included in this Mid-year Financial Review. We have erred on the side of caution in only including, at this stage, quantified savings that we are absolutely certain of, both in terms of deliverability and scale.

We will continue work on our four budget strategy themes. Initiatives underway such as the new building cleaning contract will deliver further savings in due course, but we have decided against giving a false sense of security now by prematurely estimating their impacts, before their scale and deliverability are completely certain.

As such, the current set of deliverable savings included in this document does reduce the savings target to a more manageable level of approximately £1.2m for 2015/16, but we still face huge challenges. This raises the question of our future financial strategy.

A major part of this will be the delivery of detailed service reviews and savings, and opportunities to make our assets work harder, for inclusion in the next Budget Setting Report (BSR) to be published in January. These will include major transformations in the way we deliver services, such as by setting up external trusts to run services in a socially-inclusive but more efficient way, as in the case of 'Cambridge Live', our new Cultural Trust, as well as shared services working with South Cambridgeshire District Council, Huntingdonshire District Council and other partners. It also includes hard choices on issues left to us from the previous administration such as the reduction of the Community Grants budget, which will be carefully planned and focussed to help deliver our social objectives of reducing inequality and poverty in Cambridge. We will continue to focus our discretionary services more intelligently in order to concentrate assistance on those in most need, while not losing our ambition to deliver for all our residents, businesses and visitors and be far more than an 'average' district council.

As the Business Transformation Programme comes fully on-stream, a new range of innovative initiatives will become possible. We will reduce overheads as the Council transforms into a more stream-lined operation. We will update how we interact with our residents by means of digital innovation and inclusion. On the City Deal, more radical visions of shared services in areas such as planning and transport will be implemented.

In the short term, we will need to find more immediate savings, as many of our transformational projects are 'back-loaded', producing significant, but not instant, efficiencies. As such, we need to look at other areas for means of promptly finding the scale of savings required.

Part of this will be on the capital side. This review gives more detail on our proposed review of the capital projects plan, which will feed into the 2015/16 budget. The Council's capital planning has been plagued by slippage and delay for years. It is unwieldy, and has been funded partly by an annual revenue contribution to capital of £880,000, which, due to backlogs in delivery, has built up to the tune of £3m in the current year. We will look very carefully whether the scale of this revenue contribution to capital, which is much larger than comparable local authorities, is sustainable. A more manageable capital plan that promises less but delivers more is expected to be the way

forward. Savings should also be possible from the upcoming review of earmarked reserves, yearly contributions to which routinely total around £3m.

We will become more entrepreneurial. The investment return from the property portfolio promised by the previous administration has not been delivered, because it was based on an unreliable funding source that has not materialised. In the 2015/16 budget, in order to gain the long-term revenue streams that will help us address our future savings targets, we will rectify this by freeing up the resources from the existing capital plan to make a substantial new investment in commercial property.

As part of the 2015/16 budget strategy, we are also conducting a more extensive and innovative budget consultation, incorporating new software and online engagement, to give our residents the chance to understand the pressures the council is under and give us a steer on how they would tackle the situation. This will inform our choices and allow us to better comprehend the priorities of the people of Cambridge, within the context of the real-life, complex set of budgetary choices that the council faces.

In conclusion, we have not tried to present a 'mini-budget' in this review, nor the lengthy and speculative analysis that featured in parallel reviews in earlier years. We have instead limited it to its core purpose of assessing the challenges we face, reviewing our assumptions and giving a clearer picture to inform the next budget, as well as giving an initial outline as to how we will strategically address our overall financial situation. It is a slimmed down and purposeful document, which will act as a prelude to detailed examination of how we will protect the council's long-term viability and secure crucial front-line services. In addition to protecting services for all, we are also determined to find the resources for our top priorities, particularly the recommendations of the developing Anti-Poverty Strategy and the task of building a more equal and socially united city: 'One Cambridge, Fair for All'.

**Cllr Lewis Herbert - Leader of the Council**

**Cllr George Owers – Executive Councillor for Finance and Resources**

# Section 1

## Introduction to the Mid-year Financial Review (MFR)

### Background

The Mid-year Financial Review (MFR) for the General Fund (GF) is part of the forecasting and budget setting process which culminates in the Budget Setting Report (BSR) being 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', reviews the key assumptions on which it is based and makes any changes necessary as a result. Other factors such as national and local policy changes, current and forecast economic indicators and new legislation may also give rise to amendments.

This MFR reflects the change in control at the Council, and introduces a number of fundamental reviews of the way the council uses and manages its finances. The recommendations from these reviews will be used to inform the BSR in February 2015.

The GF MFR incorporates a review of the current year's budget position (2014/15), and updated projections for the 4 years from 2015/16 to 2019/20, 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
- 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 Plan
  - The level of spending reductions required
  - The level of the GF general reserves



## Budget consultation

Cambridge City Council is consulting residents in the city during September 2014 on priorities for its budget in 2015/16. We are using the interactive YouChoose software, developed by the London Borough of Redbridge and the Local Government Association. This allows residents to play the role of a Councillor, suggesting how the Council should spend money on services. They are able to suggest how much the budget for key services should be increased or decreased by, provided the overall budget they identify balances at the end of the exercise. Residents taking part in the consultation will need to make some difficult choices, as the total budget (net annual spend) they identify will need to be £6 million lower than the Council's current budget, to reflect the level of savings that the Council needs to achieve over the next four years.

To ensure that the consultation reflects a range of views, a representative sample of Cambridge residents will be interviewed in their homes. The final report from the consultation will be available in early December 2014 and the findings will inform the decisions that Councillors make about the Council's budget for 2015/16.

## 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
<b>2014</b>	
29 September	Strategy & Resources Scrutiny Committee consider the GF MFR for recommendation to Council by the Leader
6 November	Council considers both GF and HRA MFR reports
<b>2015</b>	
7 January (Provisionally)	Budget Setting Report (BSR) published
19 January	BSR considered by Strategy & Resources Scrutiny Committee
22 January	The Executive consider and recommend the BSR and Council Tax level to Council
5 February	Special Strategy & Resources Scrutiny Committee to consider any budget amendment proposals
26 February	Council approves Budget Setting Report and sets the level of Council Tax for 2014/15

# Section 2

## Policy context, priorities and external factors

### Local policy context and priorities

#### Annual Statement

The local policy context and priorities for the Council are agreed in May or June each year through the adoption by Council of an Annual Statement. The Annual Statement for 2014/15 was approved in June 2014, and can be accessed on the Council's web site at:

<https://www.cambridge.gov.uk/annual-statement>

The Leader's Foreword to this MFR 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. Significant changes in partnership working since publication of the February 2014 BSR are highlighted below.

#### City Deal

The 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. The Chancellor's Budget in March 2014 announced a grant of "up to £500 million", to be released over a 15 to 20 year period. This has the potential to be matched by up to another £500 million by the local partners including through using the proceeds of growth. The first £100m is expected to be released in 2015/16. The final wording of the agreement is available on the web, and the detail of the "triggers" is now being discussed with central Government.

## 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 19 March 2014, which set out the position on the national finances and a number of measures that the Government were intending to take.

- Government will consult on a 'Right to Build' which will give builders the right to a plot from public sector land and a £150 million repayable fund to help provide up to 10,000 serviced plots for custom build. There will also be a £500 million Builders' Finance Fund, which will provide loans to developers to unlock 15,000 housing units stalled due to difficulty in accessing finance.
- The landfill tax for 2015-16 will be effectively frozen for one year with only an increase in inflation from the 2014-15 rate. A consultation will be held later in 2014 to determine eligibility and the standard and lower rates from 2016-17 onwards.
- A welfare spending cap for the years 2015-16 to 2018-19 at the level of the Office for Budget Responsibility's forecast. The level of the cap is set at £119.5 billion for 2015-16. A forecast margin of 2 per cent above this level will ensure that action is not triggered by small fluctuations in the forecast. The cap will apply to all welfare spending in the "Annually Managed Expenditure", with the exception of the state pension and the automatic stabilisers.
- A commitment to a City Deal for Greater Cambridge, see above.

## Local Government finance

Although there are some early positive signs of recovery within the economy as a whole, the rebalancing exercise that the Government is committed to has not yet been fully delivered. Therefore it appears 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.

## 2015/16 and future years

The 2014 BSR includes the latest announcement from the Government of the funding level (Settlement Funding Assessment, or SFA) provided for 2015/16. This is £6,901,322 compared to £8,115,278 for 2014/15, a reduction of 15% or £1.21m.

The Government has not yet given any indications of the likely core funding levels for 2016/17 and beyond at a local authority level. Therefore, the 2014 BSR assumes that the level of SFA continues to reduce at a similar rate to that over the last two years until such time as the entire Revenue Support Grant (RSG) element has been removed. This equates to a 13% reduction on SFA in each of the 4 years from 2016/17. It is also assumed that there is no increase in entitlement through locally retained share of business rates. Whilst any funding levels projected for 2016/17 and beyond are hypothetical at this stage, this projection is considered to be a prudent basis for the purpose of developing indicative budgets for these years.

The effects on the projections, which are included in the February 2014 BSR, are shown below:

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>Total SFA - per February 2014 BSR</b>	6,901	6,014	5,224	4,552	3,962
<b>Increase in net revenue savings required in year</b>	-	<b>887</b>	<b>791</b>	<b>671</b>	<b>590</b>

## New Homes Bonus

The New Homes Bonus (NHB) was launched in 2010 as a non-ringfenced payment 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.

NHB receipt estimates, based on projections of future housing completions and empty homes brought back into use, are shown below. It should be noted that for the purposes of the GF funding projections given in Section 5, only NHB relating to new homes added in 2014/15 and before has been included. This is a prudent approach, as the continuation of this funding source is considered to be uncertain.

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>Confirmed NHB funding at February 2014 BSR</b>	<b>(2,085)</b>	<b>(2,085)</b>	<b>(2,085)</b>	<b>(1,298)</b>	<b>(563)</b>	-
<b>add</b>						
Estimated NHB receipts for 2014/15	(1,291)	(1,291)	(1,291)	(1,291)	(1,291)	(1,291)
Estimated NHB receipts for 2015/16	-	(1,358)	(1,358)	(1,358)	(1,358)	(1,358)
Estimated NHB receipts for 2016/17	-	-	(1,968)	(1,968)	(1,968)	(1,968)
Estimated NHB receipts for 2017/18	-	-	-	(1,516)	(1,516)	(1,516)
Estimated NHB receipts for 2018/19	-	-	-	-	(1,158)	(1,158)
<b>Potential New Homes Bonus Total</b>	<b>(3,376)</b>	<b>(4,734)</b>	<b>(6,702)</b>	<b>(7,431)</b>	<b>(7,854)</b>	<b>(7,291)</b>
<b>Commitments against NHB</b>						
Funding for officers supporting growth e.g. within planning	818	785	785	785	785	785
Replacement of Homlessness Prevention Funding subsumed into the SFA	564	564	564	564	564	253
Direct revenue funding of capital – to supplement other sources of capital funding	880	1,020	880	-	-	-
Other approvals	1,114	-	-	-	-	-
<b>Total commitments against NHB</b>	<b>3,376</b>	<b>2,369</b>	<b>2,229</b>	<b>1,349</b>	<b>1,349</b>	<b>1,038</b>
<b>NHB uncommitted</b>	<b>-</b>	<b>(2,365)</b>	<b>(4,473)</b>	<b>(6,082)</b>	<b>(6,505)</b>	<b>(6,253)</b>

As part of the Greater Cambridge City Deal, the Council is currently in negotiation with partners regarding future contributions towards the funding of infrastructure development to be taken from this NHB funding. The use of NHB, including existing commitments, will be reviewed and detailed proposals will be included in BSR2015.

## Welfare reforms

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 introduction in Cambridge now anticipated to be on or after April 2017.

From this date 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.

## **External factors**

After a period of generally disappointing growth in 2011 and 2012, the UK economy showed clear signs of recovery during 2013 and this has continued in 2014/15. All major industry sectors and regions are now showing positive growth trends.

Inflation appears to be under control for now, but interest rates are likely to start rising gradually from late 2014 or early 2015 in order to keep inflation around target in the longer term. The housing market remains an important source of risk for the UK economy, together with possible global shocks and relatively weak productivity growth.

## **Inflation rates**

The base rate of inflation used to drive expenditure assumptions in the GF financial forecasts has been the Consumer Price Index (CPI). The base level of inflation included within forecasts for the BSR from 2014/15 onwards was 2% reflecting the Government target for CPI. For June 2014 CPI was 1.9%, up from 1.5% in May. Over the past year, inflation has fallen, and is currently a little below the 2% target. While the outlook is uncertain, the Bank of England's latest forecasts contained in the May 2014 Inflation Report project that inflation is likely to remain close to 2% over the next few years.

## **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. 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 (Capita)	2014/15	0.64%
	2015/16	0.78%
	2016/17	0.78%
	2017/18	1.00%
	2018/19	1.00%

## 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 HRA self-financing loan portfolio of just under £214m taken out on 28th March 2012. Any additional borrowing must be within the level of the current Authorised Borrowing Limit, resulting in maximum borrowing in the region of £16m still being available. Interest rates on any additional borrowing will depend on the source of the borrowing, the duration of the loan(s) and interest rates prevailing at the time.

# Section 3

## Review of key assumptions

### Review of key assumptions

Budget forecasts presented in the February 2014 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. The table below highlights where assumptions have been retained and where changes have been made for the purposes of forecasts presented in this document.

Forecast assumptions for future Government grant funding and the prudent minimum balance and target level of the GF Reserve are included in more detail in sections 2 and 7 of this report respectively.

Key area	Assumption	Comment	Status
Pay Inflation	Pay progression cost estimate plus: 2014/15 – 1.0% 2015/16 – 1.0% 2016/17 – 1.5% 2017/18 – 2.0% and 2.5% thereafter	Reflects Government guidance for 2015/16 and a stepped increase thereafter, reflecting economic recovery.	Retained



Key area	Assumption	Comment	Status
Employee turnover	3%	In general, employee budgets assume an employee turnover saving of 3.0% of gross pay budget. Specific vacancy factors are applied where experience indicates that a different vacancy factor is more applicable.	Retained
General inflation (CPI)	2%	Updated central provisions have been made as appropriate for fuel, electricity and gas based on current knowledge of these markets or revised contractual commitments.  The same inflation factors are applied to Central and Support Services as for direct services.	Retained
Major Contracts	Inflation per contract	Major contracts and agreements, in term, are rolled forward based on the specified indices in the contract or agreement	Retained
Income and charges increases	2.5%	Income and Charges – general assumption of 2.5% ongoing, but specific reviews of all charges required by committees. Property rental income based on detailed projections and rent reviews.	Retained
Capital funding contributions	£0.880m	Capital funding contributions at base level of £0.880m per annum.	Retained
Council Tax increase	2.0% ongoing	Council Tax increase assumed at 2.0% for 2014/15 ongoing.	Retained
Government grant	2015/16 as notified. Straight line reduction assumed thereafter.	Assumption made of decreases each year for 2016/17 onwards until the Revenue Support Grant element reaches zero.	Retained

# Section 4

## Mid-year budget issues

### 2013/14 Outturn

The position for the net spending on General Fund revenue services for the year 2013/14 was an under spending of £1,642k, after allowing for approved carry forward requests of £469k. 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 an increase in the GF Reserve of £1,204k.

Individual budgets with 2013/14 underspends have been reviewed and on-going savings of £176k have been identified.

### 2014/15 Mid-year review of budgets

#### **Revenue savings and spending pressures**

A review undertaken of the budget position for 2014/15 has identified a number of revenue savings and spending pressures which require in year management and consideration of their impacts on future savings requirements and budgets. A summary of these pressures and savings are given below and they have been included in the revised projections for the General Fund and savings requirements given in Section 5.

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>Pressures</b>						
Cowley Road ex Park and ride site - Unavoidable loss of income from non-renewal of lease.	60					
Land charges - to increase existing earmarked reserve to the total expected amount of litigation claims brought by personal search companies	30					
Lion Yard - revised rental income projections in light of current occupation levels and prospects		150	150	150	150	150
Guildhall – expected reduction in turnover rent receipts due to increased competition for the occupier	40	40	40	40	40	40
Trade Waste – Increases in gate fees for disposal	40	40	40	40	40	40
Shortfall in budgeted commercial property income. Additional property not purchased as planned due to shortfall in business rates income earmarked for the purchase	46	69	84	84	84	84
Investment estate (excluding Lion Yard) – decrease in rent and service charge projections in light of current occupation levels and prospects		96	96	96	96	96
Statutory adjustment of interest on capital receipts between GF and HRA, required to ensure costs are correctly assigned between the accounts	166	166	166	166	166	166
<b>Total pressures</b>	<b>382</b>	<b>561</b>	<b>576</b>	<b>576</b>	<b>576</b>	<b>576</b>
<b>Deliverable savings</b>						
Review and rebalancing of recharges from GF to HRA, to ensure equitable distribution of costs between the accounts	(81)	(81)	(81)	(81)	(81)	(81)
Corporate Strategy miscellaneous savings identified from 2013/14 underspend	(17)	(17)	(17)	(17)	(17)	(17)
Safer City Grants – Reduction identified from 2013/14 underspend	(11)	(11)	(11)	(11)	(11)	(11)
Home Improvement Grants – savings as a result of underspends in previous years.	(10)	(10)	(10)	(10)	(10)	(10)
Waste savings identified from 2013/14 underspends in trade refuse, recycling and Refuse and Environment operational support	(125)	(55)	(55)	(55)	(55)	(55)
Business rates on moorings not now needed	(8)	(8)	(8)	(8)	(8)	(8)
Pre application planning advice savings identified from 2013/14 underspends	(5)	(5)	(5)	(5)	(5)	(5)

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Grants to the voluntary sector – savings following review		(308)	(308)	(308)	(308)	(308)
Revised provision for supplies and services inflation		(100)	(100)	(100)	(100)	(100)
HR savings following review of service	-	(56)	(56)	(56)	(56)	(56)
<b>Total deliverable savings</b>	<b>(257)</b>	<b>(651)</b>	<b>(651)</b>	<b>(651)</b>	<b>(651)</b>	<b>(651)</b>
<b>Total pressures less deliverable savings</b>	<b>125</b>	<b>(90)</b>	<b>(75)</b>	<b>(75)</b>	<b>(75)</b>	<b>(75)</b>

Applying these budget savings and pressures gives an indication of the net savings requirements by year for the next 5 years.

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Current Savings Target (new savings each year)	-	1,315	1,308	798	1,073	1,547	<b>6,041</b>
Impact on savings target - pressures	-	561	15	-	-	-	<b>576</b>
<b>Revised savings target including pressures</b>	<b>-</b>	<b>1,876</b>	<b>1,323</b>	<b>798</b>	<b>1,073</b>	<b>1,547</b>	<b>6,617</b>
Impact on savings target - deliverable savings	-	(651)	-	-	-	-	<b>(651)</b>
<b>Savings still to be found</b>	<b>-</b>	<b>1,225</b>	<b>1,323</b>	<b>798</b>	<b>1,073</b>	<b>1,547</b>	<b>5,966</b>

# Section 5

## General Fund - Expenditure and funding

The following projection of GF expenditure and funding results from applying the recommendations included in this report.

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>Expenditure</b>						
Net service budgets	19,813	18,488	17,763	17,002	17,048	16,817
Revenue budget proposals	125	(90)	(75)	(75)	(75)	(75)
Future years PPF provision	0	100	100	100	100	100
Capital accounting adjustments	(4,656)	(4,656)	(4,656)	(4,656)	(4,656)	(4,656)
Capital expenditure financed from revenue	3,224	3,656	2,457	1,075	1,075	1,075
Contributions to earmarked funds	2,678	2,959	3,263	3,357	2,622	2,369
Revised net savings requirement	0	(1,225)	(1,323)	(798)	(1,073)	(1,547)
Contribution to reserves	0	0	0	258	0	0
<b>Net spending requirement</b>	<b>21,184</b>	<b>19,232</b>	<b>17,529</b>	<b>16,263</b>	<b>15,041</b>	<b>14,083</b>
<b>Funded by:</b>						
Settlement Funding Assessment (SFA)	(8,115)	(6,901)	(6,004)	(5,224)	(4,545)	(3,954)
Locally Retained Business Rates – Growth element	(670)	(800)	(800)	(800)	(800)	(800)
Other grants from central government	(93)	0	0	0	0	0
New Homes Bonus (NHB)	(3,376)	(3,376)	(3,376)	(2,589)	(1,854)	(1,291)
Appropriations from earmarked funds	0	0	0	0	0	0
Council Tax	(6,706)	(7,024)	(7,349)	(7,650)	(7,842)	(8,038)
Contributions from reserves	(2,224)	(1,131)	0	0	0	0
<b>Total funding</b>	<b>(21,184)</b>	<b>(19,232)</b>	<b>(17,529)</b>	<b>(16,263)</b>	<b>(15,041)</b>	<b>(14,083)</b>

# Section 6

## Capital plan

### Approved plan

The Capital Plan was approved by Council in February 2014. Since then, Council has approved further changes to the plan including adding projects carried forward from 2013/14, new approvals and budget amendments.

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
<b>Approved at BSR 2014:</b>							
Programmes	5,800	2,932	449	389	195	195	9,960
Projects	1,835	2,100	1,715	35	0	0	5,685
<b>Sub-total</b>	<b>7,635</b>	<b>5,032</b>	<b>2,164</b>	<b>424</b>	<b>195</b>	<b>195</b>	<b>15,645</b>
Provisions	12,163	1,788	352	761	0	0	15,064
<b>Total</b>	<b>19,798</b>	<b>6,820</b>	<b>2,516</b>	<b>1,185</b>	<b>195</b>	<b>195</b>	<b>30,709</b>

<b>Changes approved in year:</b>							
Programmes	242	1,488	0	0	0	0	1,730
Projects	1,088	0	0	0	0	0	1,088
<b>Sub-total</b>	<b>1,330</b>	<b>1,488</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,818</b>
Provisions	8,258	263	0	0	0	0	8,521
<b>Total</b>	<b>9,588</b>	<b>1,751</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,339</b>

<b>Current approved plan:</b>							
Programmes	6,042	4,420	449	389	195	195	11,690
Projects	2,923	2,100	1,715	35	0	0	6,773
<b>Sub-total</b>	<b>8,965</b>	<b>6,520</b>	<b>2,164</b>	<b>424</b>	<b>195</b>	<b>195</b>	<b>18,463</b>
Provisions	20,421	2,051	352	761	0	0	23,585
<b>Total</b>	<b>29,386</b>	<b>8,571</b>	<b>2,516</b>	<b>1,185</b>	<b>195</b>	<b>195</b>	<b>42,048</b>

## Mid-year review of the plan

On-going monitoring of all projects within the plan indicates a high level of slippage, particularly within the Provisions category, which includes a number of large items such as Green Deal, where delivery timescales are outside the direct control of the Council. As a result, significant rephrasing is proposed.

In addition, a new scheme is recommended for inclusion in the Plan, subject to a detailed project appraisal. The scheme relates to the replacement of air cooling systems to ensure that the latest legislative requirements are met. The total cost is £166,950, to be met partly from available capital funding, see below, and partly from Repairs and Renewals Funds.

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
<b>Current approved plan – as above:</b>							
<b>Total</b>	<b>29,386</b>	<b>8,571</b>	<b>2,516</b>	<b>1,185</b>	<b>195</b>	<b>195</b>	<b>42,048</b>

<b>Changes proposed:</b>							
Programmes - rephasing	(697)	697	0	0	0	0	0
Projects – rephasing	(582)	529	21	(4)	36	0	0
Projects – new scheme	167	0	0	0	0	0	167
<b>Sub-total</b>	<b>(1,112)</b>	<b>1,226</b>	<b>21</b>	<b>(4)</b>	<b>36</b>	<b>0</b>	<b>167</b>
Provisions - rephasing	(6,273)	6,125	20	128	0	0	0
<b>Total</b>	<b>(7,385)</b>	<b>7,351</b>	<b>41</b>	<b>124</b>	<b>36</b>	<b>0</b>	<b>167</b>

<b>Proposed plan:</b>							
Programmes	5,345	5,117	449	389	195	195	11,690
Projects	2,508	2,629	1,736	31	36	0	6,940
<b>Sub-total</b>	<b>7,853</b>	<b>7,746</b>	<b>2,185</b>	<b>420</b>	<b>231</b>	<b>195</b>	<b>18,630</b>
Provisions	14,148	8,176	372	889	0	0	23,585
<b>Total</b>	<b>22,001</b>	<b>15,922</b>	<b>2,557</b>	<b>1,309</b>	<b>231</b>	<b>195</b>	<b>42,215</b>

Details of the changes proposed, by scheme, are shown in Appendix B.



The effect of these changes on the level of unapplied capital funding available is shown in the table below.

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>Funding available and unapplied (per Feb 2014 BSR)</b>	<b>(246)</b>	<b>(44)</b>	<b>(562)</b>	<b>(880)</b>	<b>(880)</b>	<b>(880)</b>
Proposed new scheme	97					
<b>Revised capital funding availability</b>	<b>(149)</b>	<b>(44)</b>	<b>(562)</b>	<b>(880)</b>	<b>(880)</b>	<b>(880)</b>

## Planned review of capital processes and plan

The current size and complexity of the capital plan gives rise to a number of concerns including the:

- Capacity to deliver projects to time, cost and quality;
- Dependency on revenue funding at a time when revenue funding is reducing and revenue budgets are under pressure;
- Inclusion of items that should not, on reflection, be included in the capital plan, such as unallocated funds, projects in an early stage of development and items more properly treated as small enhancements or maintenance spend.

There are also concerns that the processes leading up to the inclusion of an approved project in the capital plan are complex, time-consuming and may not support the effective prioritisation of limited capital spend in line with the Council's objectives.

Therefore it is proposed that a focused review of the processes and procedures underlying capital planning and delivery are performed in advance of setting the 2015/16 budget in February 2015, with a view to delivering improved, fit for purpose processes and a sustainable capital plan.

# Section 7

## Risks and reserves

### Risks

The Council is exposed to a number of risks and uncertainties which could affect its financial position:-

- Savings plans may not deliver projected savings to expected timescales;
- Assumptions and estimates, such as inflation and interest rates, may prove incorrect;
- Funding from central government may fall below projections;
- The actual impact and timing of local growth on the demand for some services may not reflect projections used;
- Increases in council tax and business rates receipts due to local growth may not meet expectations;
- The economic recovery may slow or reverse, impacting some of the Council's income streams such as car parking income, commercial rents and planning fee income;
- New legislation or changes to existing legislation may have budgetary impacts; and
- Unforeseen capital expenditure, such as major repairs to offices and commercial properties, may be required.

### Reserves

#### General Fund reserves

GF reserves are held as a buffer against crystallising risks, and to deal with timing issues and uneven cashflows. As such, the level of reserves required is dependent on the financial risks facing the council, which will vary over time. Therefore, the prudent minimum balance (PMB) and target level of GF reserves has been reviewed in the light of current risks. Detailed calculations of these amounts are provided in Appendix C.

As a result, the following changes are recommended and have been included in the calculations of net savings requirements in this report.

General Fund reserves	£m
<b>February 2014 BSR</b>	
- Target level – to be achieved by 2017/18	5.00
- Minimum level	2.50
<b>September 2014 MFR – Recommended levels</b>	
- Target level	5.28
- PMB	4.40

The table below shows current and projected levels of GF reserves.

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000's)	2019/20 £000's)
<b>Balance as at 1 April (b/fwd)</b>	<b>(9,176)</b>	<b>(6,952)</b>	<b>(5,821)</b>	<b>(5,821)</b>	<b>(6,079)</b>	<b>(6,079)</b>
Contribution (to) / from reserves	2,224	1,131	-	(258)	-	-
<b>Balance as at 31 March (c/fwd)</b>	<b>(6,952)</b>	<b>(5,821)</b>	<b>(5,821)</b>	<b>(6,079)</b>	<b>(6,079)</b>	<b>(6,079)</b>

## Earmarked and 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 D.

A review of the purpose and use of these funds is currently underway. The outcomes of this review will be used to inform the BSR 2015.

# Section 8

## Conclusion

### General Fund savings requirements

The February 2014 BSR set a target of £1.3m for ongoing net savings in the GF in 2015/16. Current financial projections, taking account of revised assumptions and incorporating all changes proposed as part of this GF Mid-year Financial Review, show that work remains to be done to balance the budgets for 2015/16 and beyond, with total net savings of over £6.0m to be found in the next five years.

Description	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
<b>Net savings requirement (BSR 2014)</b>	<b>1,315</b>	<b>1,308</b>	<b>798</b>	<b>1,073</b>	<b>1,547</b>	<b>6,041</b>
Contribution to savings target (Section 4)	(90)	15	-	-	-	(75)
<b>Revised (MFR) net savings requirement</b>	<b>1,225</b>	<b>1,323</b>	<b>798</b>	<b>1,073</b>	<b>1,547</b>	<b>5,966</b>

### General Fund budget strategy

#### The budget process

The GF budget process for 2015/16 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 2015/16 budget process and provided indications of 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 current year, 2014/15;

- On-going pressures arising from reductions in income projections on commercial property and unavoidable cost increases;
- Savings identified for the years 2015/16 to 2018/19, arising mainly from underspends in 2013/14 and reductions in grants awarded; and
- Significant reductions in Government funding in 2016/17, with a strong expectation of reductions at similar levels going forward.

## Identification of further savings

The Council has a record of identifying and delivering savings, through both service reviews and improvements in value for money obtained over all categories of spending. These approaches to finding and delivering savings will continue, but it is expected that the value of new savings found will decrease over time as services become leaner and more cost effective. All the easy to make savings have now been taken.

Funding reductions to date and those projected within this MFR strongly indicate that other methods of generating savings will be required. As a result, the Council has embarked on a long term programme of transformation which will make fundamental changes to the way the Council delivers services and interacts with residents, tenants and other parties. Many of these transformational projects are 'back-loaded' with the aim of producing significant, but not instant, efficiencies. However it is only by taking this more fundamental approach that we can ensure the council will deliver the savings it needs to make into the longer term, whilst developing a new style and shape of organisation which is fit for the new environment we find ourselves in.

The Council's long term budget strategy will be based on the following four themes, which will be reflected in the Budget Setting Report published in January 2015

### 1. Transforming how we deliver services

We will fundamentally reshape the organisation's continued delivery of quality services by:-

- maximising potential for sharing delivery of a number of services, working with South Cambridgeshire District Council, Huntingdonshire District Council and other partners
- delivering more radical visions of shared services in areas such as planning and infrastructure delivery through the City Deal

- tackling unnecessary bureaucracy and reducing the costs of administration and management
- setting up external trusts and arm's length arrangements where they can run services in a socially-inclusive but significantly more efficient way, as in the case of 'Cambridge Live', our new Cultural Trust and the planned 'destination management organisation' for tourism.

## **2. Making best use of all our assets**

- Identifying resources that can be used more effectively to provide pump priming for transformation projects and short term savings to allow these projects to deliver results, including reviewing how we use capital and reserves
- Reviewing our commercial property portfolio, and looking to invest more in property to enhance income, where returns are attractive
- Reducing the number of buildings occupied by the Council so we can free up land for development use and sell surplus properties
- Being more entrepreneurial in the way we deliver services including income generating services
- Working with partners to find new ways of increasing the supply of the affordable housing the city needs.

## **3. Delivering inclusive and easy to use services for all**

- Investing in technology to drive more efficient ways of working
- Transforming how our customers contact us and developing new ways of doing business with the Council
- Working with partners to improve digital skills amongst our residents and reducing digital exclusion.

#### **4.Targeting our services and meeting the needs of the most vulnerable**

- Ensuring we are focused on delivering the services our residents need.
- Targeting the Community Grants budget on reducing inequality and poverty in Cambridge
- Concentrating our discretionary services on those who most need our help.

# Appendix A

## Financial planning timetable

Items that are applicable to the HRA (only) are shown as shaded lines.

Date	Major Stage
2014	
12-Jun	Council adopts Annual Statement setting out plan & priorities from 2014/15
27-Aug	SLT / Exec consider MFR items
17-Sep	General Fund (GF) Mid-Year Financial Review (MFR) published for S&R Scrutiny Committee
18-Sep	Housing Revenue Account (HRA) MFR published
w/c 22 Sep	Finance despatch Budget Process Guidance and Budget Proposal Forms
29-Sep	S&R Scrutiny Committee / Leader recommendation of GF MFR to Council
30-Sep	Housing Committee considers the HRA MFR
01-Oct	Finance despatch Budget Working Papers.
Sept / Oct	MFR & budget briefing for Members
Sept / Oct	Budget process workshops for managers
15-Oct	Managers to complete and return Budget Proposal Forms to Finance for 2015/16 Revenue and Capital Budget Proposals
20-Oct	SLT consider HRA and Capital Budget Proposals
21-Oct	Managers to send 2014/15 September variances to Finance, reporting to SLT on 3 November
22-Oct	Finance to send proposals to officer groups for assessment including climate change and poverty ratings and EqIA requirements
w/c 27 Oct	Officer Working Groups meet to consider and comment on budget proposals
28-Oct	SLT / Exec consider HRA and Capital Budget Proposals
29-Oct	GF MFR published for Council on 6 November
03-Nov	SLT consider General Fund Budget Proposals and 2014/15 September variances
06-Nov	Council considers GF and HRA Mid-Year Financial Review reports
17-Nov	SLT consider General Fund Budget Proposals
21-Nov	Managers to complete and return budget working papers, incorporating all budget proposals, to Finance
25-Nov	SLT / Exec consideration of General Fund Budget Proposals and 2014/15 September variances
08-Dec	HRA EqIA Deadline
10-Dec	SLT / Exec review General Fund and HRA BSR's
15-Dec	General Fund EqIA deadline
17-Dec	Publish HRA Budget Setting Report 2015/16



Date	Major Stage
Dec	Provisional Government Settlement Announcement
2015	
05-Jan	Publish HRA Opposition Budget Amendment
05-Jan	GF budget proposals for Environment Scrutiny Committees published
07-Jan	GF budget proposals for Community Services Scrutiny Committees published
07-Jan	Publish General Fund Budget Setting Report and GF budget proposals for Strategy & Resources
13-Jan	Environment Scrutiny Committee consider budget proposals for own portfolios
14-Jan	Meeting of The Executive agenda published
<b>14-Jan</b>	<b>Housing Committee considers any HRA Budget Amendment Executive Councillor for Housing approves rent levels and revenue budgets Executive Councillor makes final capital proposal recommendations to Council Housing Committee considers General Fund Housing budget proposals</b>
15-Jan	Community Services considers GF proposals for its own portfolios
19-Jan	Strategy & Resources Scrutiny Committee considers GF budget proposals for its own portfolios and GF Budget Setting Report
Jan	Final Government Settlement Announcement
<b>22-Jan</b>	<b>Meeting of The Executive to consider and recommend GF Budget Setting Report and Council Tax requirement</b>
05-Feb	Publish General Fund Opposition Budget Amendment
<b>13-Feb</b>	<b>Special Strategy &amp; Resources Scrutiny Committee considers any GF budget amendment proposals</b>
<b>26-Feb</b>	<b>Council approves GF Budget and sets Council Tax (including precepts) Council approves General Fund Capital Plan Council approves Housing Capital Plan as part of HRA BSR</b>
31-Mar	Approved budget reports to be sent to Cost Centre Managers by Finance

# Appendix B

## Capital Plan: changes proposed, by scheme

Key	Scheme	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
PR	Environmental Improvements Programme - North Area	(30)	30	-	-	-	-
PR	Environmental Improvements Programme - South Area	(29)	29	-	-	-	-
PR	Environmental Improvements Programme - West/Central Area	(66)	66	-	-	-	-
PR	Environmental Improvements Programme - East Area	(50)	50	-	-	-	-
PR	East Barnwell Community Centre Improvements ( S106)	(255)	255	-	-	-	-
PR	Romsey - Town Square Public Realm Improvements (S106)	(54)	54	-	-	-	-
PR	Milton Rd Library Community Meeting Space (s106)	(100)	100	-	-	-	-
PR	Public Art - 150th & 400th Anniversary (S106)	(93)	93	-	-	-	-
PR	Local Centres Improvement Programme	(20)	20	-	-	-	-
PV	Cycleways	(140)	140	-	-	-	-
PV	Public Conveniences	(174)	174	-	-	-	-
PV	Development Land on the North Side of Kings Hedges Road	(20)	-	20	-	-	-
PV	Upgrade facilities at 125 Newmarket Road	(88)	88	-	-	-	-
PV	City Cycle Park	(190)	190	-	-	-	-
PV	Development Of land at Clay Farm	(128)	-	-	128	-	-
PV	Clay Farm Community Centre - Phase 2 (Construction)	(3,750)	3,750	-	-	-	-
PV	Lion Yard - Contribution to Works Phase 2	(300)	300	-	-	-	-
PV	Green Deal	(1,126)	1,126	-	-	-	-
PV	Green Deal - Private Rental Sector	(357)	357	-	-	-	-
SC	In-cab Technology for Trade Waste Service	(33)	33	-	-	-	-
SC	Southern Connections Public Art Commission (S106)	(71)	18	21	11	21	-
SC	Adaptations -Riverside River Banks	(72)	72	-	-	-	-
SC	Essential Structural/Holding Repairs - Park Street Multi Storey car park	(31)	31	-	-	-	-

Key	Scheme	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
SC	Essential Repairs to Car Parks	(165)	165	-	-	-	-
SC	N W Cambridge Development Underground Bins Collection Vehicle	(210)	210	-	-	-	-
SC	Structural Holding Repairs & Lift Refurbishment - Queen Anne Terrace Car Park	-	-	-	(15)	15	-
	<b>Total</b>	<b>(7,552)</b>	<b>7,351</b>	<b>41</b>	<b>124</b>	<b>36</b>	<b>-</b>
	<b>Summary:</b>						
PR	Programmes	(697)	697	-	-	-	-
PV	Provisions	(6,273)	6,125	20	128	-	-
SC	Projects	(582)	529	21	(4)	36	-
	<b>Total</b>	<b>(7,552)</b>	<b>7,351</b>	<b>41</b>	<b>124</b>	<b>36</b>	<b>-</b>

## Appendix C

### General fund reserves – calculation of Prudent Minimum Balance (PMB) and target level

Description	Level of risk	Amount of risk £	Risk £
Employee costs	Medium	31,313,173	93,940
Premises costs	Medium	9,079,909	54,479
Transport costs	Medium	1,426,720	8,560
Supplies and services	Medium	15,931,051	31,862
Grants and transfers	Medium	41,119,810	61,680
Grant income	Medium	41,017,108	61,526
Other income	High	35,451,993	531,780
Miscellaneous	Medium	4,004,158	8,008
<b>Total one year operational risk</b>			<b>851,835</b>
<b>Allowing three years cover on operational risk</b>			<b>2,555,505</b>
<b>General and specific risks</b>	<b>Amount £</b>	<b>Probability (%)</b>	
Unforeseen events	2,000,000	25%	500,000
Legal action - counsel's fees	100,000	50%	50,000
Impact of business rates appeals	670,000	100%	670,000
Data Protection breach	300,000	25%	75,000
Capital project overruns	100,000	50%	50,000
Project failure / delays to savings realisation	500,000	100%	500,000
<b>Prudent Minimum Balance</b>			<b>4,400,505</b>
<b>Target (PMB + 20%)</b>			<b>5,280,606</b>

Operational cost profiles		Low	Medium	High
Employee costs	overspend	1.00%	2.00%	3.00%

Operational cost profiles		Low	Medium	High
	probability	20.0%	15.0%	10.0%
	<b>amount at risk</b>	<b>62,626</b>	<b>93,940</b>	<b>93,940</b>
Premises costs	overspend	2.00%	4.00%	6.00%
	probability	20.0%	15.0%	10.0%
	<b>amount at risk</b>	<b>36,320</b>	<b>54,479</b>	<b>54,479</b>
Transport costs	overspend	2.00%	4.00%	6.00%
	probability	20.0%	15.0%	10.0%
	<b>amount at risk</b>	<b>5,707</b>	<b>8,560</b>	<b>8,560</b>
Supplies and services	overspend	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	<b>amount at risk</b>	<b>23,897</b>	<b>31,862</b>	<b>23,897</b>
Grants and transfers	overspend	1.00%	2.00%	3.00%
	probability	10.0%	7.5%	5.0%
	<b>amount at risk</b>	<b>41,120</b>	<b>61,680</b>	<b>61,680</b>
Grant income	overspend	1.00%	2.00%	3.00%
	probability	10.0%	7.5%	5.0%
	<b>amount at risk</b>	<b>41,017</b>	<b>61,526</b>	<b>61,526</b>
Other income	overspend	5.00%	10.00%	15.00%
	probability	15.0%	12.5%	10.0%
	<b>amount at risk</b>	<b>265,890</b>	<b>443,150</b>	<b>531,780</b>
Other	overspend	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	<b>amount at risk</b>	<b>6,006</b>	<b>8,008</b>	<b>6,006</b>

## Appendix D

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

Fund	Balance at 31 July 2014	Current Commitments	Uncommitted balance
Repairs & Renewals Funds	(15,401.2)	5,872.0	(9,529.2)
Climate Change Fund	(347.1)	347.1	0
Council Tax Earmarked for Growth	(287.6)	127.9	(159.7)
Development Plan Reserve	(684.3)	711.9	27.6
Efficiency Fund	(334.0)	213.8	(120.1)
Pension Fund Reserve	(985.5)	985.5	(0.00)
Keep Cambridge Moving Fund	(700.0)	0	(700.0)
Project Facilitation Fund	(124.5)	90.5	(34.0)
Fixed-Term Priority Project Fund	(300.0)	55.0	(245.0)
Property Strategy Fund	(103.4)	92.2	(11.2)
Sharing Prosperity Fund	(509.8)	484.2	(25.6)
<b>Total</b>	<b>(19,777.4)</b>	<b>8,980.10</b>	<b>(10,797.20)</b>

<p style="text-align: center;"><b>RECOMMENDATION TO COUNCIL</b> <b>(The Leader)</b></p>
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## **ARRANGEMENTS TO ESTABLISH THE CULTURAL TRUST**

Summary of report:

- § The business plan assumptions are robust and cautious
- § The model will deliver savings of £415k per year on the existing position from 2019/20 onwards, against the current annual turnover figure of £4.5million.
- § The project delivers savings through cumulative reduction in subsidy, reduction in the cost of the Council's outdoor events, and through reduced demand on the Council's central costs allowing these to shrink over time
- § There is currently a cost to the Council in year 1 which is covered in the five year payback model
- § Sara Garnham has been appointed as Founding Chair of Cambridge Live (the name of the Trust)
- § Arrangements for transfer of staff have progressed in consultation with staff and Trades Unions.
- § Arrangements for use of Council property and assets such as trademarks have been developed in discussion with the Chair
- § The proposals for the Council's outdoor event programme enable the Council to have input and influence over funding and scope/content

The Strategy and Resources Scrutiny Committee considered and approved the recommendations by 5 votes to 0.

### **Accordingly, Council is recommended:**

- i. To approve the budget and finance proposals set out in the officer's report.

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To: The Leader and Executive Councillor for Strategy and Transformation: Councillor Lewis Herbert  
Report by: Head of Arts & Recreation  
Relevant scrutiny committee: Strategy & Resources 20/10/2014  
Scrutiny Committee  
Wards affected: ALL

## ARRANGEMENTS TO ESTABLISH THE CULTURAL TRUST

### Key Decision

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#### 1. Executive summary

##### Summary of report:

- § The business plan assumptions are robust and cautious
- § The model will deliver savings of £415k per year on the existing position from 2019/20 onwards, against the current annual turnover figure of £4.5million.
- § The project delivers savings through cumulative reduction in subsidy, reduction in the cost of the Council's outdoor events, and through reduced demand on the Council's central costs allowing these to shrink over time
- § There is currently a cost to the Council in year 1 which is covered in the five year payback model
- § Sara Garnham has been appointed as Founding Chair of Cambridge Live (the name of the Trust)
- § Arrangements for transfer of staff have progressed in consultation with staff and Trades Unions.
- § Arrangements for use of Council property and assets such as trademarks have been developed in discussion with the Chair
- § The proposals for the Council's outdoor event programme enable the Council to have input and influence over funding and scope/content

#### 2. Recommendations

##### 2.1 That the Leader:

- a) Approves the transfer to the Cultural Trust ("Cambridge Live") of the Council responsibilities set out in the report;

- b) Approves the funding, property, staffing and relationship management arrangements proposed in the report;
  - c) Authorises the Director of Customer and Community Services to take all decisions and actions needed to implement the proposals set out in this report.
- 2.2 Recommends Council to approve, through the Budget Setting Report 2015, the budget and finance proposals set out in the report.
- 2.3 Notes the recommendations made by the Executive Councillor for Arts & Recreation and approves two Councillor Trustees to be appointed to the board of Cambridge Live as set out in the report
- 2.4 Notes the decision by the Executive Councillor for Communities Arts & Recreation taken on 16th October 2014 in respect of the review of outdoor events

### **3. Background**

#### **3.1 Purpose**

##### 3.1.1 Reflection on the project objectives:

- i) To reduce the subsidy required to these services
- ii) To provide a sustainable financial and operational basis on which the services can thrive
- iii) To manage and mitigate the increasing risk to the authority of continuing to provide the services directly.

There is an emerging fourth strategic driver, linked to the corporate objective of transforming services to meet the needs of residents with fewer resources. In this case, part of the savings gained over time relate to an expected reduction in demand upon the Council's central infrastructure, enabling it to shrink and cost less.

##### 3.1.2 There are significant risks to the Council in not doing anything:

###### a) The Folk Festival faces increasing financial risks

- § Raising sponsorship and investment is increasingly difficult and there has been shortfalls in each of the last 2 years
- § The economic downturn has created a challenging business climate for festivals
- § In recent years there have been significant increases in performing artist fees as musicians seek revenue from live performance as opposed to recorded music.
- § It operates in a crowded and highly competitive festival market.
- § Council budgeting requires year on year net increases in income targets which are levied on an already pressured budget with a 100% predication on sell out which cannot be guaranteed

b) The Arts & Recreation budgets have been re-assessed and re-organised in recent years but still incorporate challenge and uncertainty.

§ Since 2010/11, and by 2015/16, subsidy to the cultural element of the service area will have been reduced by £500k per annum via restructuring and the introduction of more cost efficient and commercial ways of working e.g. new box office software. This annual saving against the base budget is in addition to the further saving anticipated through the cultural trust project.

§ Whilst the service now operates in a more effective and streamlined manner, the transformation revealed budget deficiencies. These shortfalls have been covered in 2012/13 and to a greater extent in 2013/14 through strict expenditure and vacancy management and one off exceptional income items.

c) The Trust model is better placed to take advantage of operating efficiencies, cost savings and income generating opportunities. These opportunities include taking the bar operation in house and an increased focus on philanthropy, trust and foundation funding.

d) The risk profile for this area of activity is high, due to local and national public profile and financial volatility of the events and entertainment sector (the budgets rely on achieving over £4m income each year). Given the current financial position, and its operational constraints, the Council is not in a strong position to address these risks itself.

e) Citizens' Surveys show that residents support these services but challenge levels of subsidy and do not think the Council should run them directly

### **3.2 In March 2014, the then Executive Councillor for Community Well-being took the following decision:**

a) To approve in principle the establishment of a Trust to run Cambridge Corn Exchange, Cambridge Folk Festival and other events, and to authorise work to progress this, subject to further decisions required as below.

b) To approve that a Working Group should be set up as outlined in section 3.10 of the officers report<sup>1</sup> to support the work involved in the implementation stage.

c) To agree that the following further work which has wider implications for the Council, is progressed in discussion with the relevant Directors and the Working Group prior to discussion at Strategy & Resources Scrutiny Committee and final authorisation by the Executive Councillor

for Customer Services and Resources: Management of transfer of staff; Funding Agreement; Agreement of property, land use and other rights; Expectations and relationships between the Council and the Trust

- d) To delegate authority for all other decisions necessary to implement and establish the Trust (including the appointment of a Chair) to the Director of Customer and Community Services in discussion with the Working Group.
- e) To acknowledge the indicative timetable for implementation, and agree that this may be varied in accordance with the delegation in 2.4 of the report.
- f) To bring forward proposals to the autumn 2014 committee cycle for a refreshed programme of outdoor events

### **3.3 Cross party working group**

The working group has been formed with each party leader nominating two representatives. Following the local election changes it now comprises Executive Councillor for Communities, Arts and Recreation Richard Johnson; Councillors Zoe Moghadas, Sian Reid and Andy Blackhurst; also Nick Dodds (consultant), Debbie Kaye and Liz Bisset (chair). The group meets monthly and at the time of writing, has met four times.

### **3.4 Project teams**

a) There is an internal core project team which meets every 6-8 weeks, and which provides a coordinated oversight as well as individual expertise on specific pieces of work.

b) The external project team is led by Bates Wells Braithwaites (BWB) with associates Festivals and Events International (FEI) Ltd.

BWB advise on governance and legal aspects of the establishment of the Trust as a company limited by guarantee registered with the Charity Commission and HMRC. This includes drafting of the Articles of Association (constitution), incorporation with Companies House, drafting of the charity application and guiding the Trust's trustees through the process of registering as a charity. BWB also provide specialist advice on the governance structure, taxation, cultural exemption, property and the transfer of staff. BWB are responsible for drafting the agreements between the Council and the Trust.

FEI have assisted the Council with recruitment of the chair, trustees and managing director for the new Trust. Having completed the business case in the first stage, FEI have worked with the Cultural Facilities Manager and Principal Accountant to produce a detailed business plan and zero based budget for the Trust.

### **3.5 Set up progress**

#### **3.5.1 Appointment of Chair of Cambridge Live**

Following an open recruitment process, a panel comprising the Leader of the Council, Liz Bisset, Antonia Byatt (Arts Council England) and FEI consultant Nick Dodds interviewed a shortlist of candidates. Following a further discussion with the Leader and Opposition Spokesperson for Communities, Arts and Recreation, Sara Garnham was asked by the Council to take up the position of Chair of Cambridge Live. The Council made a public announcement about the appointment on 7<sup>th</sup> August. It was agreed that once the chair is in place, BWB would offer more specific legal advice to the new entity. A 'Chinese wall' will need to be in place to ensure both the Council and the Trust are receiving specific advice and neither is compromised by the shared use of BWB in the set up phase

### 3.5.2 Appointment of Trustees

The Chair has proposed a process for the recruitment of Trustees and discussed this with the cross party working group. The recruitment campaign will begin as soon as the Council agrees the proposed arrangements between the Trust and the Council.

### 3.5.3 Secondment of Cultural Facilities Manager

The Cultural Facilities Manager (Steve Bagnall) has been seconded to work for the Trust for 2 days a week. The arrangement started in August and will finish on 31<sup>st</sup> December. The purpose of the secondment is to provide expertise and support to the Chair as she sets up the Trust. A Chinese wall has been agreed and is in place to protect confidentiality.

## 3.6 Property issues

### 3.6.1 Historic principles

a) Historically external organisations pay market rent and grants are dealt with separately. However, this scenario is different in that the Trust is being established to take on existing Council services, and the Head of Property Services believes there is a justifiable basis for a different approach.

b) Generally speaking, the Council transfers repair liabilities to reduce risk to the Council – i.e. the risk is transferred to the providers where possible.

### 3.6.2 Proposed principles

a) It is proposed that arrangements are simplified, and that one agreement with rent for the Corn Exchange and Guildhalls is reflected in the overall contract.

b) Any charges not currently in the budget that the Council would wish to additionally impose would at least in formative years, need to be covered by an additional subsidy to the Trust e.g. imposition of a market rent instead of a peppercorn. This could be reflected in consideration of any positive subsidy at a Review point (see point 3.6.6).

c) Arrangements for repair and maintenance will reflect current responsibilities, funding, risks, specialisms and budget lines. For example, the Council will continue to have responsible for the external and structural

aspects; the Trust will have responsibility for internal and operational aspects – as the service does now.

d) The duration of agreements should reflect operational models

e) The Trust would be responsible for all utility costs – and mechanisms found to manage this in areas where readings are currently jointly taken

### 3.6.3 Issues

a) The Council is undertaking a corporate review of repair and renewal funding

b) There is a 20 year comprehensive planned repair and renewal programme for the internal and operational elements of the Corn Exchange which is funded through a repair and renewal code, into which revenue contribution are made each year. Under the arrangements, the accrued repair and renewal budgets for the transferred services will be transferred to the Trust under ring-fenced, monitored arrangements. The following accounts will transfer:

- § Corn Exchange internal building
- § Corn Exchange equipment
- § Corn Exchange office equipment
- § Civic rooms
- § Parsons Court Roadway
- § Distribution Boards

c) The Council and the Trust may reconsider property arrangements in light of any positive subsidy (i.e. once reserves have built up) at the Review point (see point 3.6.6).

d) Some of the Council's landlord responsibilities are volume dependent i.e. costs go up with more use but without necessarily generating additional income (wear and tear on general buildings, utilities).

e) The current cost of business rates is £36,500. If the Trust can claim rate relief, this will impact on rates received by the Council and this is reflected as a cost in the overall business model.

### 3.6.4 Trademarks, Rights, and licences

The Council holds the right to the name 'Cambridge Folk Festival'. This is a registered trademark. The Council will grant Cambridge Live a licence to run Cambridge Corn Exchange and Cambridge Folk Festival, and for a period of 25 years. The leases for the venues and rights to use land at Coldham's Common and Cherry Hinton Hall will run alongside these.

### 3.6.5 Review points.

The Council will require periodic contractual review points at which overall performance, direction of travel and funding arrangements can be discussed. The proposed frequency is five years, although the first point would be scheduled for the autumn of 2017.

### **3.6 Staffing – principles of arrangements**

3.6.1 All work related to the Corn Exchange and Folk Festival and the people that do that work will transfer to the Trust under the TUPE (transfer of undertakings and protection of employment) legislation on their existing terms and conditions. The business plan includes a full allocation of existing staff costs. There will be an immediate need to review management responsibilities as the head of service is not transferring.

3.6.2 Pension contributions have been determined assuming the Trust becomes an Admitted Body within the LGPS arrangements. The business plan also assumes that as an admitted body, the Trust will operate a closed LGPS pension scheme i.e. the LGPS will be available only to transferred Council staff. New staff will be enrolled in a separate scheme  
Indicative costs for a bond to mitigate against project failure have been determined; however the Head of Finance has recommended that the Council underwrites the risk rather than require the purchase of a bond.

3.6.3. The business plan assumes the Trust will pay the national living wage to its staff. The Council would expect the Trust to recognise Trade Unions.

3.6.4 TUPE letters have been sent to Trade Union representatives informing them that a transfer of staff is envisaged in connection to the creation of a cultural trust, and those staff who have been identified as working wholly or substantially in the service transferring received TUPE letters week commencing 11.08.2014.

3.6.5 A due diligence exercise in relation to TUPE is being undertaken with BWB. This will be used to inform the staff consultation process.

3.6.6 Unison has recently undertaken a survey with staff on the transfer and the results of this will also be used to inform the consultation.

### **3.7 Zero based business plan (see Appendix A)**

#### **3.7.1 Approach**

It was recognised in the BWB/FEI report in February 2014 that a zero based, bottom up business planning exercise would be needed to support and verify the business case budget that was presented alongside that report. This original budget was largely based on historic Council accounts. The new 5 year business plan is a comprehensive work book and the key points are summarised in this report. It is structured in a way that recognises that the new organisation is an event driven operation and is built up from event analysis based on known and understood projections of business activity for the Corn Exchange, Guildhalls and Folk Festival alongside a detailed analysis of future operational and infrastructure expenditure that will be required by the Trust. The business plan will form the basis for the chart

of accounts and management reporting for the new organisation. Income and cost projections have been worked up by Arts and Recreation managers with FEI. The business plan has been reviewed by the Council's Finance section and the cross party working group.

### 3.7.2 Comparison with February 2014 model

The February 2014 report indicated a Council subsidy requirement of £350k in year 1 reducing by £50k year on year for the following 4 years plus a grant to fund the Outdoor Event programme that was a balancing figure after taking into account costs and projected income.

The subsidy reduction is driven by the following factors:

- § Increased revenue from the in house catering operation
- § Increased revenue from sponsorship and philanthropy
- § Cost reductions from efficiencies and a more flexible approach to procurement and operational delivery.

### 3.7.3 Summary of the June 2014 plan

The work on the zero based budget has largely confirmed the February business case. There are many variances across both income and expenditure lines as would be expected but the overall impact is broadly neutral. The June 2014 business plan again projected subsidy of £350k reducing to £150k in Y5. This position has been improved on since then, largely due to the Trust buying back a number of services from the Council that were not originally assumed for example, legal, HR advice and accountancy support. The subsidy now stands at £275k in Y1 reducing to £50k in Y5. These revised figures are shown in the table on page 13.

The cost of Outdoor Events remains a balancing figure between projected income and expenditure.

### 3.7.4 Assumptions

Detailed assumptions that informed the zero based business planning process are contained in the FEI reports. The key assumptions are as follows:

- § Catering - The Business Plan assumes that the Corn Exchange catering operation moves in house. Revenue is expected to increase with the elimination of overheads charged by the incumbent contractor and a more efficient and flexible approach to the business.
- § Events - Event numbers in the Corn Exchange and Guildhalls increase from 345 to 417 in the life of the Business Plan. The majority of this growth is anticipated to be in the Guildhalls. The year 1 figures are based on actuals from 13/14 and projections for the current year.
- § Fundraising – It is anticipated that a Fundraising Manager will be appointed by the Trust later this year. Fundraising income is projected to grow significantly during the life of the Business Plan. This is a reflection of the greater potential for corporate and philanthropic giving with the Trust Model.



- § Staff – The Business Plan assumes that all staff whose work transfers to the trust will transfer under TUPE into the Trust and the existing staffing budget is reflected. Pension contributions have been determined assuming the Trust becomes an Admitted Body within the LGPS arrangements. The plan assumes the Trust will pay the national living wage.

### 3.7.5 Taxation/VAT/Cultural exemption

Cultural exemption was explored in detail as part of the February business case. At the time BWB advised that on the basis of their work so far, the Trust should not apply Cultural Exemption at the outset. The rationale for this is that whilst it could deliver a small saving, there are risks in that:

- § The position is marginal and small changes to the business model may have a negative impact; and
- § It is difficult to reverse

That position has been revisited as part of the zero base project and BWB conclude that there is still a marginal saving of £22k but the risk detailed above still exists. The Business Plan has been prepared on the basis that VAT is charged on all tickets.

### 3.7.6 Start-up costs

Start-up costs have reduced from the £200k indicated in the February plan to £167k. The bulk of this reduction relates to reduced expectation of any management of change costs. The February business case was based on an indicative staff structure that would have required restructuring and redundancy costs. The July business plan assumes full costing for all staff that will transfer under TUPE. There is a £15k staff cost in year 0 (2014/15) to cover the appointment of the Fundraising Manager. The Chief Executive has agreed the set up costs should be met through the Council's Efficiency Fund.

	Y -1	Y 0	Y 1	
<b>Set up costs</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total</b>
BWB Phase 1 Cost	25000			<b>25000</b>
BWB Phase 2 Cost		65000		<b>65000</b>
BWB Legal/Project Management contingency		20000		<b>20000</b>
VAT project	4730			<b>4730</b>
FF Consultancy	7500			<b>7500</b>
Trust communications and IT set up		30000		<b>30000</b>
Trust Staff Costs in year 0		15000		<b>15000</b>
Provisional MOC costs			0	<b>0</b>
<b>Total set up costs</b>	<b>37230</b>	<b>130000</b>	<b>0</b>	<b>167230</b>

### 3.7.7 Business rates/rate relief & property insurance

As a charity the Trust will receive an 80% mandatory relief from the amount of business rates. It will be able to apply to the Council for the other 20% discretionary relief and the business plan assumes that this will be granted. The extra cost to the Council is calculated at £15k and this has been factored into the overall impact of the project. Costs for property insurance may change as a result of movement from general to commercial cover. Quotes for this are being obtained.

### 3.7.8 Funding agreement

The Council overall financial support for the Trust over the next 5 years is detailed below. Subsidy post 2020/21 would be discussed at a Review Point in the autumn of 2017.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Trust Subsidy	275k	212k	175k	100k	50k
Outdoor events Grant	207k	196k	185k	17k5	165k
<b>Total</b> (excluding inflation)	<b>482k</b>	<b>421k</b>	<b>360k</b>	<b>275k</b>	<b>215k</b>

### 3.7.9 Impact of the project to the Council

Referring to the table on page 13 which has been produced by the Finance team, the following observations can be made:

- a) Current costs are calculated at £1.01m
- b) Subsidy (excluding outdoor events) in year 1 is reduced from February 2014 projection of £350k to £275k by internal purchasing of services (i.e. reducing duplication in subsidy funding) and further budget rationalisation. Trust subsidy reduces to £50k by year 5
- c) The subsidy in year 1 for outdoor events is £207k. This includes the outdoor events programme such as content, infrastructure, operational and proportionate permanent staffing costs.
- d) The outdoor events programme reduces in cost by 21% over the first 5 years due to the Trust's ability to operate the events more efficiently whilst maintaining quality and standards. This will be achieved via more flexible procurement, greater ability to fund raise and increased use of volunteers
- e) Since the February report, as part of the corporate business transformation project, the Council has redistributed back office

costs/recharges to front line services, creating a significant increase in the presented cost of the service. The overall impact to the Council is neutral. Recharges will be addressed through this project and the business plans assumes a 15% reduction from year 2, with a total of a 47% reduction by year 5. Recharges remain at 100% of current costs in year 1.

- f) Business rates – this relates to the additional cost of mandatory charitable rates relief to the Council
- g) Proportionate Head of Service relationship management/monitoring role is allocated as a cost to the project (estimated at 10%)
- h) The start-up costs have been reduced from £200k to £167k. This is because management of change costs have been removed as the staffing structure is fully funded
- i) There is an additional cost of £109k in year 1 which is recovered across the 5 years through the project savings to the Council. This figure includes the additional fundraising staff post in year 1, assumed no impact of fundraising in year 1, and additional duplicated unavoidable costs for the Trust associated with the purchase of Sage and IT systems and support.
- j) From year 6, the ongoing annual saving to the Council is £415k
- k) Savings to the Council are primarily driven via
  - § The reduction in subsidy to the Trust from £275 in year 1 to £50k in year 5
  - § The reduced cost of operating the outdoor events in a more efficient environment
  - § Reduction in central recharge costs
- l) The business plan does not include a reserves policy, which the Trust is developing. The small surplus predicted in each of the first few years would need to be set aside for this purpose. The Council will agree a process for monitoring this with the Trust to ensure levels of both reserves held by the Trust, and subsidy provided by the Council are appropriately balanced, and accordingly agree any adjustments.
- m) The business plan does not include associated benefit for example, from increased car parking revenue related to the additional events at The Guildhall and Corn Exchange

Table notes:

1. Starting base budget includes Head of Service salary
2. Assumes services to the value of £50,000 purchased from the Council (Telephone, Accountancy, HR & Legal) [SB email 16/07/2014]
3. Current business model includes inflation for both costs and income. This calculation deletes that impact for a like for like comparison
4. A new Council cost for mandatory business rates relief (80% of £36k @40% - CCC share)
5. This is based upon approximately 10% (2 days / month) of future costs of the Head of Service acting as client manager
6. Payback is contingent upon speed with which the Council is able to deliver support service efficiencies
7. Timing of repayment of start-up costs is contingent on ascertaining what the actual costs are and when the Trust can afford to reasonably pay them
8. Further refinement of these figures may take place, on the basis that there will be no negative financial impact for the Council.

## Table showing impact of project to the Council

Current Model Cost £ '000s	Notes	2015/16	2016/17	2017/18	2018/19	2019/20	5 year cost
Budget 2014/15 (uninflated)	1	1,010	1,010	1,010	1,010	1,010	5,050
<b>Trust Model</b>							
Trust Subsidy (per original model)		350	300	250	200	150	1,250
Services to be purchased from CCC		(50)	(50)	(50)	(50)	(50)	(250)
Further business model efficiencies		(25)	(38)	(25)	(50)	(50)	(188)
<b>Revised subsidy requirement</b>	2	<b>275</b>	<b>212</b>	<b>175</b>	<b>100</b>	<b>50</b>	812
Exclude Inflation from model	3	(20)	(10)	(5)	10	20	(5)
Outdoor Events SLA		207	196	185	175	165	928
<b>Total Subsidy</b>		<b>462</b>	<b>398</b>	<b>355</b>	<b>285</b>	<b>235</b>	<b>1,735</b>
<b>Total cost to CCC</b>		<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	
Unavoidable Residual recharges	<i>see below</i>	628	533	453	385	328	2,327
	<b>15.0%</b>						
Business Rates charitable relief	4	15	15	15	15	15	75
Ongoing Head of Service costs	5	17	17	17	17	17	85
Trust Subsidy		462	398	355	285	235	1,735
<b>Total cost to City Council</b>		<b>1,122</b>	<b>963</b>	<b>840</b>	<b>702</b>	<b>595</b>	<b>4,222</b>
<b>Variance</b>		<b>112</b>	<b>(47)</b>	<b>(170)</b>	<b>(308)</b>	<b>(415)</b>	<b>(828)</b>
<b>Payback Summary</b>							
Variance as above	6	112	(47)	(170)	(308)	(415)	(828)
Repay start up costs (timing provisional)	7	0	0	50	50	67	167
<b>Total cost / (income)</b>		<b>112</b>	<b>(47)</b>	<b>(120)</b>	<b>(258)</b>	<b>(348)</b>	<b>(661)</b>
<b>Cumulative</b>		<b>112</b>	<b>65</b>	<b>(55)</b>	<b>(313)</b>	<b>(661)</b>	

### 3.7.10 Due diligence

Financial due diligence checks have been undertaken by Caroline Ryba, the Council's Head of Finance and Section 151 Officer

### 3.8 Outdoor events

3.8.1 Under the new arrangements, the Trust will deliver the Council's annual outdoor event programme, namely Midsummer Fair, Big Weekend, Mayor's Day Out, Tea Dances and November 5th Bonfire Night. The Council provide a sum equal to that provided at present but which reduces

by up to 21% over the 5 year agreement to reflect the trust ability to operate the events more efficiently. This reduction does not reflect an expectation in reduction in spend on event programme and content.

3.8.2 There are opportunities to develop the programme, at one end of the scale by working with smaller, existing community led events, and at the other with more high profile events, such as the recent visit of the Tour de France, and the hosting of the Olympic Torch Relay, and clearly, the Cambridge Folk Festival. The move to the Cultural Trust offers more opportunity to innovate and develop the existing programme, both creatively and financially, at the same time as continuing to deliver open and accessible events. Along with other external organisations, the Trust may bring forward new ideas for events for the Council to consider. The Council may request support from the Trust for additional events such as major sports events, civic occasions etc.

3.8.3 Three key areas for development are set out below:

a) A Coherent City Wide Programme

Continue to work with the Council via the Event Management Group on the broader programme of outdoor events regulated by Streets & Open Spaces, bringing together Trust events, community events and potentially other commercial and professional events into a coherent, highly visible and easily recognised programme of City based outdoor activity

b) Community Events Capacity Building and Development

Working with community events to build their skills and aspirations, through targeted professional support and programming

c) Increased Scope and Quality for Existing Programme

Development of the existing outdoor event programme, in particular building the scope of the programming to include high quality outdoor arts, funded through external sources such as Lottery, Arts Council and philanthropy.

3.8.4 The business plan for the Cultural Trust highlights that by year 5, savings against the base budget of 21% (£42k) can be made. This will be achieved by a combination of the following:

- § The Trust's enhanced ability to seek external funding
- § Operational efficiencies e.g. procurement
- § Less use of temporary agency staff (more directly employed staff)
- § Greater use of volunteers where appropriate and in suitable roles
- § Considering options for maximising use of infrastructure (in discussion with the Council)
- § Examining scope for increasing income for example through traders and partners

3.8.5 The funding for the outdoor event programme will be ring-fenced in the Trust budget, giving the Council visibility and offering opportunity for influence and review. Under this proposal, the Trust will be contracted to maintain existing events, and develop the programme so far as is possible. The current event programme will be maintained with the reduced subsidy, some of which will come from cost savings, and some replaced with additional earned income. Unless the Council wished to offer extra funding, any additional activity, including development and planning, would have to be funded from external sources. The arrangements will permit the Council to request inclusion of additional activity as well as allow the Trust to bring forward ideas to develop new events.

3.8.6 At present, each autumn the Arts & Events team consult with stakeholders and community groups to review the summer's programme and begin to collate ideas for the following year. This process will continue under the Trust, with the added formality of a meeting with the Relationship Manager and the Executive Councillor for Communities, Arts & Recreation in autumn each year at which the Trust will outline the proposed programme for the Council's comment and input. The early planning currently being undertaken to consider a programme to commemorate the end of World War Two is a good example of how this opportunity for influence is working now and will continue to in the future.

3.8.7 The outdoor events will be monitored via the overall performance framework identified in point 3.10 which is being established to manage the Council's relationship with the Trust.

### **3.9 Governance arrangements**

Cambridge Live has been set up as a private company limited by guarantee, with an associated private company limited by shares, Cambridge Live (Trading) Limited. Draft Articles of Association have been prepared and have been reviewed by the Chair but not yet been submitted to the Charity Commission. The draft objects are for the public benefit:

- § ...the promotion of arts and culture, particularly, but not exclusively, by promoting and facilitating access to performances of live music and other art forms;
- § ...the advancement of education, particularly, but not exclusively, in relation to music, arts and performing arts;
- § ...the promotion of social inclusion by preventing people from becoming socially excluded, relieving the needs of those people who are social excluded and assisting them to integrate into society; and
- § ...the provision of facilities and events in the interests of social welfare for recreation or other leisure time occupation of individuals.

Other the key points to note are as follows:

- § The Chair of Cambridge Live has expressed a wish to operate a board with eleven trustees, with a maximum number set at 15.
- § At this level, the Council can appoint a maximum of 2 trustees and these can be appointed and removed at any time. The Executive Councillor for Communities Arts and Recreation has responsibility for the nomination of the Council's 2 appointed trustees.
- § The Quorum for Trustees meetings is 3
- § Any decision outside the board meeting structure can only be taken if it is unanimously agreed by all trustees
- § The Trustees may appoint patrons and establish associate members

### **3.9.1 Appointment of Cambridge City Council Trustees to the Board of Cambridge Live.**

The Executive Councillor for Communities, Arts & Recreation has responsibility for the nomination of two Council trustees. He has advised that Councillors Dan Ratcliffe and Sian Reid have been nominated. The chairs of Strategy & Resources and Community Services scrutiny committees and the minority spokes for Communities Arts & Recreation and Strategy and Transformation have been informed of nomination process.

### **3.10 Management of relationship**

The relationship will be managed under contract via a performance framework, which will include the following components:

#### **3.10.1 Contractual requirements**

a) The use of Council buildings and assets will be controlled through leases and licences. This will identify the duration of arrangements, responsibilities of each party and financial relationships

b) Establishment of Council requirements for the use of the Cambridge Folk Festival trademark. This could include, for example

- § The event must focus on the folk music genre
- § The event must be held at Cherry Hinton Hall unless permission for an alternative site is given by the Council

c) The Council's contracts with Cambridge Live will run for 25 years to reflect the Council's relationship with the Trust across the duration of the other arrangements. There will be review points to assess strategic and financial direction, also termination clauses relating to serious contractual breaches for reputational, financial mismanagement, health and safety reasons.

d) Review points – proposed every 5 years, although the first would take place in autumn 2017 to consider requirements and subsidy post 2020/21



#### e) Performance and Service Outcomes

- § Agreed subsidy
- § Performance management outcomes relating to Corn Exchange, Cambridge Folk Festival and outdoor events, for example in relation to audience development, equality, diversity and accessibility.
- § Development of an artistic vision
- § Engagement with the Council (for example in regard to the outdoor events programme)

#### 3.10.2 Board of Trustees

- § Appointment of Council trustees
- § Open and transparent recruitment of Trustees

#### 3.10.3 Monitoring

- § Relationship manager – Head of Communities Arts & Recreation (HoCAR) will be an observer at board meetings
- § Monthly meetings with Managing Director (MD)
- § Quarterly finance and performance report (QFPR) with Chair and MD
- § 5 year review points – proposed every 5 years, although the first would take place in autumn 2017 to consider requirements and subsidy post 2020/21.

#### 3.10.4 Political scrutiny

- § Councillor nominated trustees
- § The Council will discuss with the Trust the option of appointing observers as alternates to its nominated Trustees in the event of absence.
- § Executive Councillor attends QFPR meeting
- § Annual Report by Chair to Council (proposed half yearly in the first yearly)
- § Review points

#### 3.10.5 Public scrutiny

- § Feedback to Trust and Council from members of the public
- § Minutes of Board meetings available
- § Open aspect to AGM
- § Annual report published
- § Public can apply to be Trustees through open process

#### 3.10.6 Recommended length of terms

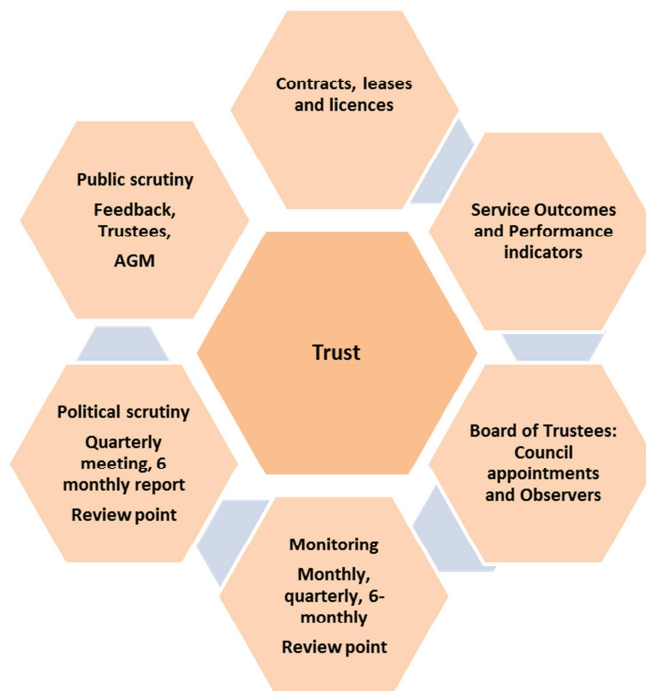
Contract: 25 years

Leases, licences, trademarks: 25 years

Funding agreement: 5 years (to run alongside current 5 year business plan)

Review periods: 5 years

### 3.10.7 Performance framework diagram



### 3.11 Risk assessment

The following risks have been identified and are outlined in the summary below. The full risk assessment is available upon request.

<b>Risk</b>	<b>Category</b>	<b>Cause</b>	<b>Controls</b>
1. Business fails to meet financial targets	Financial	Trust fails to meet business targets	CCC scrutiny of 5 year business plan believed to be robust; Performance management framework involves monthly meeting between CCC relationship manager HoCAR and MD, and monthly oversight of accounts by CCC accountant, quarterly meeting between Chair, MD, HoCAR and Executive Councillor, oversight by CCC-appointed Trustees, six monthly report by Chair to Councillors.
2. Service failure	Operational	Trust fails to deliver against expected performance or quality outcomes	CCC performance requirements outlined in SLA and other contracts. Performance management framework (as above).
3. Trust causes reputation damage to	Political	Actions of the Trust cause reputational damage to the	CCC endorses a robust process for recruitment of Trustees. Performance management framework ensures close working relationship to address any

the Council		Council	concerns in a timely manner.
4. Trust faces business continuity problems	Operational	Chair, Trustees or key staff leave the Trust. Buildings are unusable for a reason	Performance management framework ensures close working relationship to anticipate and offer support. Expect to see a business continuity plan in place and issues managed via risk register.
5. Trust responsible for significant health and safety breaches	Operational	Failure to comply with health and safety legislation, including Fire Risk Assessment	Area governed by legislation. Responsibilities of the Council and Trust respectively to be made clear in funding and contractual agreements. Along with Risk Management, we would expect to see health and safety as a routine Board agenda item. The Performance management framework and close working relationship will enable health and safety issues to be identified and managed
6. Trust responsible for safeguarding breaches	Operational	Failure to comply with legislation and County Council procedures in place to protect children and young people and vulnerable adults	Area governed by legislation. Responsibilities of the Council and Trust respectively to be made clear in funding and contractual agreements. Expect to see Safeguarding policies in place and engagement by Trust in local safeguarding training and events. The Performance management framework and close working relationship will enable monitoring to check arrangements are in place.
7. Taxation or contractual breaches	Financial	Procurement set up and VAT arrangements insufficiently robust	Expert advice taken from BWB, Counsel opinion. Council procurement and VAT advisor involved in set up of arrangement

## 4. Implications

### (a) Financial Implications

Outlined in section 3.8.9

### (b) Staffing Implications (if not covered in Consultations Section)

Outlined in section 3.7

### (c) Equal Opportunities Implications

A summary of the issues and actions arising from the EQIA (Appendix B)

<b>Equality Group</b>	<b>Possible impact or disadvantage</b>	<b>Action</b>
Age	Staff concerned about LGPS pensions in the transfer	Discuss LGPS options with Trust; Discuss proposals and method of consultation with Trade Unions. Consult on arrangement with staff
Disability	Lack of opportunity to engage in the process if absent from work (also applies to other long term absence)	Members of staff are being kept informed by a mixture of briefings from the Head of Service, emails from the Head of Service, and updates from managers at team meetings. Paper copies of key pieces of communication will be posted to home addresses where necessary. Formal consultation will include measures to ensure anyone with a disability has appropriate opportunity and support to participate. Staff on long term absence or sick leave will be consulted and kept informed.
Pregnancy and maternity	Lack of opportunity to engage in the process and or may be on maternity or adoption leave during transfer period	Members of staff are being kept informed by a mixture of briefings from the Head of Service, emails from the Head of Service, and updates from managers at team meetings. Paper copies of key pieces of communication will be posted to home addresses where necessary. Employees will be kept informed and offered opportunity to engage in the processes.
Other factors that may lead to inequality	Inequality may arise if the approach to programming venues or events does not proactively consider the wide range of equality issues.	The Council will require the Trust to undertake audience development activity, to research and consult widely with communities and cultures in the City to ensure programming is responsive, and audiences reflect the diverse population of the City. In particular, the Trust will be asked to consider ways to create better access to people on lower incomes.

**(d) Environmental Implications**

The project is estimated to have a low negative impact as the number of events held in the Guildhall is planned to rise, causing greater use of gas, electricity and water than at present.

**(e) Procurement**

The Council has considered the package of services carefully and taken both industry and legal advice on the future arrangements. An early options appraisal was conducted in the autumn of 2013 and this concluded the Council should establish a new trust (or not for profit distributing organisation) to run them. The rationale behind packaging the delivery of the services in this way was as follows:

- § The services are unusually diverse in their scope, scale and complexity and type of activity
- § The activities within the services (for example the marketing function and the box office) have significant levels of cross-staffing and other resource dependency

- § The services require significant levels of local fund-raising to be affordable and it is considered that these are more likely to be delivered by a local not for profit organisation than by a large profit making organisation remote from the City
- § The Council wishes to maintain a close link with the service provider in order for the Council to be able to influence the outdoor events programme - albeit at a high level
- § Publicity in the press and by the Council about the Council's proposals over the last 12 months has not given rise to any enquires about the proposed operation of the services.

The options which were discounted were:

- § Full or partial externalisation via a procurement exercise to the market
- § Merger with an existing NPDO or organisation
- § Retain part or all of the services in house

This appraisal was assessed by BWB and FEI as part of the phase 1 work on the Cultural Trust project and was re-appraised recently. On each occasion the consultants and solicitors supported the conclusion reached.

Given the nature of the services and the requirement for the service provider to raise substantial funding to maintain them, it is considered that there are no outstanding procurement implications.

#### **(f) Consultation and communication**

In addition to the working group, political briefings have been offered. Staff have been briefed by meetings and by email and have had the opportunity to comment and raise questions to both the head of service and the chair of the cultural trust. Regular briefings have been held with Trades Unions. Unison has undertaken a survey with the arts and recreation staff who will transfer. The responses and arising issues will be brought forward and addressed through the TUPE and staff consultation process. The Council has issued news releases to announce the recruitment and appointment of the Chair of the trust.

#### **(g) Community Safety**

Not applicable

### **5. Background papers**

- § BWB/FEI Business Plan CONFIDENTIAL: *By virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*
- § BWB/FEI Business Plan summary CONFIDENTIAL: *By virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*
- § Report to Community Services Scrutiny Committee 16.10.2014: Review of Outdoor Events

## **6. Appendices**

- A. Revised Cambridge Live budget summary
- B. EQIA

## **7. Inspection of papers**

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

Author's Name: Debbie Kaye  
Author's Phone Number: 01223 - 457551  
Author's Email: [debbie.kaye@cambridge.gov.uk](mailto:debbie.kaye@cambridge.gov.uk)

## Cambridge Live 5 year Business Plan

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
Corn Exchange/Guildhall Events	1216	1286	1367	1473	1536
CEX/GH Bars and Catering	464	473	483	493	502
Folk Festival/Outdoor Events	1645	1681	1718	1756	1794
Marketing Services	135	138	140	143	146
Ticket Services	375	383	390	398	406
Fundraising	179	201	218	235	265
Revenue: CCC Core grant	275	212	175	100	50
Revenue: CCC Outdoor Events	207	196	185	175	165
<b>Total Revenue</b>	<b>4497</b>	<b>4570</b>	<b>4676</b>	<b>4772</b>	<b>4865</b>
<b>Cost of sales</b>					
Corn Exchange/Guildhall Events	543	570	609	655	679
CEX/GH Bars and Catering	180	183	187	191	195
Folk Festival/Outdoor Events	1484	1492	1472	1482	1493
Marketing Services	47	48	49	50	51
Ticket Services	115	117	120	122	125
Fundraising	4	9	12	14	20
<b>Total Cost of Sales</b>	<b>2374</b>	<b>2420</b>	<b>2449</b>	<b>2514</b>	<b>2563</b>
<b>Contribution</b>	<b>2124</b>	<b>2150</b>	<b>2227</b>	<b>2257</b>	<b>2302</b>
<b>Overheads</b>					
Management/Executive	253	253	263	269	274
CEX/GH Technical	188	192	196	200	204
CEX/GH Catering	88	89	91	93	95
Folk Festival/Outdoor Events	171	175	178	182	186
Customer Services	122	124	127	129	132
Marketing & Communications	324	330	336	341	347
Box Office	223	228	233	237	242
Fundraising	36	36	37	38	39
Property/Infrastructure	390	395	405	413	421
Finance and General Administration	287	288	299	305	311
	<b>2083</b>	<b>2111</b>	<b>2165</b>	<b>2208</b>	<b>2252</b>
<b>Surplus/(Deficit)</b>	<b>41</b>	<b>38</b>	<b>63</b>	<b>50</b>	<b>51</b>

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# Cambridge City Council Equality Impact Assessment

Completing an Equality Impact Assessment will help you to think about what impact your strategy, policy, plan, project, contract or major change to your service may have on people that live in, work in or visit Cambridge, as well as on City Council staff.



The template is easy to use. You do not need to have specialist equalities knowledge to complete it. It asks you to make judgements based on evidence and experience. There are guidance notes on the intranet to help you. You can also get advice from David Kidston, Strategy and Partnerships Manager on 01223 457043 or email [david.kidston@cambridge.gov.uk](mailto:david.kidston@cambridge.gov.uk) or from any member of the Joint Equalities Group.

## 1. Title of strategy, policy, plan, project, contract or major change to your service:

Arrangements for the transfer of services to the cultural trust, Cambridge Live

## 2. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?

To reduce the subsidy required to these services.  
To provide a sustainable financial and operational basis on which the services can thrive.  
To manage and mitigate the risks to the authority of continuing to provide the services directly

## 3. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)

- Residents
- Visitors
- Staff

A specific client group or groups (please state):

## 4. What type of strategy, policy, plan, project, contract or major change to your service is this? (Please tick)

- New
- Revised
- Existing

## 5. Responsible directorate and service

Directorate: Customer & Community Services

Service: Arts & Recreation

## 6. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service?

No

Yes (please give details):

Legal, Finance, Property, HR

## 7. Potential impact

Please list and explain how this strategy, policy, plan, project, contract or major change to your service could **positively** or **negatively** affect individuals from the following equalities groups.

When answering this question, please think about:

- The results of relevant consultation that you or others have completed (for example with residents, people that work in or visit Cambridge, service users, staff or partner organisations).
- Complaints information.
- Performance information.
- Information about people using your service (for example whether people from certain equalities groups use the service more or less than others).
- Inspection results.
- Comparisons with other organisations.
- The implementation of your piece of work (don't just assess what you think the impact will be after you have completed your work, but also think about what steps you might have to take to make sure that the implementation of your work does not negatively impact on people from a particular equality group).
- The relevant premises involved.
- Your communications.
- National research (local information is not always available, particularly for some equalities groups, so use national research to provide evidence for your conclusions).

**(a) Age** (any group of people of a particular age, including younger and older people)

Concern has been expressed by some members of staff about how their pensions would be affected in any change.

**(b) Disability** (including people with a physical impairment, sensory impairment, learning disability, mental health problem or other condition which has an impact on their daily life)

Opportunity to engage in the process if absent from work.

**(c) Gender**

None

**(d) Pregnancy and maternity**

Opportunity to engage in the process. Staff may be pregnant, or on maternity or adoption leave during transfer period.

**(e) Transgender** (including gender re-assignment)

None

**(f) Marriage and Civil Partnership**

None

**(g) Race or Ethnicity**

None

**(h) Religion or Belief**

None

**(i) Sexual Orientation**

None

**(j) Other factor that may lead to inequality (please state):**

The services currently run by the Council are tasked to be responsive and promote access to a broad section of the community. The Trust will be required to continue to develop a diverse and inclusive programme. Failure to do so would result in an exclusive programme that would not meet Council objectives.

**8. If you have any additional comments please add them here**

## 9. Conclusions and Next Steps

- If you have not identified any negative impacts, please sign off this form.
- If you have identified potential negative actions, you must complete the action plan at the end of this document to set out how you propose to mitigate the impact. If you do not feel that the potential negative impact can be mitigated, you must complete question 8 to explain why that is the case.
- If there is insufficient evidence to say whether or not there is likely to be a negative impact, please complete the action plan setting out what additional information you need to gather to complete the assessment.

All completed Equality Impact Assessments must be emailed to David Kidston, Strategy and Partnerships Manager, who will arrange for it to be published on the City Council's website. Email [david.kidston@cambridge.gov.uk](mailto:david.kidston@cambridge.gov.uk)

## 10. Sign off

Name and job title of assessment lead officer: Debbie Kaye

Names and job titles of other assessment team members and people consulted:  
Steve Bagnall, Cultural Facilities Manager,  
Deborah Simpson, Head of HR  
Karl Tattam, Support Services Manager

Date of completion: 3.1.2014 Reviewed October 2014

Date of next review of the assessment: N/A

## Action Plan

**Equality Impact Assessment title:** Arrangements for the transfer of services to the cultural trust, Cambridge Live

**Date of completion:** 3.10.2014

<b>Equality Group</b>	<b>Age</b>
Details of possible disadvantage or negative impact	Staff concerned about LGPS pensions in the transfer
Action to be taken to address the disadvantage or negative impact	Discuss LGPS options with Trust; Discuss proposals and method of consultation with Trade Unions. Consult on arrangement with staff
Officer responsible for progressing the action	Debbie Kaye, Deborah Simpson
Date action to be completed by	December 2014
<b>Equality Group</b>	<b>Disability</b>
Details of possible disadvantage or negative impact	Lack of opportunity to engage in the process if absent from work (also applies to other long term absence)
Action to be taken to address the disadvantage or negative impact	Members of staff are being kept informed by a mixture of briefings from the Head of Service, emails from the Head of Service, and updates from managers at team meetings. Paper copies of key pieces of communication will be posted to home addresses where necessary. Formal consultation will include measures to ensure anyone with a disability has appropriate opportunity and support to participate. Staff on long term absence or sick leave will be consulted and kept informed.
Officer responsible for progressing the action	Debbie Kaye
Date action to be completed by	Ongoing
<b>Equality Group</b>	<b>Gender</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	

<b>Equality Group</b>	<b>Pregnancy and Maternity</b>
Details of possible disadvantage or negative impact	Lack of opportunity to engage in the process and or may be on maternity or adoption leave during transfer period
Action to be taken to address the disadvantage or negative impact	Members of staff are being kept informed by a mixture of briefings from the Head of Service, emails from the Head of Service, and updates from managers at team meetings. Paper copies of key pieces of communication will be posted to home addresses where necessary. Employees will be kept informed and offered opportunity to engage in the processes.
Officer responsible for progressing the action	Debbie Kaye
Date action to be completed by	Ongoing
<b>Equality Group</b>	<b>Transgender</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	
<b>Equality Group</b>	<b>Marriage and Civil Partnership</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	
<b>Equality Group</b>	<b>Race or Ethnicity</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	

<b>Equality Group</b>	<b>Pregnancy and Maternity</b>
Date action to be completed by	
<b>Equality Group</b>	<b>Religion or Belief</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	
<b>Equality Group</b>	<b>Sexual Orientation</b>
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	
Officer responsible for progressing the action	
Date action to be completed by	
<b>Other factors that may lead to inequality</b>	
Details of possible disadvantage or negative impact	Inequality may arise if the approach to programming venues or events does not proactively consider the wide range of equality issues.
Action to be taken to address the disadvantage or negative impact	The Council will require the Trust to undertake audience development activity, to research and consult widely with communities and cultures in the City to ensure programming is responsive, and audiences reflect the diverse population of the City. In particular, the Trust will be asked to consider ways to create better access to people on lower incomes.
Officer responsible for progressing the action	Debbie Kaye
Date action to be completed by	October 2015

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<p style="text-align: center;"><b>RECOMMENDATION TO COUNCIL (THE LEADER)</b></p>
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## **Establishment of Greater Cambridge Joint Governance Framework**

The Greater Cambridge City Deal document was signed on 19 June 2014 on behalf of all five local partners (Cambridgeshire County Council, Cambridge City Council, South Cambridgeshire District Council, the Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge) and Government.

The Deal is underpinned by a commitment to deliver transformative economic benefits through investment in infrastructure and through a collaborative governance framework, featuring an Executive Board that brings together the partner organisations and a wider Assembly. An effective and efficient governance structure is recognised in the deal as key to the delivery of the infrastructure programme and to planning effectively for future growth.

It is envisaged that the governance framework will consist of a five person Executive Board, supported by a 15 person Assembly that comprises a mix of elected Members and wider stakeholders. The Assembly is envisaged to perform an advisory function in support of the work of the Executive Board, which is expected to be the decision-making body for those issues within the remit of the governance framework.

<p><b><u>Post Committee update/amendment:</u></b></p>
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<p>Subsequent to agreement at Strategy &amp; Resources Scrutiny Committee on 20<sup>th</sup> October 2014, officers from the three councils concerned identified the need to further clarify issues relating to the composition, roles and powers of the Executive Board and Assembly. The amended S&amp;R report and appendices attached clarify the basis on which Assembly members are to be nominated (report page 4); the objectives of the Deal (report page 7); the delegation of functions to the Executive Board (report page 8); and matters relating to the election and position of the Chair and Vice Chair of the Executive Board (report page 10-11). The amended Terms of Reference and Standing Orders for the Assembly remove an erroneous clause on election of chair and vice chair (report page 18).</p>
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The Strategy and Resources Scrutiny Committee considered and approved the recommendations unanimously.

**Accordingly, Council is recommended:**

- i. Endorse the following:
  - The amended Terms of Reference for the Executive Board;
  - The Leader of the Council be appointed to represent the Council on the Executive Board;
  - Councillor Blencowe be appointed as the Council's substitute representative on the Executive Board;
  - the amended Terms of Reference for the Assembly;
  - The delegation of the executive functions of the City Council referred to in the Terms of Reference for the Executive Board.
  
- ii. Appoint Council's three representatives on the Assembly, on a politically proportionate basis.



To: The Leader and Executive Councillor for Strategy and Transformation: Councillor Lewis Herbert

Report by: Andrew Limb, Head of Corporate Strategy

Relevant scrutiny committee: Strategy & Resources  
20/10/2014  
Scrutiny Committee

Wards affected: Abbey Arbury Castle Cherry Hinton Coleridge East Chesterton King's Hedges Market Newnham Petersfield Queen Edith's Romsey Trumpington West Chesterton

## **ESTABLISHMENT OF GREATER CAMBRIDGE JOINT GOVERNANCE FRAMEWORK**

### **Key Decision**

---

#### **1. Executive summary**

1.1 The Greater Cambridge City Deal document was signed on 19 June 2014 on behalf of all five local partners (Cambridgeshire County Council, Cambridge City Council, South Cambridgeshire District Council, the Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge) and Government.

1.2 The Deal is underpinned by a commitment to deliver transformative economic benefits through investment in infrastructure and through a collaborative governance framework, featuring an Executive Board that brings together the partner organisations and a wider Assembly. An effective and efficient governance structure is recognised in the deal document as key to the delivery of the infrastructure programme and to planning effectively for future growth.

1.3 It is envisaged that the governance framework will consist of a five person Executive Board, supported by a 15 person Assembly that comprises a mix of elected Members and wider stakeholders. The Assembly is envisaged to perform an advisory function in support of the work of the Executive Board, which is expected to be the decision-making body for those issues within the remit of the governance framework.

## **2. Recommendations**

2.1 The Executive Councillor is recommended to agree the following and to recommend them to Full Council for endorsement:

a) The Terms of Reference for the Executive Board;

b) The Leader of the Council be appointed to represent the Council on the Executive Board;

c) Councillor Blencowe be appointed as the Council's substitute representative on the Executive Board;

d) The Terms of Reference for the Assembly;

and e) The delegation of the executive functions of the City Council referred to in the Terms of Reference for the Executive Board.

2.2 The Executive Councillor is recommended to invite Full Council to:

e) Appoint Council's three representatives on the Assembly, on a politically proportionate basis.

## **3. Background**

3.1 The Greater Cambridge City Deal document was signed on 19 June 2014 on behalf of all five local partners (Cambridgeshire County Council, Cambridge City Council, South Cambridgeshire District Council, the Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge) and Government.

3.2 Partners have expressed a preference for the creation of a Greater Cambridge Combined Authority. However, legislation governing Combined Authorities will need to be amended if such a body is to be created for the Greater Cambridge area. An initial consultation was undertaken on potential changes to this legislation by Government earlier this year, to which the partners submitted a combined response. It is unclear at this point when changes to legislation can be expected to be proposed by Government.

3.3 In the interim period before a Combined Authority can be established, the partners have committed to set up a Joint Committee to drive greater coordination and closer working.

3.4 The Leader is recommended to agree to the establishment of the Greater Cambridge Executive Board as a joint committee. Similar

processes are currently being followed in South Cambridgeshire DC and Cambridgeshire County Council.

## **Executive Board**

3.5 As stated above, the Executive Board is expected to be the key decision-making body within the governance framework. Proposed Terms of Reference for the Executive Board are attached in Appendix A. These include delegation of exercise of member councils' functions to the Executive Board to the extent necessary for the Board to exercise its powers.

3.6 The Executive Board is expected to consist of one representative from each of the five partner organisations, with each organisation determining its own representative. It is proposed that the Leader of the Council be appointed to represent the Council on the Executive Board.

3.7 Each partner organisation will also need to appoint a named substitute representative who may act in all respects as a voting member of the Executive Board in the absence of the voting member appointed. It is proposed that Councillor Blencowe be appointed as the Council's substitute representative on the Executive Board.

3.8 Due to restrictions in legislation governing Local Authority Joint Committees, it is anticipated that the three Local Authority representatives on the Executive Board would hold voting powers, whilst the representatives of the University of Cambridge and Local Enterprise Partnership (who would be co-opted) would act as non-voting members. The Local Authority representatives would commit through the Terms of Reference to act with due regard to the opinions of those representatives.

3.9 Where possible, it is expected that the Executive Board would operate on the basis of consensus to ensure that decisions taken have the backing of Members across the city-region. It is recognised that this may not always be possible, and this is addressed in the Terms of Reference.

## **Assembly**

3.10 It is anticipated that the Assembly will play an advisory role, acting as a forum for discussion with a wider range of Members and stakeholders across the Greater Cambridge area, so that the Board benefits from a wider range of input and expertise in making its decisions. The Assembly will usually meet in advance of Executive Board meetings to pre-scrutinise the issues the Board will be taking decisions on and advise the Board accordingly.

3.11 The most appropriate structure for the Assembly to be constituted in order to fulfil its advisory role is a forum (a joint advisory committee) convened by the Executive Board, which allows it to be used in a flexible way in supporting the Executive Board's decision-making.

3.12 Proposed Terms of Reference for the Assembly are included in Appendix B.

3.13 It is proposed that the Assembly consist of 15 representatives, with three nominated by each partner organisation. The representatives nominated by each Council will need to be drawn from within that organisation, representing the political composition of the District councils in the case of South Cambridgeshire and Cambridge City Council, and the county council divisions in the Greater Cambridge area in relation to the County Council. However, that requirement does not exist for the representatives of the University of Cambridge and Local Enterprise Partnership.

3.14 The Leader is recommended to invite Full Council appoint the Council's three representatives on the Assembly in accordance with the proportionality principle set out in para 2.9.13 above, and usual principles for nominations from Groups.

### **Strategic spatial/transport planning**

3.15 Throughout the Deal process, there has been a shared desire amongst the partner organisations to integrate more closely the Councils' powers and responsibilities relating to strategic spatial and transport planning. Through the Deal Document we have committed to formalise the existing good joint working arrangements as part of the move towards a Combined Authority structure. It should be noted that the emerging Local Plans for Cambridge and South Cambridgeshire are still to go through public examination and be adopted.

3.16 The most effective means by which this integration could be achieved would be to merge the statutory Local Plan-making responsibilities of Cambridge City Council and South Cambridgeshire District Council with the County Council's transport strategy powers relating to the city-region to form a single Growth Plan when the Local Plans are next reviewed – and we have committed to begin an early review in 2019 to take into account the changed circumstances arising from substantial City Deal investment.

3.17 As it stands the only means by which this could be done would be through the formation of a Section 29 Committee, which would require a parliamentary process to establish and revoke. However, there is unlikely to be a workload for such a body at this point in time given the fact that the

Local Plan review would not be started until 2019. The requirement to form a Section 29 Committee is currently expected to be superseded by the creation of a Combined Authority. No action to create a section 29 committee and delegate planning powers to it is therefore proposed at this time, but in coming years it may prove necessary to propose such action, to ensure that those powers are joined up and delegated for joint decision making through the City Deal governance arrangements ahead of the Local Plan review due to start in 2019.

3.18 Through the examination of the strategic planning and transport commitment, it has become clear that moving towards a more fully integrated, shared planning and transport service could offer many potential advantages to the three councils and their stakeholders in delivering City Deal and sustainable growth more broadly across the Greater Cambridge area. The alignment of strategic planning and transport strategy preparation with the growth delivery activities that the councils are engaged upon will ensure the achievement of City Deal outcomes is optimised. The exploration of ways in which an integrated shared service approach can be achieved will be undertaken by the councils over the next 12 months, and brought back to committee for decision at the appropriate time.

## **4. Implications**

### **(a) Financial Implications**

There are no direct financial implications from the decisions in this report, other than the Council's interest in the City Deal funding received from Government (which is delegated to the Joint Committee). Other funding may be delegated to the Joint Committee in due course. Officer support for the new committee will be provided by the three councils from existing resources.

### **(b) Staffing Implications** (if not covered in Consultations Section)

None – officers will support the new committee as per current objectives.

### **(c) Equal Opportunities Implications**

An equality impact assessment has not been carried out. Officers are of the view that there are no direct equalities implications from the creation of this committee. Decisions that the committee takes will be informed by equality impact assessments where appropriate.

### **(d) Environmental Implications**

There are no significant environmental implications from this decision.

### **(e) Procurement**

No procurement connected directly to this decision.

**(f) Consultation and communication**

The intention to create a new joint governance framework as part of the city deal has been communicated publicly through press releases previously, and the creation of this committee will be communicated through the Council's normal channels.

**(g) Community Safety**

No direct implications.

**5. Background papers**

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

<https://www.gov.uk/government/publications/city-deals-greater-cambridge>

**6. Appendices**

Appendix A: Executive Board Terms of Reference & Standing Orders.

Appendix B: Assembly Terms of Reference & Standing Orders

**7. Inspection of papers**

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

Author's Name:	Andrew Limb
Author's Phone Number:	01223 - 457004
Author's Email:	andrew.limb@cambridge.gov.uk





## GREATER CAMBRIDGE CITY DEAL EXECUTIVE BOARD

### TERMS OF REFERENCE

#### 1. Parties

Cambridge City Council  
Cambridgeshire County Council  
South Cambridgeshire District Council  
The Greater Cambridge Greater Peterborough Enterprise Partnership  
The University of Cambridge

#### 2. Status

The Greater Cambridge Executive Board has been established by Cambridge City Council, Cambridgeshire County Council and South Cambridgeshire District Council. It is a joint committee of the three Councils, established by Cambridgeshire County Council under section 102(1)(b) of the Local Government Act 1972 and by Cambridge City Council and South Cambridgeshire District Council under section 9EB of the Local Government Act 2000.

#### 3. Membership

3 elected members with full voting rights (one from each of the three member Councils)  
2 non-voting members (one from the Local Enterprise Partnership and one from the University of Cambridge).

#### 4. Functions of the Executive Board

4.1 The Executive Board is established to ensure that the objectives of the Greater Cambridge City Deal [Agreement dated 19 June 2014](#) are met. The Greater Cambridge City Deal aims to enable a new wave of innovation-led growth by investing in the infrastructure, housing and skills that will facilitate the continued growth of the Cambridge Phenomenon. To this end, the Board will have oversight of the strategic direction and delivery of the City Deal and its objectives.

4.2 The Executive Board will also be responsible for the commissioning of projects funded by money provided through the City Deal, and for overall control of that programme of investments. The scheme promoter for each individual project will be responsible for the delivery of that budget, under the oversight of the Executive

Board. This shall also apply to circumstances in which funding is provided to the Board by the member Councils or by other parties, such as the Local Enterprise Partnership.

4.3 The three Councils agree to delegate exercise of their functions to the Executive Board to the extent necessary to enable ~~for~~ the Board to pursue and achieve the objectives of the Greater Cambridge City Deal ~~exercise its powers~~ and to undertake any actions necessary, incidental or ancillary to achieving those objectives, and ~~–~~, accordingly, the three Councils shall make the necessary changes to their respective schemes of delegation. ~~The three Councils may also, from time to time, agree to delegate further functions to the Board.~~ The Executive Board may further delegate to officers of the three Councils.

4.4 The Executive Board will consider any reports and recommendations from the Joint Assembly as appropriate.

## **5. Professional and administrative support**

5.1 Cambridgeshire County Council shall act as the accountable body for the Executive Board in respect of financial matters and its financial procedure rules will apply in this context.

5.2 Committee management and administrative support to the Executive Board will be provided by South Cambridgeshire District Council.

5.3 The lead role on projects shall be determined by the Board, subject to the principle that the lead authority should be the Council primarily responsible for the service in question for their area. The procurement and other rules of the lead authority will apply in respect of projects.

## **6. Standing Orders**

The Executive Board will be governed by the Standing Orders set out in Annex A attached to these Terms of Reference.

## **7. Costs**

7.1 The three Councils will each bear its own costs in relation to the operation of the Executive Board, with the exception of approved project delivery costs met from budgets managed by the Board.

7.2 Each Council makes a legally binding commitment that, should it withdraw from or modify its role within the Executive Board, it agrees to pay all additional costs that fall to be met by the other partner Councils that are reasonably attributable to that decision. This could include, for example, the costs that are locked in to projects that

have already been committed to, or the costs of dissolving integrated officer and Member arrangements and re-establishing independent arrangements.

- 7.3 The firm intention is that the Executive Board will continue until it is either replaced by a Combined Authority, subject to the carrying out of a governance review following necessary legislative changes, or until the programme is completed. Recognising the very serious implications of withdrawal from the Board for the delivery of the City Deal programme, if a Council decides to withdraw from or modify its role within the Board, it commits to sharing this with the Committee at the earliest possible opportunity, and to entering into constructive discussions to avoid this happening or to reach a way forward.

**GREATER CAMBRIDGE CITY DEAL EXECUTIVE BOARD****STANDING ORDERS****1. Membership**

- 1.1 The Executive Board will have a voting membership of three, each Council being entitled to appoint one voting member.
- 1.2 The Executive Board will also have two non-voting members, to be co-opted by the Committee on a nomination by each of the Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge.

**2. Alternate or substitute members**

- 2.1 Each Council will be entitled to appoint one named alternate or substitute member who may act in all aspects as a voting member of the Executive Board in the absence of the voting member appointed.
- 2.2 Alternative or substitute members will be invited to attend all meetings of the Executive Board.
- 2.3 The Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge will each be entitled to nominate an alternate or substitute non-voting member to act in the absence of their principal co-opted member.

**3. Term of office**

- 3.1 The term of office of voting and alternate or substitute voting members shall end:
  - if rescinded by the appointing Council; or
  - if the member ceases to be a member of the appointing Council.
- 3.2 The Greater Cambridge Greater Peterborough Enterprise Partnership and University of Cambridge may at any time ask the Executive Board to replace their nominated co-opted member and alternate or substitute member by way of further nomination.

**4. Appointment of Chairman and Vice-Chairman**

- 4.1 The Executive Board will appoint a Chairman and Vice-Chairman at its first meeting and thereafter annually at the first meeting following the Annual Meetings of the three Councils. The Chairman and, in his or her absence, the Vice-Chairman shall will have a casting vote.

4.2 The non-voting co-opted members of the Executive Board shall not act in the role of either ~~the~~ Chairman or ~~and~~ the Vice-Chairman of the ~~will be one of the three voting members of the Executive~~ Executive Board.

4.3 ~~Where a vote is taken for more than one candidate and the result is a tie, a second vote will be taken. In the event of a continuing tie the matter will be decided by the toss of a coin.~~

## **5. Quorum**

5.1 The quorum for meetings of the Executive Board will be three voting members.

5.2 If there is no quorum at the published start time for the meeting, a period of ten minutes will be allowed, or longer, at the Chairman's discretion. If there remains no quorum at the expiry of this period, the meeting will be declared null and void.

5.3 If there is no quorum at any stage during a meeting, the Chairman will adjourn the meeting for a period of ten minutes, or longer, at their discretion. If there remains no quorum at the expiry of this period, the meeting will be closed and the remaining items will be declared null and void.

## **6. Member conduct**

6.1 Executive Board members appointed by the three Councils shall be bound by the Code of Conduct of their nominating authority. Board members nominated by the Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge will be bound by the Code of Conduct of South Cambridgeshire District Council.

6.2 If a member persistently disregards the ruling of the Chairman, or person presiding the meeting, by behaving improperly or offensively or deliberately obstructs business, the Chairman, or person presiding the meeting, may move that the member be not heard further. If seconded, a vote will be taken without discussion.

6.3 If the member continues to behave improperly after such a motion is carried, the Chairman, or person presiding the meeting, may move that either the member leaves the meeting or that the meeting is adjourned for a specified period. If seconded, a vote will be taken without discussion.

## **7. Notice of and summons to meetings**

7.1 Notice will be given to the public of the time and place of any meeting of the Executive Board in accordance with the Access to Information rules of South Cambridgeshire District Council.

7.2 At least five clear working days before a meeting, a copy of the agenda and associated papers will be sent to every member of the Executive Board. The agenda

will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such details as are available.

## **8. Meeting frequency**

The Executive Board will meet on at least a quarterly basis, with one of those meetings acting as the annual meeting.

## **9. Voting**

9.1 Executive Board members commit to seek, where possible, to operate on the basis of consensus.

9.2 Should it not be possible in a specific instance to find a consensus, the issue will be deferred to a later meeting of the Executive Board. Executive Board members can choose to simply re-submit the item to a following meeting, or to refer the item to the Joint Assembly for consideration and recommendation. Following this, a vote will be again taken and, if a consensus is still not achievable, the decision will be made on the basis of a simple majority.

9.3 The voting members of the Executive Board will act with due regard to the opinions of the non-voting members of the Board.

## **10. Reports and recommendations from the Joint Assembly**

The Executive Board will receive reports and recommendations from the Joint Assembly as appropriate and the Chairman of the Assembly, or a nominated representative on his or her behalf, will be entitled to attend meetings of the Board to present them.

## **11. Questions by the public and public speaking**

At the discretion of the Chairman, members of the public may ask questions at meetings of the Executive Board. This standard protocol is to be observed by public speakers:

- (a) notice of the question should be given to the Democratic Services team at South Cambridgeshire District Council (as administering authority) by 10am the day before the meeting;
- (b) questioners will not be permitted to raise the competence or performance of a member, officer or representative of any partner on the Executive Board, nor any matter involving exempt information (normally considered as 'confidential');
- (c) questioners cannot make any abusive or defamatory comments;

- (d) if any clarification of what the questioner has said is required, the Chairman will have the discretion to allow other Board members to ask questions;
- (e) the questioner will not be permitted to participate in any subsequent discussion and will not be entitled to vote;
  
- (f) the Chairman will decide when and what time will be set aside for questions depending on the amount of business on the agenda for the meeting. Normally questions will be received as the first substantive item of the meeting;
- (g) individual questioners will be permitted to speak for a maximum of three minutes;
- (h) in the event of questions considered by the Chairman as duplicating one another, it may be necessary for a spokesperson to be nominated to put forward the question on behalf of other questioners. If a spokesperson cannot be nominated or agreed, the questioner of the first such question received will be entitled to put forward their question.

## **12. Petitions**

Petitions received in relation to the Greater Cambridge City Deal will be referred to the Joint Assembly for consideration. Any matters arising from petitions considered by the Assembly can be reported to the Board, as per Standing Order 10.

## **13. Participation at Executive Board meetings by other members of partner Councils or other representatives of partner bodies**

At the discretion of the Chairman, other elected members of the three partner Councils or other representatives from the Greater Cambridge and Greater Peterborough Enterprise Partnership or the University of Cambridge may be entitled to speak and participate at meetings of the Board.

## **14. Minutes**

- 14.1 The Chairman will sign the minutes of the proceedings at the next suitable meeting. The Chairman will move that the minutes of the previous meeting be signed as a correct record.
- 14.2 The minutes will be accompanied by a list of agreed action points, which may be discussed in considering the minutes of the previous meeting should they not be specifically listed as items on the agenda for the meeting.

## **15. Exclusion of the public and press**

Members of the public and press may be excluded from meetings in accordance with the Access to Information rules of South Cambridgeshire District Council with regard to the consideration of exempt or confidential information.

## **16. Recording of proceedings**

The recording in any format of meetings of the Executive Board is permitted, except:

- where the Chairman, or person presiding the meeting, rules that filming is being undertaken in such a way that is disruptive or distracting to the good order and conduct of the meeting;
- where the public have been excluded from the meeting in accordance with the Access to Information rules of South Cambridgeshire District Council during the consideration of exempt or confidential information.

## **17. Disturbance by public**

- 17.1 If a member of the public interrupts proceedings, the Chairman, or person presiding the meeting, will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room.
- 17.2 If there is a general disturbance in any part of the meeting room open to the public, the Chairman, or person presiding the meeting, may call for that part to be cleared.
- 17.3 If there is a general disturbance making orderly business impossible, the Chairman, or person presiding the meeting, may adjourn the meeting for as long as he or she thinks is necessary.

## **18. Interpretation of Standing Orders**

The ruling of the Chairman of the Executive Board as to the application of these Standing Orders shall be final.

## **19. Suspension of Standing Orders**

Any of these Standing Orders may, as far as is lawful, be suspended by motion passed unanimously by those entitled to vote.





## GREATER CAMBRIDGE CITY DEAL JOINT ASSEMBLY

### TERMS OF REFERENCE

#### 1. Parties

Cambridge City Council  
Cambridgeshire County Council  
South Cambridgeshire District Council  
The Greater Cambridge Greater Peterborough Enterprise Partnership  
The University of Cambridge

#### 2. Status

The Greater Cambridge City Deal Joint Assembly has been established by Cambridge City Council, Cambridgeshire County Council and South Cambridgeshire District Council. It is a joint advisory committee of the three Councils, established under section 102(4), Local Government Act, 1972.

#### 3. Membership

3 elected members appointed by each of the three member Councils  
3 members nominated by the Greater Cambridge Greater Peterborough Enterprise Partnership  
3 members nominated by the University of Cambridge

#### 4. Functions of the Joint Assembly

- 4.1 The Joint Assembly is established to advise the Greater Cambridge City Deal Executive Board with regard to the latter's role in achieving the objectives of the Greater Cambridge City Deal Agreement dated 19 June 2014.
- 4.2 The Assembly will act as a forum for discussion with a wider range of members and stakeholders across the Greater Cambridge area, so that the Executive Board benefits from a wider range of expertise in making its decisions.
- 4.3 To this end, the Assembly may receive and comment on ("pre-scrutinise") reports to the Executive Board, may offer advice to the Board on the discharge of its functions and may review its work.
- 4.4 The Assembly may develop its own work programme and submit reports or recommendations to the Executive Board for consideration, as appropriate.

**5. Professional and administrative support**

5.1 Committee management and administrative support to the Joint Assembly will be provided by South Cambridgeshire District Council.

5.2 Other professional support will be provided to the Assembly on an ad hoc basis as agreed between the three Councils.

**6. Standing Orders**

The Joint Assembly will be governed by the Standing Orders set out in Annex A attached to these Terms of Reference.

**7. Costs**

The three Councils, the Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge will each bear its own costs in relation to the operation of the Joint Assembly.

**GREATER CAMBRIDGE CITY DEAL JOINT ASSEMBLY**

**STANDING ORDERS**

**1. Membership**

- 1.1 The Joint Assembly will have a membership of 15, with each Council being entitled to appoint three members and the Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge both being entitled to nominate three members.
- 1.2 The appointments of the three Councils will represent the political composition of the Greater Cambridge area. Appointments by Cambridge City Council and South Cambridgeshire District Council will therefore be proportional to the political composition of the respective authority, whereas appointments by Cambridgeshire County Council will be proportional to those electoral divisions that fall within the Greater Cambridge area.
- 1.3 Members nominated by the Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge will become co-opted members on endorsement by the Executive Board.

**2. Alternate or substitute members**

No alternate or substitute members will be permitted on the Joint Assembly.

**3. Term of office**

- 3.1 The term of office of members and alternate or substitute members from the three Councils shall end:
- if rescinded by the appointing Council; or
  - if the member ceases to be a member of the appointing Council.
- 3.2 The Greater Cambridge Greater Peterborough Enterprise Partnership and University of Cambridge may at any time ask the Joint Assembly to replace their nominated co-opted member and alternate or substitute member by way of further nomination.
- 4. Appointment of Chairman and Vice-Chairman**
- 4.1 The Joint Assembly will appoint a Chairman and Vice-Chairman at its first meeting and thereafter annually at the first meeting following the Annual Meetings of the three Councils. The Chairman and, in his or her absence, the Vice-Chairman will have a casting vote.

- 4.2 Where there are three or more candidates for appointment and there is, after balloting, no candidate with a clear majority, meaning in this case the votes of more than 50% of members present and voting, the candidate with the least number of votes will withdraw and there will be a fresh ballot of remaining candidates; and so on until a candidate has that majority. ~~In the event of a continuing tie the matter will be decided by the toss of a coin.~~

## **5. Quorum**

- 5.1 The quorum for meetings of the Joint Assembly will be five members.
- 5.2 If there is no quorum at the published start time for the meeting, a period of ten minutes will be allowed, or longer, at the Chairman's, discretion. If there remains no quorum at the expiry of this period, the meeting will be declared null and void.
- 5.3 If there is no quorum at any stage during a meeting, the Chairman will adjourn the meeting for a period of ten minutes, or longer, at their discretion. If there remains no quorum at the expiry of this period, the meeting will be closed and the remaining items will be declared null and void.

## **6. Member conduct**

- 6.1 Joint Assembly members appointed by the three Councils shall be bound by the Code of Conduct of their nominating authority. Assembly members nominated by the Greater Cambridge Greater Peterborough Enterprise Partnership and the University of Cambridge will be bound by the Code of Conduct of South Cambridgeshire District Council.
- 6.2 If a member persistently disregards the ruling of the Chairman, or person presiding the meeting, by behaving improperly or offensively or deliberately obstructs business, the Chairman, or person presiding the meeting, may move that the member be not heard further. If seconded, a vote will be taken without discussion.
- 6.3 If the member continues to behave improperly after such a motion is carried, the Chairman, or person presiding the meeting, may move that either the member leaves the meeting or that the meeting is adjourned for a specified period. If seconded, a vote will be taken without discussion.

## **7. Notice of and summons to meetings**

- 7.1 Notice will be given to the public of the time and place of any meeting of the Joint Assembly in accordance with the Access to Information rules of South Cambridgeshire District Council.
- 7.2 At least five clear working days before a meeting, a copy of the agenda and associated papers will be sent to every member of the Joint Assembly. The agenda will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such details as are available.

## **8. Meeting frequency**

The Joint Assembly may set its own timetable for meetings but will initially meet quarterly, normally on a date preceding meetings of the Executive Board in order to allow the Assembly to consider issues the Board will be taking decisions on and advise accordingly.

## **9. Voting**

9.1 All Joint Assembly members will be voting members.

9.2 Voting for meetings of the Joint Assembly will be conducted on the basis of a simple majority.

## **10. Reports and recommendations from the Joint Assembly to the Executive Board**

The Chairman of the Joint Assembly, or a nominated representative on his or her behalf, will be entitled to attend meetings of the Executive Board to present reports and recommendations from the Assembly as appropriate.

## **11. Questions by the public and public speaking**

At the discretion of the Chairman, members of the public may ask questions at meetings of the Joint Assembly. This standard protocol is to be observed by public speakers:

- (a) notice of the question should be given to the Democratic Services team at South Cambridgeshire District Council (as administering authority) by 10am the day before the meeting;
- (b) questioners will not be permitted to raise the competence or performance of a member, officer or representative of any partner on the Joint Assembly, nor any matter involving exempt information (normally considered as 'confidential');
- (c) questioners cannot make any abusive or defamatory comments;
- (d) if any clarification of what the questioner has said is required, the Chairman will have the discretion to allow other Assembly members to ask questions;
- (e) the questioner will not be permitted to participate in any subsequent discussion and will not be entitled to vote;
- (f) the Chairman will decide when and what time will be set aside for questions depending on the amount of business on the agenda for the meeting. Normally questions will be received as the first substantive item of the meeting;
- (g) individual questioners will be permitted to speak for a maximum of three minutes;

- (h) in the event of questions considered by the Chairman as duplicating one another, it may be necessary for a spokesperson to be nominated to put forward the question on behalf of other questioners. If a spokesperson cannot be nominated or agreed, the questioner of the first such question received will be entitled to put forward their question.

## **12. Petitions**

12.1 At the discretion of the Chairman, members of the public may submit and present petitions to the Joint Assembly. This standard protocol is to be observed by petitioners:

- (a) petitions should include a clear statement of the petition organiser's concerns and what they would like the Joint Assembly to do;
- (b) petitions must relate to something which is within the responsibility of the Joint Assembly, or over which the Assembly has some influence;
- (c) petitions must include the name and contact details of the petition organiser;
- (d) petitions must include at least 500 signatures. Petitions below this threshold will not be presented to the Joint Assembly, but Assembly members will be notified of them as long as they contain at least 50 signatures;
- (e) petitions must be submitted to the Democratic Services Team at South Cambridgeshire District Council (as the administering authority) either in paper format or using its e-petitions facility at least 5 clear working days before the date of the meeting;
- (f) petition organisers will be permitted to present their petitions for a maximum of three minutes;
- (g) where more than one petition is received in time for a particular meeting and they are considered by the Chairman as supporting the same outcome or being broadly similar in intent, it may be necessary for a spokesperson to be nominated and present the petitions. If a spokesperson cannot be nominated or agreed, the petition organiser of first petition received will be entitled to present their petition;
- (h) petitions will be rejected if the Chairman considers them to be abusive or libellous, frivolous, vague or ambiguous, rude, offensive, defamatory, scurrilous or time-wasting or require the disclosure of exempt information (normally considered as 'confidential').

12.2 Any matters arising from petitions considered by the Joint Assembly can be reported to the Executive Board as per Standing Order 10.

## **13. Participation at Joint Assembly meetings by other members of partner Councils or other representatives of partner bodies**

At the discretion of the Chairman, other elected members of the three partner Councils or other representatives from the Greater Cambridge and Greater Peterborough Enterprise Partnership or the University of Cambridge may be entitled to speak and participate at meetings of the Assembly.

## **14. Minutes**

- 14.1 The Chairman will sign the minutes of the proceedings at the next suitable meeting. The Chairman will move that the minutes of the previous meeting be signed as a correct record. The only part of the minutes that can be discussed is their accuracy.
- 14.2 The minutes will be accompanied by a list of agreed action points, which may be discussed in considering the minutes of the previous meeting should they not be specifically listed as items on the agenda for the meeting.

## **15. Exclusion of the public and press**

Members of the public and press may be excluded from meetings in accordance with the Access to Information rules of South Cambridgeshire District Council with regard to the consideration of exempt or confidential information.

## **16. Recording of proceedings**

The recording in any format of meetings of the Joint Assembly is permitted, except:

- where the Chairman, or person presiding the meeting, rules that filming is being undertaken in such a way that is disruptive or distracting to the good order and conduct of the meeting;
- where the public have been excluded from the meeting in accordance with the Access to Information rules of South Cambridgeshire District Council during the consideration of exempt or confidential information.

## **17. Disturbance by public**

- 17.1 If a member of the public interrupts proceedings, the Chairman, or person presiding the meeting, will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room.
- 17.2 If there is a general disturbance in any part of the meeting room open to the public, the Chairman, or person presiding the meeting, may call for that part to be cleared.
- 17.3 If there is a general disturbance making orderly business impossible, the Chairman, or person presiding the meeting, may adjourn the meeting for as long as he or she thinks is necessary.

## **18. Interpretation of Standing Orders**

The ruling of the Chairman of the Joint Assembly as to the application of these Standing Orders shall be final.

**19. Suspension of Standing Orders**

Any of these Standing Orders may, as far as is lawful, be suspended by motion passed unanimously by those entitled to vote.



<p style="text-align: center;"><b>RECOMMENDATION TO COUNCIL</b> <b>(The Leader)</b></p>
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## **AUTHORITY TO DEPUTISE FOR THE CHIEF EXECUTIVE**

The Chief Executive was due to be away from work for a period from mid-October for medical reasons. The Leader was asked to recommend, and Council was asked to approve, arrangements for the Director of Customer and Community Services to deputise for the Chief Executive during her absence.

The Strategy and Resources Scrutiny Committee considered and approved the recommendation unanimously.

### **Accordingly, Council is recommended:**

To authorises the Director of Customer and Community Services to deputise for the Chief Executive and to act as Head of Paid Service during the Chief Executive's absence.

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## CIVIC AFFAIRS

17 September 2014

6.00pm - 6.45 pm

**Present:** Councillors McPherson (Chair), Benstead (Vice-Chair), Cantrill, Pitt, Hart and Robertson

### FOR ADOPTION BY THE COUNCIL

#### **14/52/CIV Constitution-changes to comply with legislation on recording officer decisions and recording meetings**

Mr Taylor addressed the committee and made the following points:

- i. Welcomed the recent changes to the law regarding recording Council meetings and encouraged the committee to support the proposed changes to the Constitution.
- ii. Expressed disappointment that the new legislation and the guidance regarding provision for those not wanting to be filmed did not align with one another. Suggested that local authorities lobby the Government in order to address this.
- iii. Highlighted Cambridgeshire County Council's more open and welcoming approach to members of the public wishing to film and report on meetings. Suggested that the City Council's approach could be improved.

The committee received a report from Head of Legal Services regarding constitutional changes to comply with legislation on recording officer decisions and recording meetings.

Councillor Cantrill welcomed the report and supported Mr Taylor's comments. It was important that the Council was as open and transparent as possible and it was suggested that in-house webcasted should be investigated further.

**Resolved** (unanimously) to:

- i. Recommend Council to adopt the revised 'Part 4B- Access to Information Rules' set out in the appendix of the officer's report.
- ii. Authorise the Monitoring Officer to make consequential changes to other parts of the Constitution that refer to recording meetings and public speaking rights.



## CAMBRIDGE CITY COUNCIL

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REPORT OF: Monitoring Officer (Head of Legal Services)

TO: Civic Affairs Committee

17/9/2014

WARDS: None directly affected

### **CONSTITUTION- CHANGES TO COMPLY WITH LEGISLATION ON RECORDING OFFICER DECISIONS AND RECORDING MEETINGS**

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#### **1 INTRODUCTION**

- 1.1 Part 4B of the Constitution covers access to information (on council meetings and decisions) and requires amending to reflect recent change to the law which provide for certain officer decisions to be published. Changes to the law also set out rights for the public to record council meetings.
- 1.2 Officers have revised Part 4B to reflect legal changes. The revised part 4B also includes revised rules on recording Council meetings, currently set out in the Council's filming protocol. Public speaking rights are also moved to Part 4B, as they fit with rights of public access to meetings. The revised Part 4B removes some duplication from the current version and, officers hope, is set out more clearly.

#### **2. RECOMMENDATION**

- 2.1 To recommend to Council to adopt the revised 'Part 4B- Access to Information Rules' set out in the appendix to this report.
- 2.2 To authorise the Monitoring Officer to make consequential changes to other parts of the Constitution that refer to recording meetings and public speaking rights.

#### **3. BACKGROUND**

- 3.1 On 6 August, 'The Openness of Local Government Bodies Regulations 2014' came into force. These require councils to permit the public to report (including filming and sending twitter

commentaries) on council meetings. They also require written records to be kept of certain decisions taken by officers. These obligations build upon the 2012 Local Government (Executive Arrangements) (Meetings and Access to Information) (England) Regulations.

- 3.2 The Government has published a guide for the public to coincide with the new law. 'Open and accountable local government' from the Department of Communities and Local Government spells out the public's rights both to attend meetings and to report them. The guide is at <https://www.gov.uk/government/publications/open-and-accountable-local-government-plain-english-guide>.
- 3.3 The original part 4B and recording protocol are included at Appendix A with the combined revised version for approval at Appendix B.

### **Filming and recording meetings**

- 3.4 Although the Council already had a protocol for audio/visual recording and photography at Council meetings, it needs updating to include reference to social media and the requirements of the new law and will be subsumed in the revised 4B (rather than, as current, in an appendix to Part 4A-Council Procedure Rules). In short the changes to how the Council operated its protocol are:

- Anyone can record, film, tweet, blog etc and no notice is needed or permission from the Chair is required
- A Chair can request that those record proceedings respect that some members of the public may wish not to be filmed – but cannot require it nor stop the person(s) from recording if they refuse the request

- 3.5 Therefore, the Council needs to consider whether it should continue to include provision for those members of the public who do not want to be recorded. The legislation is silent on this aspect but the Government guidance published to coincide with the new law is as follows:

“The council.....should consider adopting a policy on the filming of members of the public, and ensure that they protect children, the vulnerable and other members of the public who actively object to being filmed, without undermining the broader transparency of the meeting.”

- 3.5 The law also require the Council to ensure that reasonable facilities are afforded to citizen journalists and bloggers. This should include space to view and hear the meeting seats and ideally a desk. It states that councils should use their common sense to determine the range of reasonable facilities. (This council provides a desk at meetings in the Guildhall and free access to wi-fi).

### **Recording of officer decisions**

- 3.7 Officers must now record and publish decisions that are given under a specific Executive Councillor authorisation to do so, or a non-Executive decision delegated by Council, or a committee, or arising from a general authorisation to officers. Decisions delegated by an Executive Councillor to an officer have been recorded since September 2012, but some examples of the new requirement of officer decision include:

- the grant of a permission or licence,
- building control decisions/notices
- listed building consents

These will be published on the democratic pages of the website.

## **4. IMPLICATIONS**

### **(a) Financial Implications**

No implications

### **(b) Staffing Implications**

The new requirement to record officer decisions is additional work.

### **(c) Equal Opportunities Implications**

No Equalities Impact Assessment was carried out as the proposals are to comply with new legislation and associated Government guidance.

### **(d) Environmental Implications**

No implications

### **(e) Procurement**

No implications

### **(f) Consultation and communication**

The Council will continue to use Cambridge Matters to highlight information on Councillor decision-making. The Your Council section of the website will be updated to reflect the legislative changes.

(g) **Community Safety**

No implications

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

The Local Government (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

The Openness of Local Government Bodies Regulations 2014

The Local Audit and Accountability Act 2014

Open and accountable local government: plain English guide (Department of Communities and Local Government)

To inspect these documents contact Simon Pugh, Monitoring Officer and Head of Legal Services on (01223) 457401 or [simon.pugh@cambridge.gov.uk](mailto:simon.pugh@cambridge.gov.uk)

The author and contact officer for queries on the report is Simon Pugh, Monitoring Officer and Head of Legal Services

Report file:

Date originated: 08 September 2014

Date of last revision: 08 September 2014



## **Part 4B: Access to Information Procedure Rules**

### **1. Scope**

- 1.1 These rules apply to all meetings of the Council, overview and scrutiny committees, area committees (if any), the Standards Committee and regulatory committees and public meetings of the executive (together called meetings). They also apply to meetings of working parties unless specifically excluded by a working party's terms of reference.

### **2. Additional Rights To Information**

- 2.1 These rules do not affect any more specific rights to information contained elsewhere in this Constitution or the law. In particular, these rules supplement the provisions of the Freedom of Information Act 2000. In the case of any conflict between these rules and the Act, the Act will prevail.

### **3. Rights To Attend Meetings**

- 3.1 Members of the public may attend all meetings subject only to the exceptions in these rules.

### **4. Notices Of Meeting**

- 4.1 The Council will give at least five clear days notice of any meeting by posting details of the meeting at The Guildhall, Market Square, Cambridge and on its web site ([www.cambridge.gov.uk](http://www.cambridge.gov.uk)).

### **5. Access To Agenda And Reports Before The Meeting**

- 5.1 The Council will make copies of the agenda and reports open to the public available for inspection at the designated office at least five clear days before the meeting.
- 5.2 If an item is added to the agenda later, the revised agenda will be open to inspection for the time the item was added to the agenda.
- 5.3 Where reports are prepared after the summons has been sent out, the designated officer shall make each such report available to the public as soon as the report is completed and sent to Councillors.

### **6. Supply Of Copies**

- 6.1 The Council will supply copies of:
1. any agenda and reports which are open to public inspection;
  2. any further statements or particulars necessary to indicate the nature of the items in the agenda; and
  3. if the proper officer thinks fit, copies of any other documents supplied to Councillors in connection with an item
  4. the Forward Plan

to any person on payment of a charge for postage and any other costs.

**7. Access To Minutes Etc After The Meeting**

7.1 The Council will make available copies of the following for six years after a meeting:

1. the minutes of the meeting or records of decisions taken, together with reasons, for all meetings of the executive, but excluding any part of the minutes of proceedings when the meeting was not open to the public or which disclose exempt or confidential information;
2. a summary of any proceedings not open to the public where the minutes open to inspection would not provide a reasonably fair and coherent record;
3. the agenda for the meeting; and
4. reports relating to items when the meeting was open to the public.

**8. Background Papers**

**8.1 List of background papers**

8.1.1 Every report shall list those documents (called background papers) relating to the subject matter of the report which, in the author's opinion:

1. disclose any facts or matters on which the report or an important part of the report is based; and
2. have been relied on to a material extent in preparing the report except for published works or documents which disclose exempt or confidential information as defined in Rule 10 below.

**8.2 Public inspection of background papers**

8.2.1 The Council will make available for public inspection for four years after the date of the meeting one copy of each of the documents on the list of background papers.

**9. Summary Of Public's Rights**

9.1 These Rules constitute the written summary of the public's rights to attend meetings and to inspect and copy documents, and are kept at and available to the public for inspection at The Guildhall, Market Square, Cambridge.

**10. Exclusion Of Access By The Public To Meetings**

**10.1 Confidential information – requirement to exclude public**

10.1.1 The public must be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

10.1.2 Confidential information means information given to the Council by a Government Department on terms which forbid its public disclosure or information which cannot be publicly disclosed by Court Order.

## **10.2 Exempt information – discretion to exclude public**

10.2.1 The public may be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that exempt information would be disclosed.

10.2.2 Where the meeting will determine any person's civil rights or obligations, or adversely affect their possessions, Article 6 of the Human Rights Act 1998 establishes a presumption that the meeting will be held in public unless a private hearing is necessary for one of the reasons specified in Article 6.

10.2.3 Exempt information means information falling within the 7 categories (subject to any condition) set out in Appendix 1 to these Rules:

## **11. Exclusion Of Access By The Public To Reports**

11.1 If the Director responsible for a report thinks fit, the Council may exclude access by the public to reports which in his or her opinion relate to items during which, in accordance with Rule 10, the meeting is likely not to be open to the public. Such reports will be marked "Not for publication" together with the category of information likely to be disclosed.

## **12. Application Of Rules To The Executive**

12.1 Rules 13 – 24 apply to the executive and its committees and to decisions to be made by individual members of the executive. If the executive or its committees meet to take a key decision then it must also comply with Rules 1 – 11 unless Rule 15 (general exception) or Rule 16 (special urgency) apply. A key decision is defined in Article 12 of this Constitution. Rules 13 to 24 apply in the same way to key decisions to be made by individual members of the executive.

12.2 If the executive or its committees meet to discuss a key decision to be taken collectively, with an officer present, within 28 days of the date according to the forward plan by which it is to be decided, then it must also comply with Rules 1 – 11 unless Rule 15 (general exception) or Rule 16 (special urgency) apply. This requirement does not include meetings, whose sole purpose is for officers to brief members.

12.3 If the Executive meets collectively to take decisions which are not "key decisions", it will also apply Rules 12.1 and 12.2 to those decisions.

## **13. Procedure Before Taking Key Decisions**

13.1 Subject to Rule 15 (general exception) and Rule 16 (special urgency), a key decision may not be taken unless:

1. a notice (called here a forward plan) has been published in connection with the matter in question;
2. at least 5 clear days have elapsed since the publication of the forward plan; and

3. where the decision is to be taken at a meeting of the executive or its committees, notice of the meeting has been given in accordance with Rule 4 (notice of meetings).

#### **14. The Forward Plan**

##### **14.1 Period of forward plan**

- 14.1.1 Forward plans will be prepared by the Leader (with officer support) to cover a period of four months, beginning with the first day of any month. They will be prepared on a monthly basis and subsequent plans will cover a period beginning with the first day of the second month covered in the preceding plan.

##### **14.2 Contents of forward plan**

- 14.2.1 The forward plan will contain matters which the Leader has reason to believe will be subject of a key decision to be taken by the executive, a committee of the executive, individual members of the executive, officers, or under joint arrangements in the course of the discharge of an executive function during the period covered by the plan. It will describe the following particulars in so far as the information is available or might reasonably be obtained:

1. the matter in respect of which a decision is to be made;
2. where the decision taker is an individual, his/her name and title, if any and where the decision taker is a body, its name and details of membership;
3. the date on which, or the period within which, the decision will be taken;
4. the identity of the principal groups whom the decision taker proposes to consult before taking the decision;
5. the means by which any such consultation is proposed to be undertaken;
6. the steps any person might take who wishes to make representations to the executive or decision taker about the matter in respect of which the decision is to be made, and the date by which those steps must be taken; and
7. a list of the documents submitted to the decision taker for consideration in relation to the matter.

- 14.2.2 The forward plan must be published at least 14 days before the start of the period covered. The Director of Customer & Democratic Services will publish once a year a notice in at least one newspaper circulating in the area, stating:

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1. that key decisions are to be taken on behalf of the Council;
2. that a forward plan containing particulars of the matters on which decisions are to be taken will be prepared on a monthly basis;
3. that the plan will contain details of the key decisions to be made for the four month period following its publication;
4. that each plan will be available for inspection at reasonable hours free of charge at the Council's offices;
5. that each plan will contain a list of the documents submitted to the decision takers for consideration in relation to the key decisions on the plan;
6. the address from which, subject to any prohibition or restriction on their disclosure, copies of, or extracts from, any document listed in the forward plan is available;
7. that other documents may be submitted to decision takers;
8. the procedure for requesting details of documents (if any) as they become available; and
9. the dates on each month in the following year on which each forward plan will be published and available to the public at the Council's offices.

14.2.3 Exempt information need not be included in a forward plan and confidential information cannot be included.

### **15. General Exception**

15.1 If a matter which is likely to be a key decision has not been included in the forward plan, then subject to Rule 16 (special urgency), the decision may still be taken if:

1. the decision must be taken by such a date that it is impracticable to defer the decision until it has been included in the next forward plan and until the start of the first month to which the next forward plan relates;
2. the Chief Executive has informed the chair and any group spokespersons of a relevant overview and scrutiny committee, or if there is no chair, each member of that committee in writing, by notice, of the matter to which the decision is to be made;
3. the Chief Executive has made copies of that notice available to the public at the offices of the Council; and

4. at least 5 clear days have elapsed since the Chief Executive complied with 2. and 3.

Where such a decision is taken collectively, it must be taken in public.

## **16. Special Urgency**

- 16.1 If by virtue of the date by which a decision must be taken Rule 15 (general exception) cannot be followed, then the decision can only be taken if the decision taker (if an individual) or the chair of the body making the decision, obtains the agreement of the chair of a relevant overview and scrutiny committee that the taking of the decision cannot be reasonably deferred. If there is no chair of a relevant overview and scrutiny committee, or if the chair of each relevant overview and scrutiny committee is unable to act, then the agreement of the Mayor, or in his/her absence the Deputy Mayor will suffice.

## **17. Report To Council**

### **17.1 When an overview and scrutiny committee can require a report**

- 17.1.1 If an overview and scrutiny committee thinks that a key decision has been taken which was not:

1. included in the forward plan; or
2. the subject of the general exception procedure; or
3. the subject of an agreement with a relevant overview and scrutiny committee chair, or the Mayor/Deputy Mayor of the Council under Rule 16;

the committee may require the executive to submit a report to the Council within such reasonable time as the committee specifies. The power to require a report rests with the committee, but is also delegated to the Monitoring Officer, who shall require such a report on behalf of the committee when so requested by a majority of the committee. Alternatively the requirement may be raised by resolution passed at a meeting of the relevant overview and scrutiny committee.

### **17.2 Executive's report to Council**

- 17.2.1 The executive will prepare a report for submission to the next available meeting of the Council. However, if the next meeting of the Council is within 7 days of receipt of the written notice, or the resolution of the committee, then the report may be submitted to the meeting after that. The report to Council will set out particulars of the decision, the individual or body making the decision, and if the Leader is of the opinion that it was not a key decision the reasons for that opinion.

### **17.3 Quarterly reports on special urgency decisions**

- 17.3.1 In any event the Leader will submit quarterly reports to the Council on the executive decisions taken in the circumstances set out in Rule 16 (special

urgency) in the preceding three months. The report will include the number of decisions so taken and a summary of the matters in respect of which those decisions were taken.

**18. Record Of Decisions**

18.1 After any meeting of the executive or any of its committees, whether held in public or private, the Chief Executive or, where no officer was present, the person presiding at the meeting, will produce a record of every decision taken at that meeting as soon as practicable. The record will include a statement of the reasons for each decision and any alternative options considered and rejected at that meeting.

**19. Executive Meetings In Public**

19.1 All executive meetings will be held in public unless the provisions under Rule 10 apply.

**20. Notice Of Meeting Of The Executive**

20.1 Members of the executive or its committees will be entitled to receive five clear working days notice of a meeting to which they are summoned, unless the meeting is convened at shorter notice as a matter of urgency.

**21 Decisions By Individual Members Of The Executive**

**21.1 Reports intended to be taken into account**

21.1.1 Where an individual member of the executive receives a report which he/she intends to take into account in making any key decision, then he/she will not make the decision until at least 5 clear days after receipt of that report.

**21.2 Provision of copies of reports to overview and scrutiny committees**

21.2.1 On giving of such a report to an individual decision maker, the person who prepared the report will give a copy of it to the chair of every relevant overview and scrutiny committee as soon as reasonably practicable, and make it publicly available at the same time.

**21.3 Record of individual decision**

21.3.1 As soon as reasonably practicable after an executive decision has been taken by an individual member of the executive or a key decision has been taken by an officer, he/she will prepare, or instruct the Director of Customer & Democratic Services to prepare, a record of the decision, a statement of the reasons for it and any alternative options considered and rejected. This shall be sent to all members of the appropriate overview and scrutiny committee(s) promptly. The provisions of Rules 7 and 8 (inspection of documents after meetings) will also apply to the making of decisions by individual members of the executive. This does not require the disclosure of exempt or confidential information.

**22. Overview And Scrutiny Committees Access To Documents**

**22.1 Rights to copies**

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22.1.1 Subject to Rule 22.2 below, an overview and scrutiny committee (including its sub-committees) will be entitled to copies of any document which is in the possession or control of the executive or its committees and which contains material relating to

1. any business transacted at a meeting of the executive or its committees; or
2. any decision taken by an individual member of the executive.

### 22.2 Limit on rights

22.2.1 An overview and scrutiny committee will not be entitled to:

1. any document that is in draft form;
2. any part of a document that contains exempt or confidential information, unless that information is relevant to an action or decision they are reviewing or scrutinising or intend to scrutinise

## 23. Additional Rights Of Access For Members

### 23.1 Material relating to key decisions

23.1.1 All members of the Council will be entitled to inspect any document (except those available only in draft form) in the possession or under the control of the executive or its committees which relates to any key decision unless it contains exempt information falling within paragraphs 1,2,4,5 and 7 of the categories of exempt information and the information within paragraph 3 referring to any terms proposed by or to the authority in the course of negotiations for a contract.

### 23.2 Nature of rights

23.2.1 These rights of a member are additional to any other right he/she may have.



## **Appendix 1: Definition of “Exempt Information”**

1. Information relating to any individual.
2. Information which is likely to reveal the identity of an individual.
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
6. Information which reveals that the authority proposes—
  - (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
  - (b) to make an order or direction under any enactment.
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

## **Conditions relating to exempt information**

Information falling within paragraph 3 above is not exempt information by virtue of that paragraph if it is required to be registered under—

- (a) the Companies Act 1985;
- (b) the Friendly Societies Act 1974
- (c) the Friendly Societies Act 1992];
- (d) the Industrial and Provident Societies Acts 1965 to 1978;
- (e) the Building Societies Act 1986; or
- (f) the Charities Act 1993.

Information is not exempt by virtue of that paragraph if it relates to proposed development for which the local planning authority can grant itself planning permission under Regulation 3 of the Town and Country Planning General Regulations 1992.

Information which—

- (a) falls within any of paragraphs 1 to 7 above; and
- (b) is not prevented from being exempt by virtue of paragraph 8 or 9 above,

## Appendix A

is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

### **Interpretation of exempt information**

"employee" means a person employed under a contract of service;

"financial or business affairs" includes contemplated, as well as past or current, activities;

"labour relations matter" means—

(a) any of the matters specified in paragraphs (a) to (g) of section 218(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (matters which may be the subject of a trade dispute, within the meaning of that Act); or

(b) any dispute about a matter falling within paragraph (a) above; and for the purposes of this definition the enactments mentioned in paragraph (a) above, with the necessary modifications, shall apply in relation to office-holders under the authority as they apply in relation to employees of the authority;

"office-holder", in relation to the authority, means the holder of any paid office appointments to which are or may be made or confirmed by the authority or by any joint board on which the authority is represented or by any person who holds any such office or is an employee of the authority;

"registered" in relation to information required to be registered under the Building Societies Act 1986, means recorded in the public file of any building society (within the meaning of that Act).

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### **Cambridge City Council protocol on audio/visual recording and photography at Council meetings.**

The Council is committed to being open and transparent in the way it conducts its decision making. Recording is permitted at council meetings which are open to the public. The Council understands that some members of the public attending its meetings may not wish to be recorded. The Chair of the meeting will facilitate by ensuring that any such request not to be recorded is respected by those doing the recording.

The rules which the Council will apply are:

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1. Anyone wishing to record must let the Chair of the meeting know and the recording must be overt (i.e clearly visible to anyone at the meeting). The Council will supply signs which will be deployed at any meeting all or part of which is to be recorded.

2. The Chair of the meeting has absolute discretion to stop or suspend recording if in their opinion continuing to do so would prejudice proceedings at the meeting or if the person recording is in breach of these rules. The circumstances in which this might occur include :

- recording is disrupting the proceedings of the meeting
- there is public disturbance or a suspension of the meeting

the meeting has resolved to exclude the public for reasons which are set down in the Council's Constitution

3. Any member of the public has the right not to be recorded. We ensure that agendas for, and signage at, council meetings make it clear that recording can take place – if anyone does not wish to be recorded they must let the Chair of the meeting know

4. The recording should not be edited in a way that could lead to misinterpretation or misrepresentation of the proceedings or infringement of the Council's values or; in a way that ridicules or shows a lack of respect for those in the recording. The Council would expect any recording in breach of these rules to be removed from public view. Notes for guidance:

Please contact Democratic Services in advance of the meeting if the recording you wish to do involves large equipment or special requirements.

The use of lighting for filming/flash photography is allowed if it is arranged with Democratic Services prior to the meeting. We require this so we can ensure the meeting will not be unduly disrupted and there is a safe environment to transact the business.

A failure to follow these requirements may lead to a request to record being refused at subsequent council meetings.

Recording and reporting the council's meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance. This will include the Human Rights Act, the Data Protection Act and the laws of libel and defamation.

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## **Part 4B: Access to Meetings and Information Procedure Rules.**

### **1. Scope**

- 1.1 These rules apply to all meetings of the Council, scrutiny committees, area committees, regulatory committees and meetings of the Council's Executive. They also apply to meetings of working parties of councillors unless specifically excluded by a working party's terms of reference. These are referred to collectively as "meetings" in these Rules.
- 1.2 The rules also apply to some decisions made by Council officers.
- 1.3 The rules cover the following:
  - (a) The rights of members of the public to attend meetings
  - (b) The rights of members of the public to record meetings
  - (c) The rights of members of the public to speak at meetings
  - (d) How the Council gives notice of meetings
  - (e) Public access to agendas, reports and background papers
  - (f) Publication of records of decisions
  - (g) Publicity given when key decisions are to be made

### **2. Additional rights to information**

These rules do not affect any more specific rights to information contained elsewhere in this Constitution or the law. In particular, these rules supplement the provisions of the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. In the case of any conflict between these rules and wider rights, the wider rights will prevail.

### **3. Rights to attend meetings**

Members of the public may attend all meetings subject to these exceptions:

#### **3.1 Confidential information – requirement to exclude public**

The public must be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

Confidential information means information given to the Council by a Government Department on terms which forbid its public disclosure or information which cannot be publicly disclosed by Court Order.

#### **3.2 Exempt information – discretion to exclude public**

The public may be excluded from meetings or parts of meetings during which it is likely that exempt information would be disclosed.

Exempt information means information falling within the 7 categories (subject to any condition) set out in **Appendix 1** to these Rules.

### **3.3 *Disorderly conduct or misbehaviour***

Members of the public may be excluded from meetings to suppress or prevent disorderly conduct or other misbehaviour at a meeting.

### **3.4 *Notice of private meetings of the Executive***

This rule applies to “private meetings” of the Council’s Executive, committees of the Executive and certain other bodies (e.g. joint committees) meeting to make Executive decisions collectively. (It does not apply to meetings of scrutiny committees.) A “private meeting” is a meeting in respect of which a decision has been made to exclude the public from all or part. The following steps must be taken for private meetings:

- (a) At least 28 clear days before a private meeting the Council must make available at its offices notice of its intention to hold the meeting in private and must publish the notice on its website. The notice must include a statement of the reasons for holding the meeting in private.
- (b) At least 5 clear days before a private meeting, the Council must make available at its offices a further notice of its intention to hold the meeting in private and must publish the notice on its website. The notice must include a statement of the the reasons for holding the meeting in private, details of any representations received by the Council about why the meeting should be open to the public and a statement of its response to any such representations.
- (c) Where compliance with this rule is impractical by reason of its date, the meeting may only be held in private with the agreement of the chair of the relevant scrutiny committee (or, if the chair is unable to act, the Mayor) that the meeting is urgent and cannot reasonably be deferred. In these circumstances, the Council must make available at its offices a notice setting out the reasons why the meeting is urgent and cannot reasonably be deferred and must publish the notice on its website.

## **4. Rights to record meetings**

The public may record (e.g. film, audio, tweet, blog) meetings which are open to the public.

The Chair of the meeting has the discretion to stop or suspend recording if in their opinion continuing to do so would disrupt proceedings at the meeting. The circumstances in which this might occur include :

- excessive noise in recording or setting up and re-siting equipment
- intrusive lighting and use of flash photography
- asking people to make repeat statements for the purposes of recording
- moving to areas outside the area designated for the public without the Chair’s consent

Those recording meetings are strongly urged to respect the wish of any member of the public not to be recorded.

Agendas for, and signage at, meetings will make it clear that recording can take place. Anyone who does not wish to be recorded should let the Chair of the meeting know.

Recording and reporting the meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance; e.g. with the Human Rights Act, the Data Protection Act and the laws of libel, defamation and public order. Freedom of speech within the law should also be exercised with personal and social responsibility – showing respect and tolerance towards the views of others.

## **5. Rights to speak at meetings**

The rights of members of the public to speak at Council meetings are set out in **Appendix 2** of these Rules.

## **6. How the Council gives notice of meetings**

The Council will give at least five clear days' notice of any meeting by posting details of the meeting at The Guildhall, Market Square, Cambridge and on its web site. Where the meeting is convened at shorter notice, details of the meeting shall be published when it is convened.

## **7. Access to agenda, reports and background papers before decisions**

- 7.1 The Council will make copies of the agenda and reports open to the public available for inspection at the Guildhall and on its website at least five clear days before the meeting. If an item is added to the agenda within five clear days of the meeting, the revised agenda will be open to inspection for the time the item was added to the agenda. If a report to a meeting is prepared after the agenda has been published, the Council shall make the report available to the public as soon as it is completed and sent to councillors.
- 7.2 Reports shall include a list of background papers. A copy of each background paper must be available for inspection at the Guildhall and on the Council's website. A background paper is a document which, in the author's opinion, discloses any facts or matters on which the report or an important part of the report is based, and that have been relied on to a material extent in preparing the report. Excluded from this are published works or documents which disclose exempt or confidential information
- 7.3 The Council will supply copies of agendas, reports and other documents supplied to councillors in connection with reports to any person on payment of a charge for postage and any other costs. This rule does not require the publication of confidential or exempt information.

74. The Council may exclude access by the public to reports which, in the opinion of the Director responsible for the report, relate to items for which the meeting is likely not to be open to the public. Such reports will be marked "Not for publication" together with the category of exemption that applies to the information.

## **8. Access to minutes, records of decisions, reports and background papers after decisions**

8.1 The Council will make available copies of the following for six years after a meeting:

- (a) the minutes of meetings, excluding any part of the minutes of proceedings when the meeting was not open to the public or which disclose exempt or confidential information;
- (b) a summary of any proceedings not open to the public where the minutes open to inspection would not provide a reasonably fair and coherent record;
- (c) the agenda for the meeting; and
- (d) reports relating to items when the meeting was open to the public.

The Council will make available for public inspection for four years after the date of the meeting one copy of each of the documents on the list of background papers.

### **8.2 *Records of decisions by members of the Executive***

As soon as reasonably practicable after an executive decision has been taken by a member of the Executive, the Democratic Services Manager will prepare a record of the decision, a statement of the reasons for it and any alternative options considered and rejected. It shall also include a record of any conflict of interest declared by a decision-maker and any note of dispensation granted by the Chief Executive. The Record of Decision shall be sent to all members of the appropriate overview and scrutiny committee(s) promptly.

The provisions of Rule 8.1 in respect of reports and background papers will also apply to decisions by individual members of the executive. This does not require the disclosure of exempt or confidential information.

## **9. Records of decisions by officers**

### **9.1 *Decisions taken on behalf of the Executive***

As soon as reasonably practicable after an officer has made a decision which is an executive decision, the officer must produce a written statement which must include—

- (a) a record of the decision including the date it was made;
- (b) a record of the reasons for the decision;
- (c) details of any alternative options considered and rejected by the officer when making the decision;
- (d) a record of any conflict of interest declared by any executive member who is consulted by the officer which relates to the decision; and



- (e) in respect of any declared conflict of interest, a note of dispensation granted by the Chief Executive.

## **9.2 Decisions taken on behalf of the Council or its regulatory committees.**

This rule applies to a decision that would otherwise have been taken by the Council, or a committee, sub-committee of the Council or a joint committee in which the Council participates, but which has been delegated to a Council officer either—

- (a) under a specific express authorisation; or
- (b) under a general authorisation to officers to take such decisions and, the effect of the decision is to—
  - (i) grant a permission or licence;
  - (ii) affect the rights of an individual; or
  - (iii) award a contract or incur expenditure which, in either case, materially affects that relevant local government body's financial position.

The written record must be produced as soon as reasonably practicable after the decision making officer has made the decision and must contain the following information—

- (a) the date the decision was taken;
- (b) a record of the decision taken along with reasons for the decision;
- (c) details of alternative options, if any, considered and rejected; and
- (d) where the decision is made under a specific express authorization, the names of any member who has declared a conflict of interest in relation to the decision.

The duty imposed by this section is satisfied where, in respect of a decision, a written record containing the required information is already produced in accordance with any other statutory requirement.

## **10. Rules relating to “key decisions”.**

### **10.1 Definition**

A key decision is an executive decision, which is likely—

- (a) to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
- (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in Cambridge.

A detailed definition is set out in paragraph 12.3.2 of Part 2 of this Constitution.

### **10.2 Publicity on connection with key decisions**

## Appendix B

- (1) Where a decision maker intends to make a key decision, that decision must not be made until a document has been published in accordance with paragraph (2), which states:
  - (a) that a key decision is to be made on behalf of the Council;
  - (b) the matter in respect of which the decision is to be made;
  - (c) where the decision maker is an individual, that individual's name, and title if any and, where the decision maker is a decision-making body, its name and a list of its members;
  - (d) the date on which, or the period within which, the decision is to be made;
  - (e) a list of the documents submitted to the decision maker for consideration in relation to the matter in respect of which the key decision is to be made;
  - (f) the address from which, subject to any prohibition or restriction on their disclosure, copies of, or extracts from, any document listed is available;
  - (g) that other documents relevant to those matters may be submitted to the decision maker; and
  - (h) the procedure for requesting details of those documents (if any) as they become available.
- (2) At least 28 clear days before a key decision is made, the document referred to in paragraph (1) must be made available for inspection by the public—
  - (a) at the Guildhall; and
  - (b) on the Council's website.
- (3) Where, in relation to any matter—
  - (a) the public may be excluded from the meeting at which the matter is to be discussed; or
  - (b) documents relating to the decision contain confidential or exempt information,

the document referred to in paragraph (1) must contain particulars of the matter but may not contain any confidential or exempt information.

### **10.3 General exception to publicity requirement**

If the publicity requirement in 9.2 has not been met, a matter which is likely to be a key decision has not been included in the forward plan, then subject to Rule 9.4 (special urgency), the decision may still be taken if:

- (a) the decision must be taken by such a date that it is impracticable to defer the decision until the publicity requirement has been met;
- (b) the Chief Executive has informed the chair and any group spokespersons of a relevant overview and scrutiny committee, or if there is no chair, each member of that committee in writing, by notice, of the matter to which the decision is to be made;
- (c) the Chief Executive has available to the public at the Guildhall and on the Council's website a notice setting out reasons why compliance with the publicity requirement is impractical; and

- (d) at least 5 clear days have elapsed since the Chief Executive complied with (b) and (c).

#### **10.4. Special urgency**

If by virtue of the date by which a decision must be taken Rule 9.3 (general exception) cannot be followed, then the decision can only be taken if the decision taker (if an individual) or the chair of the body making the decision, obtains the agreement of the chair of a relevant overview and scrutiny committee that the taking of the decision cannot be reasonably deferred. If there is no chair of a relevant overview and scrutiny committee, or if the chair of each relevant overview and scrutiny committee is unable to act, then the agreement of the Mayor or, in his/her absence, the Deputy Mayor will suffice.

#### **10.5 Right of scrutiny committees to require a report to Council**

If an overview and scrutiny committee thinks that a key decision has been taken which was not:

- (a) publicised in accordance with Rule 10.2; or
- (b) the subject of the general exception procedure in Rule 10.3; or
- (c) the subject of an agreement with a relevant overview and scrutiny committee chair, or the Mayor/Deputy Mayor of the Council under Rule 10.4;

the committee may require the executive to submit a report to the Council within such reasonable time as the committee specifies. The power to require a report rests with the committee, but is also delegated to the Monitoring Officer, who shall require such a report on behalf of the committee when so requested by a majority of the committee. Alternatively the requirement may be raised by resolution passed at a meeting of the relevant overview and scrutiny committee.

#### **10.6 Executive's report to Council on key decisions**

- (1) If required by a scrutiny committee under Rule 10.5, the executive will prepare a report for submission to the next available meeting of the Council. However, if the next meeting of the Council is within 7 days of receipt of the written notice, or the resolution of the committee, then the report may be submitted to the meeting after that. The report to Council will set out particulars of the decision, the individual or body making the decision, and if the Leader is of the opinion that it was not a key decision the reasons for that opinion.
- (2) In any event the Leader will submit quarterly reports to the Council on the executive decisions taken in the circumstances set out in Rule 10.4 (special urgency) in the preceding three months. The report will include the number of decisions so taken and a summary of the matters in respect of which those decisions were taken.

#### **10.7 Key decisions taken by individual members of the Executive**

**(1) Reports intended to be taken into account**

Where an individual member of the executive receives a report which he/she intends to take into account in making any key decision, then he/she will not make the decision until at least 5 clear days after receipt of that report, subject to the need to make an urgent decision.

**(2) Provision of copies of reports to overview and scrutiny committees**

On giving of such a report to an individual decision maker, the person who prepared the report will give a copy of it to the chair of every relevant overview and scrutiny committee as soon as reasonably practicable, and make it publicly available at the same time.. This rule does not require the publication of confidential or exempt information.

**11. Overview and scrutiny committee access to documents**

**11.1 Rights to copies**

Subject to Rule 11.2 below, an overview and scrutiny committee (including its sub-committees) will be entitled to copies of any document which is in the possession or control of the executive or its committees and which contains material relating to:

- (a) any business transacted at a meeting of the executive or its committees; or
- (b) any decision taken by an individual member of the executive.

**11.2 Limit on rights**

An overview and scrutiny committee will not be entitled to:

- (a) any document that is in draft form;
- (b) any part of a document that contains exempt or confidential information, unless that information is relevant to an action or decision they are reviewing or scrutinising or intend to scrutinize

**12. Additional rights of access to information for members**

**12.1 Material relating to key decisions**

All members of the Council will be entitled to inspect any document (except those available only in draft form) in the possession or under the control of the executive or its committees which relates to any key decision unless it contains exempt information falling within paragraphs 1,2,4,5 and 7 of the categories of exempt information and the information within paragraph 3 referring to any terms proposed by or to the authority in the course of negotiations for a contract.

**12.2 Nature of rights**

These rights of a member are additional to any other right he/she may have.

## **Appendix 1: Definition of “Exempt Information”**

1. Information relating to any individual.
2. Information which is likely to reveal the identity of an individual.
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
6. Information which reveals that the authority proposes—
  - (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
  - (b) to make an order or direction under any enactment.
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

### **Conditions relating to exempt information**

Information falling within paragraph 3 above is not exempt information by virtue of that paragraph if it is required to be registered under—

- (a) the Companies Act 1985;
- (b) the Friendly Societies Act 1974
- (c) the Friendly Societies Act 1992];
- (d) the Industrial and Provident Societies Acts 1965 to 1978;
- (e) the Building Societies Act 1986; or
- (f) the Charities Act 1993.

Information is not exempt by virtue of that paragraph if it relates to proposed development for which the local planning authority can grant itself planning permission under Regulation 3 of the Town and Country Planning General Regulations 1992.

Information which—

- (a) falls within any of paragraphs 1 to 7 above; and
- (b) is not prevented from being exempt by virtue of paragraph 8 or 9 above,

is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

## **Interpretation of exempt information**

"employee" means a person employed under a contract of service;

"financial or business affairs" includes contemplated, as well as past or current, activities;

"labour relations matter" means—

- (a) any of the matters specified in paragraphs (a) to (g) of section 218(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (matters which may be the subject of a trade dispute, within the meaning of that Act); or
- (b) any dispute about a matter falling within paragraph (a) above;

and for the purposes of this definition the enactments mentioned in paragraph (a) above, with the necessary modifications, shall apply in relation to office-holders under the authority as they apply in relation to employees of the authority;

"office-holder", in relation to the authority, means the holder of any paid office appointments to which are or may be made or confirmed by the authority or by any joint board on which the authority is represented or by any person who holds any such office or is an employee of the authority;

"registered" in relation to information required to be registered under the Building Societies Act 1986, means recorded in the public file of any building society (within the meaning of that Act).

## **Appendix 2: Public speaking rights**

### **1. *Public speaking rights at Council meetings and committees***

Set out below is the scheme that allows members of the public to speak at Cambridge City Council meetings.

If you have any questions on the scheme, please contact the Council's Committee Section at The Guildhall, email [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk) telephone (01223) 457169, 457086, 457012 or 457015.

#### **To which bodies does the right to speak apply?**

Meetings of the full Council, all committees, sub-committees and working parties; with the exception of:

- Planning Committee (see below) and Licensing Sub-Committees and Taxi Licensing Sub-Committees, which have their own schemes for public speaking rights;
- Any working parties which are not open to the public;
- The Employment Appeals Sub-Committee

It also applies where an executive councillor is making a decision in public without the presence of a scrutiny committee. Where this is the case, references in this scheme to the Chair shall be read as referring to the executive councillor.

#### **Is it a right to ask questions or to make statements?**

Both.

#### **How should questions or statements be addressed?**

At Council meetings, to the Chair of the relevant committee, or to the relevant member of the Executive, as determined by the Mayor. At Committee meetings etc., to the Chair of the meeting or to the appropriate Executive Councillor if it relates to an Executive function. However, in both cases, the Chair or Executive Councillor may invite another member or an officer to respond. Questioners/speakers should begin by saying whether they are representing a person, a firm or an organisation, or whether they are speaking on behalf of themselves.

#### **Are questions and/or statements confined to matters on the agenda or permitted on all matters within the Committee's (or other body's) areas of responsibility?**

Questions may be asked, and statements may be made, in respect of all matters within the Committee's or other body's areas of responsibility.

#### **Is there a requirement for advance notification of a wish to speak or ask a question?**

## Appendix B

If the question or statement concerns a matter which is on the agenda for the meeting in question, then the speaker or questioner should register their intention to speak with the Committee Manager before the start of the meeting. If it concerns a matter which is not on the agenda, then notice of the question or of the subject matter must be given to the Committee Manager by 10.00 am on the working day preceding the meeting.

### **Are there time limits?**

Yes. Three minutes per speaker or questioner, with a further two minutes for a supplementary question or response. There is an overall time limit for public questioning and statements of 30 minutes, to include the time taken by responses to questions and statements. Each limit is extendable at the Chair's discretion.

### **Are there rules about the nature of questions and statements?**

The scheme includes the following restrictions:

- Questions and statements should not contain offensive or defamatory expressions;
- Questions and statements should not relate to the conduct of individual Council employees or to human resources matters (eg disciplinary proceedings or grievances);
- Questions and statements should not divulge confidential or exempt information.

The Chair or Executive Councillor may refuse to reply to a question, and may refuse to refer the question to another member or to an officer at his/her discretion. Examples of circumstances in which it might be appropriate to decline to reply to a question include:

- Where an answer would involve divulging confidential or exempt information. (In appropriate cases, a written response may be possible with the consent of individuals whose personal information is being protected);
- Where the question concerns actual or potential legal proceedings involving the Council;
- Where responding to a question would involve a disproportionate use of resources in compiling an answer;
- Where there has been insufficient time to research an answer before the meeting.

The Chair or Executive Councillor may refuse to permit a question or a statement if it (or something similar) has already been put or made to another meeting of a Council committee or other body. The Chair may also discourage repetition and limit rights of address if more than one member of the public wishes to make a similar point. The Chair may determine the order in which questions and statements may be put.

### **When in the meeting are questions or statements made?**

This is left to the discretion of the Chair but, ordinarily, questions and statements will be dealt with at the beginning of the meeting. However, where a statement or a question



relates to a matter on the agenda it may be appropriate for it to be put immediately preceding the consideration of the item by the committee or other body.

### **Can there be any debate on questions or statements?**

The Chair may comment on a response to a question or a statement if it has been referred by him/her to another member or to an officer but there is to be no general debate. If a question or statement relates to an item on the agenda, points arising from it may be pursued when the item is under consideration. If an item is not on the agenda, members are entitled to request its inclusion at a future meeting.

### **What if there is any dispute about procedure or the interpretation or application of these rules?**

The Chair's decision is final.

## **2. *Public speaking at Planning Committee***

Members of the public, or applicants or their agents, who want to speak about an application which is to be considered at a meeting of the committee can do so if they have:

- In the case of members of the public, already submitted a written representation on an application; and
- Notified the Administrator by 12.00 noon on the day before the meeting.

A member of the public who has made a written representation on a planning application which is to be determined by the committee, will be notified in writing about the committee date and their public speaking rights in the week before the committee meeting.

### **At the Committee Meeting**

A list of public speakers is available at the meeting. Agenda items for which there are public speakers are taken first, normally in the order of the agenda.

Each speaker will be allowed three minutes in which to make their representation. The Chair will tell the speaker when the three minutes has elapsed and the speaker must stop when requested by the Chair. The Chair has discretion to extend this time limit.

If more than one person wants to make a representation about the same application, then they should chose someone to act as a spokesperson. When several people wish to speak on the same application but wish to raise different issues, the Chair may agree to those speakers making representations. In these circumstances, less time may need to be given to each speaker.

The Chair will ask the speaker to come to the table at the beginning of the discussion of the report on the relevant application. The Chair will then invite them to speak following the Officer's introduction to the report on the application.

The speaker should address the Chair of the Committee, which is the normal convention for Committees.

## Appendix B

Speakers should remember to:

- Keep to 3 minutes or whatever other period has been agreed.
- Keep to the planning issues raised by the application.
- Highlight the main points they wish to raise and be as brief and concise as possible.
- Be courteous.
- At the end of public speaking, the Committee will discuss and determine the planning application.

*If a speaker is attending the meeting to speak about a particular matter which Councillors are considering on that day, the Chair of the meeting will arrange for the relevant item and associated report to be considered early in the meeting, so that the speaker can leave as soon as the debate on that matter has finished. Speakers can, of course, stay for the whole of the remaining public meeting if they wish.*

*The Public Participation Scheme is intended for Cambridge citizens and business people and not specifically employees in relation to issues directly affecting their employment by the Council. For further advice on this contact the relevant committee manager responsible for the meeting you are interested in.*

**PLANNING**1 October 2014  
10.00 am - 3.00 pm

**Present:** Councillors Dryden (Chair), Blencowe (Vice-Chair), Hipkin, Gawthrope, Hart, Pippas, C. Smart and Tunnacliffe

**FOR ADOPTION BY THE COUNCIL****14/61/PLAN Ombudsman Finding of Maladministration**

The Committee received a report from the Head of Legal Services.

The report referred to The Local Government Ombudsman who made findings of maladministration in respect of two complaints. The complaints related to the determination of planning application 14/0342/FUL.

The matter had already been reported to the Planning Committee at a meeting held on 6 August but, at that point, the Ombudsman's decisions had not been issued.

The Committee were advised of the Ombudsman's final decision which read as follows,

"The Council was at fault for failing to take account of the locally protected status of a building when it granted permission for the building to be extended. It has since done everything reasonable to put this right and, as there was no other fault with the process, there is no reason for me to pursue the complaint."

The report sought to recommend to full Council that it endorses the actions taken by Officers in response to the findings of the Local Government Ombudsman

The Committee:

**Resolved (unanimously)** to recommend to full Council that it endorses the actions taken by Officers in response to the findings of the Local Government Ombudsman.

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To: Planning Committee  
Report by: Head of Legal Services, Head of Planning Services  
Relevant scrutiny committee: Planning Committee 1/10/2014  
Wards affected: All

**FINDINGS OF MALADMINISTRATION BY THE LOCAL GOVERNMENT  
OMBUDSMAN: PLANNING APPLICATION  
Not a Key Decision**

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**1. Executive summary**

The Local Government Ombudsman has made findings of maladministration in respect of two complaints. The complaints relate to the Council's determination of a planning application.

In these circumstances, the Head of Legal Services, as the Council's Monitoring Officer, has an obligation to report the findings to a meeting of the full Council. The Council is obliged to set out what action has already been taken in respect of the findings, what action it intends to take and the reasons for taking the action.

This matter has already been reported to the Planning Committee but, at that point, the Ombudsman's decisions had not been issued. The two decision letters are appended to this report.

The Ombudsman's final decision is this:

“The Council was at fault for failing to take account of the locally protected status of a building when it granted permission for the building to be extended. It has since done everything reasonable to put this right and, as there was no other fault with the process, there is no reason for me to pursue the complaint.”

This report summarises the complaints and sets out the action taken in response. The Planning Committee is asked to consider the action taken and whether it is adequate or whether further steps should be taken. The Planning Committee then needs to make a recommendation to full Council accordingly.

The previous report was considered by the Planning Committee on 6 August 2014. Its title is:

“Development at 14 Victoria Street, Cambridge (Planning permission ref: c/14/0342/ful): Consideration of revocation of planning permission.”

The Committee decided not to revoke the planning consent.

## **2. Recommendation**

To recommend to full Council that it endorses the actions taken by officers in response to the findings of the Local Government Ombudsman

## **3. Background**

The two complaints relate to the Council’s consideration of an application for a home extension. The Ombudsman’s conclusions are the same for each complaint. The decision letters are appended to this report.

The Ombudsman found the Council at fault “for failing to take account of the locally protected status of a building when it granted permission for the building to be extended.” The decision letter goes on to say that the Council “has since done everything reasonable to put this right and, as there was no other fault with the process, I have closed the complaint.”

The Ombudsman rejected other aspects of the complaints.

The Ombudsman decision letter summarised the issue as follows:

“When considering planning applications, the Council must take account of its Local Plan and associated policies. Policy 4 / 12 of the Council’s Local Plan deals with Buildings of Local Interest. It says: *“Applications for planning permission to alter such buildings will be considered in the light of the Council’s Approved Guidance on Alterations and Improvements to Buildings of Local Interest.”*

“The officer’s report on [the] planning application made no reference to the building being on the local list.”

When one complainant, Mrs B queried the lack of reference to the building being listed as of local interest,

“a senior officer told her it was not. As is evident from the Council’s website, [the property] is on the local list. The Council accepts the case officer was wrong about the house not being on its local list and its senior officer was wrong when he wrote to Mrs B telling her she

was mistaken.... It explains a constraints map relied on by the case officer failed to identify the terrace as on the list of Buildings of Local Interest, an error which it has now put right.”

#### **4. How the Council responded to the complaints.**

The Ombudsman’s decision letter summarised the action taken by the Council. It says:

“Apart from its failure to deal with the application site as a Building of Local Interest, there is no evidence of fault with the rest of the process. When it realised its mistake, the Council volunteered the following action without prompting from our office:

- It wrote a letter of apology to [both complainants] and offered [them] a small compensation payment in recognition of the time and trouble to which it had put [them] by overlooking the protected status of the properties.
- It took a report to Members explaining the error it had made and how this may have affected the decision. It asked Members to decide if the permission should stand or not.
- It reviewed its procedures (and will monitor the outcome of the review) to ensure it identifies buildings on the list of Buildings of Local Interest at an early stage in the planning process.”

There has been a full investigation of the complaint and a number of internal actions have been implemented as a result. Specifically:

The planning computer system and associated procedures relating to the automated flagging up of the status of Buildings of Local Interest (BLI) at the time that new planning applications are registered has been reviewed. . Changes have been made to the database and internal processes and procedures to avoid this designation being missed in future. All planning case officers have been briefed on the matters raised by the complaint and the changes that have been made to the planning computer system as a result. A single definitive list is now kept of BLI’s that is used to update all other records including the website.

Planning case officers have been reminded of the responsibility to check matters raised at the neighbour consultation stage of planning applications to ensure that committee recommendations are based upon accurate, up-to-date information.

The applicant also received an apology from the Head of Planning Services as they were unable to implement their planning permission until the issue of revocation was considered formally by the council.

## 5. Conclusion.

The Council made an error in respect of its consideration of this planning application. It has taken the steps set out to offer redress and to avoid this happening again. The Ombudsman's view is that the Council has done everything reasonable to put the error right and has found no other fault with the process,

## 6. Implications

- (a) **Financial Implications.** The Council has made small compensation payments to the two complainants in recognition of the time and trouble to which they had been put.
- (b) **Staffing Implications.** All planning case officers have been briefed on the matters raised by the complaint.
- (c) **Equal Opportunities Implications.** An equality impact assessment has not been carried out in respect of this report. The complaints raised an issue about the Council's consideration of the application and applicant's personal circumstances. The Ombudsman did not accept this aspect of the complaints.
- (d) **Environmental Implications.** This report has no climate change impact.
- (e) **Procurement.** There are no procurement implications.
- (f) **Consultation and communication.** The Monitoring Officer is obliged to consult the Head of Paid Service (Chief Executive) and the Chief Finance Officer (Head of Finance) in preparing this report, and has done so.
- (g) **Community Safety.** There are no community safety implications.

## 7. Background papers

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

The Ombudsman decision letters are appended to this report.



The report to Planning Committee on 6 August 2014 titled: "Development at 14 Victoria Street Cambridge (Planning permission ref: c/14/0342/ful): Consideration of revocation of planning permission."

## **8. Appendices**

Local Government Ombudsman decision letters.

## **9. Inspection of papers**

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

Author's Name: Simon Pugh. Head of Legal Services  
Author's Phone Number: 01223 - 457401  
Author's Email: [simon.pugh@cambridge.gov.uk](mailto:simon.pugh@cambridge.gov.uk)

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**Complaint reference:**  
14 001 400

**Complaint against:**  
Cambridge City Council

## **The Ombudsman's final decision**

Summary: The Council was at fault for failing to take account of the locally protected status of a building when it granted permission for the building to be extended. It has since done everything reasonable to put this right and, as there was no other fault with the process, I have closed the complaint.

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## **The complaint**

1. Mrs B complains the Council failed to take account of material information when it granted her neighbour permission to extend his house. In particular she says:
  - it overlooked the fact their properties are on the list of buildings of local interest and subject to planning constraint;
  - it took the applicant's disability into account when it should not have done;
  - it did not ask the applicant to produce a daylight / sunlight report when it asked others making comparable applications to do so; and
  - it failed to assess if noise from a domestic lift shaft might disturb adjoining properties.

## **The Ombudsman's role and powers**

2. The Ombudsman investigates complaints of injustice caused by maladministration and service failure. I have used the word fault to refer to these. The Ombudsman cannot question whether a council's decision is right or wrong simply because the complainant disagrees with it. She must consider whether there was fault in the way the decision was reached. (*Local Government Act 1974, section 34(3)*)

## **How I considered this complaint**

3. I have considered all the information sent to me by Mrs B and I have discussed the complaint with her. I have considered information on the Council's public access website and the information I asked it to send me. I have also taken account of the Town and Country Planning Act 1990, the Planning and Compulsory Purchase Act 2004 and the Local Government Act 1974.

## **What I found**

4. Mrs B lives in a Victorian terrace close to the City centre. The Council granted her neighbour permission to build a modern steel and glass two storey extension, part of which would house a lift shaft which, because of a degenerative medical condition, he had reason to believe he would need.

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5. Mrs B objected to the extension which she considered incongruous on the back of a Victorian terrace. She also objected to the possibility of noise from the lift shaft. At the same time as the Council was considering her neighbour's application, Mrs B was herself in discussion with it about a small rear extension and she feared her neighbour's plans would affect her own. When the Council granted permission Mrs B complained to the Council and, dissatisfied with its response, she complained to us.

### **Buildings of Local Interest**

6. Apart from nationally listed buildings, councils may create lists of buildings of local interest and afford them some protection. Cambridge City Council has a list of Buildings of Local Interest which it has published on its website.
7. When considering planning applications, the Council must take account of its Local Plan and associated policies. Policy 4 / 12 of the Council's Local Plan deals with Buildings of Local Interest. It says: "*Applications for planning permission to alter such buildings will be considered in the light of the Council's Approved Guidance on Alterations and Improvements to Buildings of Local Interest.*"
8. The officer's report on Mrs B's neighbour's planning application made no reference to the building being on the local list and, when Mrs B queried this, a senior officer told her it was not. As is evident from the Council's website, Mrs B's terrace is on the local list.
9. The Council accepts the case officer was wrong about the house not being on its local list and its senior officer was wrong when he wrote to Mrs B telling her she was mistaken. Without prompting from our office the Council wrote to Mrs B to apologise for its error. It explains a constraints map relied on by the case officer failed to identify the terrace as on the list of Buildings of Local Interest, an error which it has now put right.
10. Also without prompting from our office and in recognition it had not given Members all the material information, the Council apologised to Mrs B's neighbour and made arrangements for the application to go back to its Members for a decision about whether permission should stand or be revoked.

### **The applicant's personal circumstances**

11. Personal circumstances such as health and disability are not generally material planning considerations. Mrs B says the planning officer told Members at their meeting that personal circumstances could, occasionally, be material.
12. I have read the officer's report. The officer explains the extension has been designed around the health needs of the applicant but makes it clear the Council must assess the application according to planning policy and not because of the applicant's needs. The planning officer may have elaborated on this to Members but there is nothing to suggest Members approved the application which, but for the personal circumstances of the applicant they would have refused.

### **Daylight and sunlight report**

13. Mrs B's houses faces south so her neighbour's extension, affecting as it does the rear of her house, has the potential to impact on her evening light. Mrs B says, during her own pre-application discussions she was told she would need to supply a daylight and sunlight assessment. She says another nearby applicant was told the same yet the Council did not ask her neighbour for this.
14. It is not uncommon for planning officers, when assessing loss of light to neighbouring properties, to use an indicative tool known within the profession as

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the '45 degree rule.' Mrs B says she asked the case officer if her neighbour's proposal passed this test but he did not give her a clear answer.

15. The Council says it has no set policy for seeking sunlight / daylight assessments but relies on the case officer's judgement of whether one is necessary. The officer did not ask Mrs B's neighbour for one for the following reasons:
  - Mrs B's house is north west of the applicant's so overshadowing would be slight and only in late afternoon;
  - The house on the other side of the applicant has a two storey extension projecting 4.2m along their shared boundary so Mrs B's neighbour's extension, lower in height, would be hidden behind it;
  - The two storey part of the extension would be set back ½ m from the shared boundary with Mrs B and project approximately 1½ m off the rear elevation, not much further than the current balcony already does. The single storey part would be set back a further 1m from the shared boundary.
  - The extension would be glazed and allow light to penetrate.
16. These are all sound reasons for the officer's decision, the merits of which the Ombudsman would have no reason to challenge.
17. The officer also comments, in relation to the 45° rule, that the applicant withdrew his original plans partly because they breached the rule. The Council has supplied a block plan of the current proposal which shows the two storey element does not cut the 45 degree line and, although the single storey element does, because it is glazed and single storey, there will be no harm. The Ombudsman would have no reason to be critical of this line of reasoning.

### **Noise**

18. Lift mechanisms can create noise nuisance. Although the two properties are close, the Council did not ask for noise insulation as a condition of the permission.
19. I explained to Mrs B that, if the mechanism were to become a nuisance, she could complain to the environmental health officers. To be sure, I asked the Council to confirm its officers would not be constrained because the noise was "ordinary domestic noise."
20. The Council says a standard lift or lift platform is unlikely to be noisy but, if there are complaints of noise nuisance, it will investigate them.

### **Mrs B's proposed application**

21. Mrs B suggested her neighbour's application, if implemented, would prevent the Council approving her plans because if her window were moved forward, she would be able to see into her neighbour's house.
22. The Council assures me this is not so. It says Mrs B's proposals, to extend her house no further than in line with her neighbour's, will not impact unacceptably on either of them. Mrs B doubted this, given her neighbour's extension will be glazed so I asked the Council to double-check. It has done so. Mrs B's neighbour's extension, although glazed, will have obscure glazing (ensured by planning condition) to a minimum level of Pilkington No 3. It will not be possible for anyone outside to see more than outline movement within.

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## **Agreed action**

23. Apart from its failure to deal with the application site as a Building of Local Interest, there is no evidence of fault with the rest of the process. When it realised its mistake, the Council volunteered the following action without prompting from our office:
- It wrote a letter of apology to Mrs B and offered her a small compensation payment in recognition of the time and trouble to which it had put her by overlooking the protected status of the properties.
  - It took a report to Members explaining the error it had made and how this may have affected the decision. It asked Members to decide if the permission should stand or not.
  - It reviewed its procedures (and will monitor the outcome of the review) to ensure it identifies buildings on the list of Buildings of Local Interest at an early stage in the planning process.

## **Final decision**

24. The Council was at fault for failing to take account of the locally protected status of a building when it granted permission for the building to be extended. It has since done everything reasonable to put this right and, as there was no other fault with the process, there is no reason for me to pursue the complaint.

## **Investigator's decision on behalf of the Ombudsman**

## **The Ombudsman's final decision**

Summary: The Council was at fault for failing to take account of the locally protected status of a building when it granted permission for the building to be extended. It has since done everything reasonable to put this right and, as there was no other fault with the process, I have closed the complaint.

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## **The complaint**

1. Ms C complains the Council failed to take account of material information when it granted her neighbour permission to extend his house. Ms C objected to the glass structure to the rear of her house because light (from sun bounce and electric bulbs) would cause dazzle and she complained that information given to the decision-making committee, that the applicant's disability could be material, was wrong.

## **The Ombudsman's role and powers**

2. The Ombudsman investigates complaints of injustice caused by maladministration and service failure. I have used the word fault to refer to these. The Ombudsman cannot question whether a council's decision is right or wrong simply because the complainant disagrees with it. She must consider whether there was fault in the way the decision was reached. (*Local Government Act 1974, section 34(3)*)

## **How I considered this complaint**

3. I have considered all the information sent to me by Ms C and I have discussed the complaint with her. I have also considered information on the Council's public access website and the information I asked it to send me. I have also taken account of the Town and Country Planning Act 1990, the Planning and Compulsory Purchase Act 2004 and the Local Government Act 1974.

## **What I found**

4. Ms C lives in a Victorian terrace with a small rear garden which backs on to the gardens of the terrace behind. The extension about which she complains is offset to the south of Ms C's garden.
5. Ms C objected to the extension because she considered it would be out of keeping with a Victorian terrace and the glass structure would cause sun bounce and dazzle. When the Council granted permission Mrs B complained about the decision. She also complained the decision-making committee had been given

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information about the applicant's personal need for the extension to house a lift shaft which she thought was wrong.

### **Buildings of Local Interest**

6. When Ms C complained to me, I was also investigating a complaint from another neighbour about the Council's failure to deal with the applicant's property as a Building of Local Interest.
7. Apart from nationally listed buildings, councils may create lists of buildings of local interest and afford them some protection. Cambridge City Council has a list of Buildings of Local Interest which it has published on its website.
8. When considering planning applications, the Council must take account of its Local Plan and associated policies. Policy 4 / 12 of the Council's Local Plan deals with Buildings of Local Interest. It says: "*Applications for planning permission to alter such buildings will be considered in the light of the Council's Approved Guidance on Alterations and Improvements to Buildings of Local Interest.*"
9. The officer's report made no reference to the building being on the local list although it is clear from the list published on the Council's website that it is. The Council accepted this error and, without prompting from our office it wrote to apologise to both complainants. It also arranged for the application, with full information, to go back to its Members for a decision about whether permission should stand or be revoked.

### **The applicant's personal circumstances**

10. Personal circumstances such as health and disability are not generally material planning considerations. Ms C says the planning officer told Members at their meeting that personal circumstances could, occasionally, be material.
11. I have read the officer's report. The officer explained the extension had been designed around the health needs of the applicant but made clear the application should be assessed according to planning policy and not because of the applicant's needs. The planning officer may have elaborated on this to Members but there is nothing to suggest Members approved the application which, but for the personal circumstances of the applicant they would have refused.

### **The likelihood of glass causing dazzle.**

12. Ms C's objection to the possibility of 'sun bounce or dazzle' was summarised in the officer's report under a section dealing with light pollution.
13. The officer noted Ms C's property was south facing to the rear and at an angle from the rear of the application property (which faces north). The officer considered the combination of the path the sun would track (as it moves from east to west at the different times of the year) and the angles of the surfaces of the roof and sides of the new glazed extension and concluded from these that sun dazzle was highly unlikely.
14. The Council accepts this could have been made clearer in the case officer's report but the conclusion (at paragraph 9.1 of the report) does refer to the overall impact on amenity (including from the glazed design) being acceptable.
15. The case officer also asked for lighting details from the applicant's architects so he could understand whether lighting sources would be visible from outside the property (and whether this would be an issue or not). These plans showed down-lighters would be used to avoid the light source inside the extension being visible outside. The planning officer considered this to be an acceptable approach. (A planning condition, number 4 was also recommended to ensure this lighting specification was implemented).



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## **Agreed action**

16. Apart from its failure to deal with the application site as a Building of Local Interest, there is no evidence of fault with the rest of the process. When it realised its mistake, the Council volunteered the following action without prompting from our office:
- it wrote a letter of apology to Ms C and offered her a small compensation payment in recognition of the time and trouble to which it had put her by overlooking the protected status of the properties.
  - it took a fresh report to Members explaining the error and how this may have affected the decision. It asked Members to decide if the permission should stand or be revoked.
  - it has reviewed its procedures (and will monitor the outcome of the review) to ensure buildings on the list of Buildings of Local Interest are identified at an early stage in the planning process.

## **Final decision**

17. The Council was at fault for failing to take account of the locally protected status of a building when it granted permission for the building to be extended. It has since done everything reasonable to put this right and, as there was no other fault with the process, there is no reason for me to pursue the complaint.

## **Investigator's decision on behalf of the Ombudsman**

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## CAMBRIDGE CITY COUNCIL Record of Executive Decision

<b>POTENTIAL SALE OF LBI HF CLAIMS -</b>
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**Decision of:** Executive Councillor Finance & Resource, George Owers

**Reference:** 14/Special/S&R/8

**Date of decision:** 3 September 2014      **Recorded on:** 19 September 2014

**Decision Type:** Key

**Matter for Decision:** Cambridge City Council is the legal and beneficial owner of the following Art 112 claim(s) in the insolvency proceedings of LBI (the 'Claim(s)'):

Claim number	Accepted claim amount (ISK)
200910-2375	394,533,607.05 kr.
200910-2377	200,919,834.66 kr.
200910-2380	402,056,610.09 kr.

The Executive Councillor is asked to authorise the sale, and set a reserve price, on behalf of the City Council for sale of claims.

To review this reserve price, if required, up to the point of sale, with the agreement of the Chair and Opposition Spokes of the relevant overview and scrutiny Committee.

**Why the decision had to be made (and any alternative options):** As stated in Part 4B paragraph 16 of the Council's Constitution, 'if by virtue of the date by which a decision must be taken Rule 15 (general exception) cannot be followed, then the decision can only be taken if the decision taker (if an individual) or the chair of the body making the decision, obtains the agreement of the chair of a relevant overview and scrutiny committee that the taking of the decision cannot be reasonably deferred.'

As specified under this paragraph of the Councils Constitution, it was agreed that the making of this decision could not reasonably be deferred.

**The Executive Councillor's decision(s):** The Executive Councillor resolved that Cambridge City Council will sell its Claims provided the Authority's reserve price is met. Further details on the proposed sale including the reserve price

are exempt under Part 1 of Schedule 12A to the Local Government Act 1972 on the basis that the report contains information: (a) in respect of which a claim to legal professional privilege could be maintained in legal proceedings (para 5); and (b) relating to the financial and business affairs of the Authority (para 3), and that in both cases the disclosure of such information is not in the public interest.

To authorise the Head of Finance and Head of Legal Services to take all steps to enable the sale of the claims.

**Reasons for the decision:**

The Council has received advice that it should consider selling its claims in view of considerations set out in the confidential report to the Executive Councillor.

**Scrutiny consideration:**

As required by the Councils Constitution under the special urgency procedure rule (Para 16 of Part 4B), the agreement of the Chair of the Strategy and Resources Scrutiny Committee has been obtained.

**Report:**

A confidential briefing note was submitted to the Leader, Executive Councillor for Finance, Chair and Opposition Spoke of the Strategy and Resources Scrutiny Committee, setting out the background to the request. This paper contains exempt information falling within paragraph 3 and 5 of part 1 of Schedule 12A, Local Government Act, 1972 and contains information received in confidence.

**Conflicts of interest:**

None

**Comments:**

This urgent decision will be reported back to the Strategy and Resources Scrutiny Committee on 20 October 2014 & Full Council on 14 November 2014.