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NOTICE OF COUNCIL MEETING - 20 OCTOBER 2016

Dear Councillor,

A meeting of Cambridge City Council will be held in the Council Chamber, The Guildhall, Market Square, Cambridge, CB2 3QJ on Thursday, 20 October 2016 at 6.00 pm and I hereby summon you to attend.

Dated 12 October 2016

Yours faithfully

Chief Executive

Agenda

1 To approve as a correct record the minutes of the meeting held on the 27 June and 14 July 2016.

(Pages 9 - 36)

2 Mayors Announcements

3 Public Questions Time

See 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) Medium Term Financial Strategy (Executive Councillor for Housing)**

(Pages 37 - 102)

4b **Treasury Management Half Yearly Update Report 2016/17 (Executive Councillor For Finance and Resources)**

(Pages 103 - 124)

4c **Medium Term Financial Strategy (MTFS) October 2016 (Executive Councillor for Finance and Resources)**

(Pages 125 - 178)

5 **To consider the recommendations of Committees for Adoption**

5a **Civic Affairs Committee: Appointing Person Arrangements For The Appointment of The External Auditor**

(Pages 179 - 186)

6 **To deal with Oral Questions**

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

7a **Councillor Adey: Fair Votes**

This Council believes a system which more fairly reflects the wishes of electors should be introduced for elections to Cambridge City Council.

Council notes that the Single Transferable Vote system has been successfully in use in both Northern Ireland, and Scotland for local council elections.

Council calls on the Government to allow this City to trial a ward based STV system for the next elections to the City Council in May 2018.

7b Councillor Gillespie: Climate Change

This council notes:

- The 2015 Paris Agreement was the symbolic beginning of a process of international agreement to drastically reduce carbon emissions with the aim of preventing the worst case scenario of climate change.
- The world has now permanently passed 400ppm (parts per million) atmospheric Carbon Dioxide.
- August 2016 marked 16 consecutive months of record-breaking global heat.
- Climate change and the carbon economy are already linked to 5 million deaths a year.
- The “climate cushion”, the period where governments were able to leave the problem for future generations, has entirely disappeared. Responsibility lies with current national governments and current local authorities.
- Cambridge City Council is clear in its ambition to arrest climate change: deciding in October 2015 to divest from fossil fuels, deciding in March 2016 to become zero carbon by 2050, and deciding in October 2016 to source approximately 18,000,000 kWh per year of its own energy from renewables.
- That the British government is seriously proposing airport runway expansion, awarding tax rebates for North Sea oil and gas companies of around £5 billion more than it receives in revenues, and tying the hands of local authorities to make decisions that reduce their own emissions and protect their environment and natural resources.

This council requests the Executive :

- To move swiftly to draw up a clear strategy for becoming zero carbon, and explore opportunities to reach this target before 2050, seeking partnership with appropriate expert groups such as the Global Sustainability Institute and the Cambridge Science and Policy centre, and community groups such as Transition Cambridge and Cambridge Carbon Footprint.
- To set an explicit ambition of being the first UK zero carbon city.
- To apply, in the year following Brexit, to become a European

Green Capital, to mark Cambridge's commitment to sustainability for the benefit of all citizens of the world.

- To begin a city wide consultation and behaviour change exercise targeting personal carbon emission reductions, in partnership with appropriate expert groups.
- To organise an annual sustainability festival, starting in 2017, in partnership with appropriate expert groups.
- To begin in 2017 an annual carbon budget cycle alongside the financial budget cycle, following the example of Worcester and Aberdeenshire councils.
- To implement a new tree-planting strategy that will add 250 trees to the city per year.
- To bring a report to Strategy and Resources committee about setting up a local energy company based on the Robin Hood model from Nottingham.
- To take the lead in bundling residents' energy needs to get a good deal on 100% renewable electricity.
- To investigate funding options for a carbon accounting project, including the Economic and Social Research Council.
- To make budget provision in 2017/18 for a full-time sustainability officer who will work on embedding sustainability into council decision making and envisioning a sustainable, Cambridge in a zero carbon lean economy.

This council resolves to write to the UK Government, asking them:

- To recognise the crisis that the world climate is in, and declare a climate state of emergency.
- To urgently reduce carbon emissions, investment in fossil fuels, and regulation which favours fossil fuels.

7c Councillor Nethsingha: Comprehensive Education

This council notes that Cambridge has a strong and long-standing tradition of comprehensive education with powerful local community links.

Council notes the announcement by the Prime Minister of her intention to allow secondary schools to introduce academic selection.

Council calls upon the Chief Executive to write to the Secretary for State for Education to remind her of the compelling research evidence that selection at 11 does not raise academic standards for the majority of children, is counter-productive in terms of pupils' personal morale and well-being and is socially divisive.

In the absence of overarching local democratic co-ordination of state school organisation, Council resolves to seek informal engagement, on an all-party basis, with school governing
bodies to encourage consensus that all secondary schools should continue to offer equal opportunity to pupils without entry by academic selection. It requests the Chief Executive to facilitate such a process.

8 Changes to Executive Portfolios

The Leader of the Council made changes to Executive Councillor portfolios which came into effect on 19 September 2016 and Members of the Council were advised. Members were also advised that the Leader of the Council requested that the changes be reported to Council to answer any questions or for Member comment.

(Pages 187 - 190)

9 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.

10 Urgent Decision

10a **Acquisition Of Land Adjacent To Huntingdon Road Crematorium**

(Pages 191 - 192)

Information for the Public

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

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

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

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

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

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

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

- For questions and/or statements regarding items on the published agenda, the deadline is the start of the meeting.

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

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COUNCIL 27 June 2016
6.00 - 7.30 pm

Present: Councillors Abbott, Adey, Austin, Baigent, Barnett, Benstead, Bick, Bird, Blencowe, Cantrill, Dryden, Gawthrope, Gehring, Gillespie, Hart, Herbert, Hipkin, Holland, Holt, McPherson, R. Moore, T. Moore, Nethsingha, O'Connell, O'Reilly, Page-Croft, Perry, Pippas, Price, Ratcliffe, Roberts, Robertson, Sargeant, Sinnott and Todd-Jones

FOR THE INFORMATION OF THE COUNCIL

16/1/CNL Apologies for Absence

APOLOGIES

Apologies were received from Councillor Ashton, Avery, Roberts, Sarris, Smart, Smith and Tunnacliffe. Councillor Pippas had given apologies for lateness

16/2/CNL Declarations of Interest

No declarations were made.

16/3/CNL Public Questions Time - see at the foot of the agenda for details of the scheme

Mr Carpen addressed the Council and made the following statement:

i. Following publication of the devolution deal, he asked if the Executive Councillors for Housing and Planning were prepared to relinquish any of the Council’s powers and funding to a new potential Mayor of Cambridgeshire who the media widely reported the former Health Secretary Andrew Lansley as the favourite candidate earlier this year.

The Executive Councillor for Housing confirmed that he would not be relinquishing his powers.

The Leader responded with the following:

i. There was only one reference to Planning within the devolution deal document and this provided that the Combined Authority and the Mayor could develop a Spatial Strategy for the whole area but that this would be a guidance document only.

ii. The Council had a veto so no Spatial Strategy for Cambridgeshire and Peterborough could be developed without the City Council's agreement.
iii. The devolution deal document would not be signed until after the consultation and a decision in October.
iv. The Council would want to be clear on the housing deal before it signed up to the deal.

The Executive Councillor for Planning Policy and Transport commented that the Spatial Strategy referred to sounded like the old Structure Plan. The City Council would continue to have its own Local Plan.

Mr Carpen addressed the Council and made the following supplementary statements:

i. There was a lot of confusion between the Local Plan and the City Deal programme.
ii. It had been confirmed that a new Prime Minister would be in place by 2nd September and he requested that Councillors kept the public informed about what was happening with the devolution deal.
iii. Urged Councillors to consider a policy review of the risks associated with the devolution deal.

Mr Leigh addressed the Council and made the following statement:

i. 'Key Network Route' in paragraph 28b of the devolution proposal, included only local authority roads and did not include the A14, M11, A11 or A428 and not the railways.
ii. While Cambridge and South Cambridgeshire was rightly preoccupied with the affordable housing crisis, the opportunity should not be missed to address some of the flaws in the local strategic road and rail network.
iii. The Soham station, the Newmarket curve, Ely North junction, the Ely Southern Bypass, the A14/A142 junction and the A47 all got a mention in the proposal document.
iv. Questioned where the Girton interchange was. Adding connections from A428 to M11 and A1307 would reduce congestion on the A1303 and through Toft, Comberton and Barton; reduce commute times by bus and car from Cambourne and Papworth to the city centre and Biomedical Campus and make park and ride at Girton Interchange viable.
v. Questioned where the additional connections were between the A11, M11 and A14. Three-way junctions would mean incidents and roadworks on any side of the triangle of roads could be bypassed without overwhelming the city and villages with huge volumes of heavy traffic.
vi. Questioned where the new railway station was at Fulbourn. Commented that this would complement a new station at Soham and make

Newmarket railway line a viable travel option for thousands of people travelling to the city centre and when the Cambridge South station opened the Biomedical campus.

vii. Asked Councillors if they would take the opportunity to get a balanced set of strategic transport infrastructure commitments on paper from government before the devolution deal was finalised.

viii. In the devolution deal under Governance paragraph 2 it stated that “local authorities of Cambridgeshire and Peterborough recognised and have agreed that the principle of subsidiarity should apply to the discharge of functions by the Mayor and Combined Authority and governance of this devolution deal. This included the delegation of responsibility from the Combined Authority to individual Councils or appropriate bodies such as the City Deal mechanisms for delivery. In other words the City Deal would continue as now.

ix. The Mayor’s transport budget would be £20million / year. The City Deal‘s would be £40million from 2020. The Office of the Mayor would have its own Overview and Scrutiny Committee and Audit Committee yet the City Deal Board has neither.

x. Asked if it made sense for the Office of the Mayor to delegate spending £40million / year to a board that was lacking public profile, accountability, transparency, critical overview, scrutiny and audit at the local level.

xi. It could be thought that the City Deal Assembly held the Board to account, however the paragraph 4.3 of the City Deal Assembly’s terms of reference stated “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.

xii. Pre-scrutiny was not scrutiny and qualifying every functions with ‘may’ rendered the Assembly impotent.

xiii. Councillor Herbert as Chair of the City Deal Executive Board would claim to be accountable to this Council for the Board’s decisions, however the Board has delegated many of its decision making powers to an officer to minimise delays in delivery.

xiv. Asked if the Mayor’s office was to live up to its billing for transparent governance and accountability then the City Deal must come under its purview and asked if the Leader would ensure that this happened.

The Leader responded with the following:

i. There was specific reference within the devolution document to a Mayor and a Combined Authority if that should come into existence.

ii. There was clear reference within the document to rail investment and whilst Fulbourn Station was not specifically referenced it was on the Council’s list.

iii. In relation to the City Deal, accountability for people who represented organisations was back in those organisations.
iv. He was happy to look at the accountability for a Combined Authority, if there was one, and the role of Leader as the City Council representative.
v. He was happy to look at the issue of accountability for the City Deal but he did not have any say in how the governance arrangements for the City Deal were set up.

Ms Brennan addressed the Council and made the following statement:

i. Unison and other unions would want to be included in any consultation and did not want to rely on employers being consultees. Asked if Unions would be included in any consultation on devolution.
ii. Given the different political views in Cambridge and Peterborough she asked how these views would be represented fairly in a Combined Authority.
iii. In paragraph 20.1 of the devolution document it stated that the cost of the Mayor would be met by the constituent authorities, she asked how much this would cost.

The Leader responded with the following:

i. Had requested a meeting with Unison and GMB to discuss several issues one of which would be devolution.
ii. Would discuss the consultation which would run from July to September and unions would have a full say as they represented the workers of the Council.
iii. The Combined Authority would include the County Council, Peterborough and 5 Cambridgeshire Districts, who all had different needs, interests and politics. Representatives of the authorities would all need to listen to each other.
iv. In terms of costs, County Council colleagues were to move a proposal on clear accountability, there was soon to be a Joint Chief Executive for Cambridgeshire and Peterborough.
v. He wanted any Mayor to be part of existing systems. An estimate of the salary might be in the region of £70,000 – £80,000, which was in line with the Police Commissioner’s salary for the same area. On costs all authorities would want to keep costs to a minimum. Would want to see existing officers involved as much as possible. However recognised that some extra jobs would be created as there would be people project manging and ensuring that projects were delivered.

Mr Hanagan addressed the Council and made the following statement:

i. If Councillors were minded to proceed with the new tier of local democracy, he asked if Councillors would be minded to seek a mandate from the people who fell under the jurisdiction of that authority.
ii. Nowhere within the proposals was there a reference to how the Combined Authority Mayor would be elected. He asked that Councillors considered the electoral process and considered the adoption of proportional representation and consulted on this.

The Leader responded with the following:

i. The devolution process had been difficult. Quite a lot of the discussions had been behind closed doors however he had sought to report back. There was the opportunity for members of the public to have a say as part of the consultation process.
ii. Referred the public to the County Council’s website which had a specific devolution page.
iii. It was unlikely that there would be a public vote but Councillors would be interested in and would consider the responses from the consultation.
iv. The City Council could make representations on the electoral process to be used for the election of a Combined Authority Mayor however the Government would make their own decision on the election process.

Mr Hanagan addressed the Council and made the following supplementary statement:

i. Thanked the Leader for his comments.
ii. He thought it was important that Cambridge made its views clear on what election process should be used to elect a Combined Authority Mayor.

Mr Logan addressed the Council and made the following statement:

i. Referred to paragraph 9.5 of the covering document and the impact of view taken following consultation processes and stated that the result of paragraph 9.5 was that the proposal could be taken back to square one. Asked what the significance of this would be and asked if this meant that the timetable for devolution would be disrupted.

The Leader responded with the following:

i. There was a lot of detail contained within the City and Local Government Devolution Act which set out the background rules and arrangements which would have to be considered before the Council formally went into a deal.
ii. The City Council did not sign the original devolution deal document and it had been proposed that the other councils who had signed up could go ahead without Cambridge. Some of paragraph 9.5 was dealing with this.

It would broadly be the Government's decision whether devolution went ahead. There was no provision for the City Council to step out of the devolution deal if it had signed up however there was provision for the City Council to join the deal if it did not sign up.

16/4/CNL Devolution to Cambridgeshire and Peterborough

The following Officer recommendation was put forward:

That Full Council considers whether it wishes to

i) Approve the content of the Devolution Deal proposal (attached at Appendix A).

ii) Endorse the conclusions and outcome of the Governance Review (attached at Appendix B), that the establishment of a Combined Authority with a Mayor for the Cambridgeshire and Peterborough area would be likely to improve the exercise of statutory functions in that area.

iii) Approve in principle, the Governance Scheme (attached at Appendix C) and request the Chief Executive to undertake appropriate consultation on its content.

If (ii) and (iii) are approved

iv) To resolve to convene, if appropriate, a further meeting of Full Council to take place in October 2016 to consider whether to support, in principle, the granting of consent for the Secretary of State to bring forward such an Order to establish a Mayoral Combined Authority covering the area of Cambridgeshire and Peterborough.

Councillor Herbert proposed and Councillor Price seconded the following amendments:

Replace (iv) with

(iv) If the above are approved, resolve to convene a meeting of Full Council to take place in October 2016 to consider the results of the consultation exercise and whether to give consent for the Secretary of State to bring forward an Order establishing a Combined Authority with a Mayor covering that area of Cambridgeshire and Peterborough.

On a show of hands this was agreed by 24 votes to 0.

And add a new clause v):

v) Over the next three months
(a) develop a delivery plan for building at least 500 new council homes using the £70m allocated in the deal for affordable housing in Cambridge (the Cambridge Housing Plan), working with the Government, and in consultation with other partners (see para 11 of the Devolution Deal proposal);
(b) contribute to work by South Cambridgeshire and the other partner councils in the Combined Authority on a plan for delivering 2,000 homes using the £100m allocated in the deal for this purpose (see para 20 of the devolution proposal).

On a show of hands this was agreed unanimously

Councillor Bick proposed and Councillor Cantrill seconded the following amendments:

(vi) To note that, while the housing measures in the Devolution Deal are moves in a positive direction, they are proportionately small and uncertain contributions mitigating the recent serious destabilisation of affordable and social housing supply in our area in the wider context of both the council's 2012 HRA 30 year Business Plan ambition for 2000 extra social homes and the potential for the gains offered in this Deal to be offset by a national government housing policy, which is still unclear; and to therefore request officers to prepare an updated negotiating position with government to further and more fully meet local needs for approval at or before the October full council meeting which will consider the current Deal.

On a show of hands this was lost by 13 votes to 21.

(vii) To request officers to prepare a workable scheme for politically balanced scrutiny by City Council members of decisions taken by its representative on the Combined Authority, *including pre-scrutiny where this is practical.*

Officers are asked to bring proposals to Civic Affairs after consulting group leaders, *before the first full meeting of the Combined Authority,* with a view to recommendations to full Council.

On a show of hands this was agreed unanimously.

The amended recommendation was therefore put to the vote:

i. Approve the content of the Devolution Deal proposal (attached at Appendix A).
ii. Endorse the conclusions and outcome of the Governance Review (attached at Appendix B), that the establishment of a Combined Authority with a Mayor for the Cambridgeshire and Peterborough area would be likely to improve the exercise of statutory functions in that area.
iii. Approve in principle, the Governance Scheme (attached at Appendix C) and requested the Chief Executive to undertake appropriate consultation on its content.

On a show of hands recommendation i-iii were approved by 23 votes to 8.

iv. To resolve to convene, if appropriate, a further meeting of Full Council to take place in October 2016 to consider the results of the consultation exercise and whether to give consent for the Secretary of State to bring forward an Order establishing a Combined Authority with a Mayor covering that area of Cambridgeshire and Peterborough.

On a show of hands this was agreed unanimously.

v. Over the next three months to
(a) develop a delivery plan for building at least 500 new council homes using the £70m allocated in the deal for affordable housing in Cambridge (the Cambridge Housing Plan), working with the Government, and in consultation with other partners (see para 11 of the Devolution Deal proposal);
(b) contribute to work by South Cambridgeshire and the other partner councils in the Combined Authority on a plan for delivering 2,000 homes using the £100m allocated in the deal for this purpose (see para 20 of the devolution proposal).

On a show of hands this was agreed by 34 votes to 0.

vi. To request officers prepared a workable scheme for politically balanced scrutiny by City Council members of decisions taken by its representative on the Combined Authority, *including pre-scrutiny where this is practical.*

Officers are asked to bring proposals to Civic Affairs after consulting group leaders, *before the first full meeting of the Combined Authority,* with a view to recommendations to full Council.

On a show of hands this was agreed unanimously.

Resolved:

i.Approved the content of the Devolution Deal proposal (attached at Appendix A).

ii.Endorsed the conclusions and outcome of the Governance Review (attached at Appendix B), that the establishment of a Combined Authority with a Mayor for the Cambridgeshire and Peterborough area would be likely to improve the exercise of statutory functions in that area.

iii.Approved in principle, the Governance Scheme (attached at Appendix C) and requested the Chief Executive to undertake appropriate consultation on its content.

iv.Resolved to convene a meeting of Full Council to take place in October 2016 to consider the results of the consultation exercise and whether to give consent for the Secretary of State to bring forward an Order establishing a Combined Authority with a Mayor covering that area of Cambridgeshire and Peterborough.

v.Over the next three months to
(a) develop a delivery plan for building at least 500 new council homes using the £70m allocated in the deal for affordable housing in Cambridge (the Cambridge Housing Plan), working with the Government, and in consultation with other partners (see para 11 of the Devolution Deal proposal);

(b) contribute to work by South Cambridgeshire and the other partner councils in the Combined Authority on a plan for delivering 2,000 homes using the £100m allocated in the deal for this purpose (see para 20 of the devolution proposal).

vi.Requested officers prepared a workable scheme for politically balanced scrutiny by City Council members of decisions taken by its representative on the Combined Authority, *including pre-scrutiny where this is practical.*

Officers are asked to bring proposals to Civic Affairs after consulting group leaders, *before the first full meeting of the Combined Authority,* with a view to recommendations to full Council.

The meeting ended at 7.30 pm

MAYOR

COUNCIL

14 July 2016
6.00 - 10.00 pm

Present: Councillors Abbott, Adey, Ashton, Austin, Avery, Baigent, Barnett, Benstead, Bick, Bird, Blencowe, Cantrill, Dryden, Gawthrope, Gehring, Hart, Herbert, Hipkin, Holland, Holt, Johnson, McPherson, R. Moore, T. Moore, Nethsingha, O'Reilly, Page-Croft, Perry, Pippas, Price, Ratcliffe, Roberts, Robertson, Sargeant, Sarris, Sinnott, Smart, Smith, Todd-Jones and Tunnacliffe

FOR THE INFORMATION OF THE COUNCIL

16/5/CNL Mayors Announcements

APOLOGIES

Apologies were received from Councillors Gillespie and O'Connell.

MAYOR'S DAY OUT

The Mayor informed Councillors that the annual Mayor's Day Out to Great Yarmouth would take place on Wednesday 17 August 2016.

HARVEST FESTIVAL CIVIC SERVICE

This would take place on Sunday 9 October at 9.30am at Great St. Mary's Church. Details for this event will be emailed at the beginning of September.

PRESENTATION OF RESOLUTION OF THANKS TO COUNCILLOR ROBERT DRYDEN

The Mayor welcomed Mr Fleuss to the meeting.

The Mayor informed Councillors that this year marked the 40th year of Mr Fleuss producing the annual Resolution of Thanks, a job that was originally passed on to him by his mentor Gee Horsley who was well known as a highly respected tutor in many arts related subjects at the then Cambridge School of Art. She produced the World War II memorial in the entrance lobby of the Guildhall having taken over from the person who produced the First World War memorial opposite.

On behalf of the City Council, the Mayor presented Councillor Dryden with a framed copy of the Resolution of Thanks for his service as Mayor during the 2015/16 municipal year, passed at the annual meeting of the Council on the 26 May 2016.

THE DIRECTOR OF ENVIRONMENT SIMON PAYNE AND THE HEAD OF LEGAL SERVICES SIMON PUGH

This was the last meeting before both Simon Payne and Simon Pugh left the Council. Members expressed their thanks to the two Officers for their service.

DECLARATIONS OF INTEREST

Name	Item	Interest
Councillor Gehring	16/10/CNLa	Personal: Is a European citizen
Councillor Roberts	16/10/CNLa	Personal: Works for the European Union

MINUTES OF THE PREVIOUS MEETING

The minutes of the 3 meetings held 26 May 2016 were confirmed as a correct record and signed by the Mayor.

16/6/CNL Public Questions Time

Members of the public asked a number of questions, as set out below.

1. Mr Carpen raised the following points:
   i. It was confusing to search for public meetings on the various calendars used by City Council, County Council, South Cambridgeshire District Council and the City Deal.
   ii. There were various comments on social media highlighting peoples' concerns with the multiplicity of calendars.
   iii. Requested that the City Council, County Council, South Cambridgeshire District Council and the City Deal amalgamated meeting information, to ensure meetings did not clash because two or more organisations held meetings on the same day.

   The Leader responded:

i. The Councils and the City Deal did liaise to try and arrange meetings so they did not clash. Each organisation was aware of the others' meeting calendar.
ii. The City Council, County Council and South Cambridgeshire District Council had calendars that councillors, officers and members of the public could access on-line.
iii. The councils would like to arrange meetings so there were no clashes, but it was not always possible due to time constraints.
iv. The way that City Deal meetings were publicised could be reviewed.
v. Councillor attendance at meetings reflected their availability rather than lack of awareness of meetings.

Mr Carpen made the following supplementary points:
i. A session was arranged for the home builders federation at the Local Plan hearings, but they did not turn up. This was a cost to the public purse.
ii. By not using social media effectively the council was missing an opportunity to disseminate information.

The Leader responded by saying he welcomed public interest in meetings and the dissemination of information through social media.

2. Mr Browne raised the following points:
i. Requested a town hall style public meeting to discuss the impact of the European Union Referendum result.
ii. Expressed concern over the:
    a. Increase in racially motivated attacks.
    b. Impact on participation in the European Union research programme.

The Leader responded:
i. He agreed with Mr Browne's points.
ii. Hate crime and the rights of European Union citizens would be debated later on the agenda.
iii. There were a number of people who wished to remain in the European Union. Some held a demonstration outside the Guildhall to express support.
iv. It had to be taken into account that not all people in the city/country wished to be part of the European Union.

v. An indoor rational discussion is the correct approach.
vi. The Leader undertook to investigate setting up a public meeting in response to Mr Browne's public question regarding the impact of the EU referendum.

As a supplementary point Mr Browne asked if the public meeting could be held in the next month.

The Leader anticipated the meeting would be held between 25 July and 5 August 2016.

3. Mr Taylor raised the following points:
i. Asked councillors not to vote to increase their allowances later on the agenda. Funding should go towards services not councillors' allowances. There was insufficient funding to pay for it from the Central Government grant.
ii. Asked for a recorded vote regarding the member allowance decision for transparency.
iii. Requested greater transparency on allowances and who received them.

16/7/CNL To consider the recommendations of the Executive for Adoption

16/7/CNLa 2015/16 Revenue and Capital Outturn, Carry Forwards and Significant Variances – HRA

Resolved (by 26 votes to 0):
To approve carry forward requests of £2,171,000 in HRA and General Fund Housing capital resources from 2015/16 to 2016/17 to fund rephased net capital spending, as detailed in Appendix D of the Officer's report and the associated notes to the appendix of the Officer's report.

16/7/CNLb 2015/16 Revenue and Capital Outturn, Carry Forwards and Significant Variances – General Fund - Overview

Council was recommended to agree the carry forward requests as set out on the agenda.

Councillor Cantrill proposed and Councillor Bick seconded the following amendment (additional text underlined):

Accordingly, Council is recommended to:

i. Agree the carry forward requests, totalling £485.3K revenue funding from 2015/16 to 2016/17 as detailed in Appendix C.
ii. Agree the carry forward requests of £18,616k (including £2,171k relating to the Housing Capital Investment Plan) capital resources from 2015/16 to 2016/17 to fund rephrased net capital spending as detailed in Appendix D – Overview.
iii. The council expresses concern on the delay of elements of the Councils Capital Plan, particularly in relation to areas such as EIP, 20 mph and cycling projects, that have a direct impact on residents day to day lives. This is despite the fact that the Council 'paused' the budget for EIP, during the financial year 2015/2016. The Council asks for a specific report to be brought to Strategy and Resources Committee identifying the reasons for the delays and setting out what actions need to be taken to address the issues.

On a show of hands the amendment was lost by 12 votes to 27.

Resolved (by 27 votes to 0) to:

i. Agree the carry forward requests, totalling £485.3K revenue funding from 2015/16 to 2016/17 as detailed in Appendix C of the agenda pack.
ii. Agree the carry forward requests of £18,616k (including £2,171k relating to the Housing Capital Investment Plan) capital resources from 2015/16 to 2016/17 to fund rephrased net capital spending as detailed in Appendix D – Overview.

16/7/CNLc Annual Treasury Management (Outturn) Report 2015/16

Council was recommended to approve the report as set out on the agenda.

Councillor Cantrill proposed and Councillor Bick seconded the following amendment (additional text underlined):

Accordingly, Council is recommended to:

i. Approve the report which included the Council's actual Prudential and Treasury Indicators for 2015/16.
ii. The council notes the economic and financial uncertainty that has been created by the Referendum vote to leave the EU. The Council asks for a

specific report on the impact on the council's finances of the decision, to be brought to the next Strategy and Resources committee.

On a show of hands the amendment was lost by 12 votes to 27.

Resolved (by 27 votes to 0) to:
Approve the report which included the Council's actual Prudential and Treasury Indicators for 2015/16.

16/8/CNL To consider the recommendations of Committees for Adoption

16/8/CNLa 21/06/16 Employment (Senior Officer) Committee: Monitoring Officer Arrangements

Resolved (unanimously):
To approve the designation of Maria Memoli, the Interim Head of Shared Legal Practice, as the Council's Monitoring Officer for the period 1 August to 21 August and that Tom Lewis, the new Head of the (Shared) Legal Practice, is designated the Council's Monitoring Officer from the 22 August 2016.

16/8/CNLb 29/06/16 Civic Affairs Committee: Assurance Framework, Draft Annual Governance Statement and Draft Code of Corporate Governance 2015/16

Resolved (unanimously):
To approve the Code of Corporate Governance.

16/8/CNLc 29/06/16 Civic Affairs Committee: Review of Members' Allowances Scheme

Council was recommended to adopt the amended interim recommendations of the Independent Remuneration Panel as set out on the agenda.

Councillor Cantrill proposed and Councillor Bick seconded the following amendment (additional wording underlined, deleted text ~~struck through~~):

Resolved to recommend to Council:

To adopt the amended interim recommendations of the Independent Remuneration Panel:

Basic Allowance

i. The Area Committee Allowance be removed and the sum consolidated into the Basic Allowance.

ii. ~~The Basic Allowance be re-aligned to the National Living Wage and thereafter be indexed in line with National Living Wage increases in order to rectify the anomalous situation which has arisen through failing to index link Councillors' Allowances. By 1st April 2016 the national minimum wage will have increased by 25.6% from £5.73 per hour in 2008, (when current Allowance payments were last set) to £7.20 per hour. The Basic Allowance should be increased by the same percentage to £4,300 with effect from the 2016/17 municipal year.~~ <u>That the Basic Allowance is increased by 14% – this would increase basic allowance of £3199 to £3647 with effect from the 2016/17 municipal year. The increase reflects the pay increase of the lower staff salary bands between 2008 – 2015 – taking into account the impact of the introduction of the Living Wage within the authority.</u>

<u>2.2 of the recommendation is adjusted accordingly.</u>

iii. This increase be applied immediately, in full, since it will only bring the Basic Allowance closer to, rather than on a par with, that paid to Members of comparable Councils.

On a show of hands the amendment was lost by 12 votes to 27.

Resolved (by 27 votes to 0) to adopt the amended interim recommendations of the Independent Remuneration Panel:

Basic Allowance

i. The Area Committee Allowance be removed and the sum consolidated into the Basic Allowance.

ii. The Basic Allowance be re-aligned to the National Living Wage and thereafter be indexed in line with National Living Wage increases in order to rectify the anomalous situation which has arisen through failing to index link Councillors' Allowances. By 1st April 2016 the national minimum wage will have increased by 25.6% from £5.73 per hour in 2008, (when current Allowance payments were last set) to £7.20 per hour. The Basic Allowance should be increased by the same percentage to £4,300 with effect from the 2016/17 municipal year.

iii. This increase be applied immediately, in full, since it will only bring the Basic Allowance closer to, rather than on a par with, that paid to Members of comparable Councils.

Special Responsibility Allowances (SRAs)

iv. As an interim measure, pending the outcome of a more comprehensive review of SRA payments, that the Planning Committee Chair's SRA be increased by £1,000 to £3,226 pa to bring the allowance payment for this role closer to that paid by comparable authorities. That other allowances for the Planning Committee (ie for Vice-chair and Members) remain the same.

v. As an interim measure, that SRAs be removed from Vice Chairs of all committees other than that of the Planning Committee and that the SRAs to all members of committees (with the exception of the Licensing, Planning and Joint Development Control Committees) be discontinued. This saving could be reallocated to part fund the recommended changes to the Basic Allowance, the Planning Committee Chair's allowance or expenses.

vi. With the exceptions outlined above, other SRAs remain as they are for the present, and a further detailed review of SRAs be conducted within 6 months when the impact of current developments in Councillor roles and responsibilities is clearer. The objective of this review will be to produce an internally consistent scheme for Basic and Special Responsibility Allowances which will be appropriate to current Councillor roles and responsibilities.

IT/Expenses

vii. As part of the move to increase efficiency and reduce waste, IT support be enhanced for councillors. (The Panel understand that there are IT support issues within the Council which should be resolved). This will produce efficiencies in the longer term. The council already support councillors by providing new laptops when requested. This should continue to be the case but the automatic issue of laptops or tablets is not agreed.

viii. As the stationery expense is so out of date the claim for stationery expense be removed and a gross amount of £75 per councillor per annum be allowed in addition to the Basic Allowance. This is to cover stationery, mobile phone and other communication expenses.

ix. Apart from the changes outlined above travel, subsistence and carers' allowances remain the same but carers should be paid at least the Living Wage.
x. That the next full review of the Members' Allowances Scheme should take place not more than two years from the date of the Panel's report.

2.2 That Council approves the budgetary requirement for 2016/17 up to £46,917 from Reserves.

16/9/CNL To deal with Oral Questions

Primary Questions

1) Councillor Baigent to the Executive Councillor for Finance and Resources

Is the Council investment in Haverhill Business Park generating a return?

The Executive Councillor responded the investment was generating rent of over £450k per annum, equivalent to a return of 6.1% on the costs of acquisition.

The Council was investing in property as reserves in the bank were not earning much interest.

2) Councillor Austin to the Executive Councillor for City Centre and Open Spaces

How much longer will the public have to wait before they have full access to Jesus Green? It is now over six weeks since the Beer Festival ended and damage was done during the dismantling and removal process.

The Executive Councillor responded that unfortunately a period of heavy rain during the dismantling of the infrastructure after the Beer Festival resulted in localised damage to Jesus Green. This period of wet weather then continued on a regular basis throughout June, which nationally has been recorded as the wettest ever since records began.

These unprecedented weather conditions hampered the rectification works and although officers positioned themselves to undertake the work by delivery of materials to site, there was not the opportunity to work the damaged area with the machinery required until Thursday 8 July 2016.

The affected area has been demarked by orange fencing to deter but not preclude access. With the work now complete this fencing has been removed and full access to the park is possible with only some small, but obvious areas, not useable due to grass not yet establishing. The continuation of current mild weather and precipitation should ensure quick re-establishment of these areas.

3) Councillor Barnett to the Executive Councillor for Communities

How are plans for 2016 Folk Festival progressing?

The Executive Councillor responded that since April 2015 the management and delivery of the Folk Festival rests with Cambridge Live, the City Council did not have an operational role. Following dialogue with Cambridge Live, plans for the event were progressing as expected and tickets were expected to sell out soon. The Festival is maintaining its very high level of artistic, ethical and green standards and is receiving excellent national press coverage. Cambridge Live has continued the work established with the Greener Festival Awards and Cambridge Folk Festival is now a Greener Festival Associate, reflecting its long track record in this area. It is now also working with ‘Attitude is Everything’, an organisation committed to improving deaf and disabled people’s access to live music. Within the programme itself, the festival’s commitment to social justice, fairness and tolerance were clearly visible. Further detailed information on the line-up was listed on the Cambridge Folk Festival pages on the Cambridge Live website.

4) Councillor Cantrill to the Leader

Does the leader believe that the replacement lighting on Burrell’s Walk satisfies both the form and function objectives that were discussed at length prior to the work commencing?

The Leader responded that no-one from the County Council or Balfour Beatty was available to meet him in Burrell’s Walk 13 July 2016.

The Leader had looked at lighting in Burrell’s Walk 11 and 13 July. He would do so again the following week.

There appeared to be issues with light quality as not all were working. This would be reviewed in future with the County Council.

5) Councillor Perry to the Executive Councillor for Environment and Waste (on behalf of Councillor Sinnott)

Can the Executive Councillor update the council on progress with the next stages for electric and hybrid taxis?

The Executive Councillor referred to paperwork from the June Environment Scrutiny Committee which was available on-line.

The livery on vehicles would be reviewed in future.

6) Councillor Ratcliffe to the Leader

Further to reports of hate crime in Huntingdon since the EU Referendum, have similar incidents been occurring in Cambridge?

The Leader responded that he met the Commander of Cambridgeshire Police a week ago. There had been an increase in hate crimes across the city and outside, but these were not specifically focussed on European Union citizens. More so on members of the Muslim, lesbian, gay, bi-sexual and transsexual communities.

7) Councillor Todd-Jones to the Leader

Given the importance of the City Deal proposals for Histon Road and Milton Road, can the Leader give the Council an update on the Local Liaison Forum process?

The Leader responded that he thought Histon and Milton Road would benefit from separate Local Liaison Forums. The Leader met with the Chair of the Local Liaison Forum who expressed concern regarding process and set up. These concerns were passed onto the County Council. Meetings in the near future have been delayed so that concerns could be addressed.

A process that engaged residents was desirable.

Local Liaison Forums have been established for the tranche 1 infrastructure schemes, and have all met once so far. Local Liaison Forum were intended to make sure that local communities could have their say on schemes as they develop. Local Liaison Forum Chairs should be invited to come along to City Deal Board and Assembly meetings to ensure the Board makes informed decisions based on local community input. The Local Liaison Forums will be held in public.

8) Councillor Gehring to the Leader

Does the Leader agree that more democratic scrutiny is better for sustainable long term decisions such as for the City Deal?

The Leader responded the Council had a seat on the City Deal Board. The post holder would be accountable to the Council.

9) Councillor Smart to the Leader

Can he update Councillors on devolution since the recent special council meeting?

The Leader responded that all councils in Cambridgeshire and Peterborough had supported the proposals and public consultation was underway. Also there had been changes in Central Government post holders since the devolution process began.

The Leader expected Central Government to clarify its approach in future. The Leader wanted a clear commitment on affordable housing.

13) Councillor Adey to the Leader

Would the Leader of the Council please indicate what difference the result of the referendum on EU membership will have upon the Authorities twinning links?

The Leader responded he expected the referendum would have no impact on twinning arrangements. The value of twinning links would become more important in future.

The Council had a modest budget for twinning arrangements, which should operate in future similarly to current ones.

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

10) Councillor Bick to the Executive Councillor for Housing

Which of the new actions to prevent rough sleeping reported to him at Housing Scrutiny Committee is already having an impact on today's noticeably worsened situation on the city's streets? Does he think there is enough hostel capacity in the city?

11) Councillor Sargeant to the Leader

What is the current position on work to develop shared services with other councils?

12) Councillor Sarris to the Leader

Are the police reviewing Parkside Police Station and what is the Council's view?

14) Councillor Page-Croft to the Executive Councillor for Environment and Waste

Does the Executive Councillor believe in the use of by laws by the city council to deal with issues?

Secondary Question

15) Councillor Barnett to the Executive Councillor for Finance and Resources

Given opposition party claims about maternity leave provision during the 2015/16 budget setting process, can he advise the outturn on the funding reserve allocated?

16/10/CNL To consider the following Notices of Motion, notice of which has been given by:

16/10/CNLa Councillor Ratcliffe: EU Citizens and Hate Crime

Councillor Ratcliffe altered motion 6a through rule 26 with the consent of the Council (additional text underlined).

Councillor Ratcliffe proposed and Councillor Gehring seconded the following motion:

EU Citizens and Hate Crime

This Council notes

- The majority national referendum vote to leave the European Union, creating new challenges for Cambridge as an international city
- That nationally and locally there is a need to address the wider reasons for the exit vote and the disaffection many felt towards the EU and the wider political system
- That locally a large majority of Cambridge and South Cambridgeshire residents voted to remain
- That our community enjoys and welcomes EU citizens as residents, people who regard Cambridge as their home and who perform key roles in our economy and in local NHS services and study or research at the city's two Universities, and who deserve clear assurances that they are welcome to stay
- That there have been disturbing reports of a rise of racist and xenophobic incidents, hate crime and racist graffiti in Cambridgeshire, including hate messages targeted at local residents from Poland distributed recently in nearby Huntingdon
- That Cambridgeshire police and the Council's Safer Communities Team are working effectively to combat hate crime and encourage community cohesion

This council states that:

- Cambridge is determined to stay a diverse, open, welcoming and tolerant city
- EU citizens contribute much to our community and should be granted clear rights to remain, and need a statement now by Government supporting this
- There is no place for racism or hate crimes in our city and that any perpetrators need to be caught and prosecuted.

This council therefore resolves to:

- Write to the new Prime Minister, and (when appointed) the Minister responsible for Brexit negotiations ~~all the candidates for that job~~, asking for a clear statement from each of them supporting the rights of EU citizens already here in Cambridge to remain in the UK

- Write in similar terms to the city's two MPs informing them of this motion and asking for their assistance in lobbying government to achieve our objectives on this, and in tackling hate crime
- Continue the council's work with community organisations and Cambridgeshire police in combating and preventing hate crime, and investigate further opportunities to build our city's commitment to togetherness and tolerance and support the rights of all our residents to live and work here in peace, whatever their nationality and culture
- Continue to work on the wider impacts on the city of the exit vote, and any opportunities, working with local organisations, employers and our MPs.

Resolved (unanimously) that:

This Council notes

- The majority national referendum vote to leave the European Union, creating new challenges for Cambridge as an international city
- That nationally and locally there is a need to address the wider reasons for the exit vote and the disaffection many felt towards the EU and the wider political system
- That locally a large majority of Cambridge and South Cambridgeshire residents voted to remain
- That our community enjoys and welcomes EU citizens as residents, people who regard Cambridge as their home and who perform key roles in our economy and in local NHS services and study or research at the city's two Universities, and who deserve clear assurances that they are welcome to stay
- That there have been disturbing reports of a rise of racist and xenophobic incidents, hate crime and racist graffiti in Cambridgeshire, including hate messages targeted at local residents from Poland distributed recently in nearby Huntingdon
- That Cambridgeshire police and the Council's Safer Communities Team are working effectively to combat hate crime and encourage community cohesion

This council states that:

- Cambridge is determined to stay a diverse, open, welcoming and tolerant city

- EU citizens contribute much to our community and should be granted clear rights to remain, and need a statement now by Government supporting this
- There is no place for racism or hate crimes in our city and that any perpetrators need to be caught and prosecuted.

This council therefore resolves to:

- Write to the new Prime Minister, and (when appointed) the Minister responsible for Brexit negotiations, asking for a clear statement from each of them supporting the rights of EU citizens already here in Cambridge to remain in the UK
- Write in similar terms to the city's two MPs informing them of this motion and asking for their assistance in lobbying government to achieve our objectives on this, and in tackling hate crime
- Continue the council's work with community organisations and Cambridgeshire police in combating and preventing hate crime, and investigate further opportunities to build our city's commitment to togetherness and tolerance and support the rights of all our residents to live and work here in peace, whatever their nationality and culture
- Continue to work on the wider impacts on the city of the exit vote, and any opportunities, working with local organisations, employers and our MPs.

16/10/CNLb Councillor Bick: Viability Assessments for Affordable Housing

Councillor Bick altered his motion under rule 26, with the Council's consent, to incorporate an amendment of which Councillor Blencowe had given notice.

Councillor Bick proposed and Councillor Avery seconded the following motion:

<u>Viability Assessments for Affordable Housing</u>

<u>Council notes that at the Full Council in February of this year a clear commitment was given by Councillor Price that in regards to Viability Assessments the Council would be seeking to maximise transparency for the benefit of both councillors and the public, acknowledging the clear public interest in the issue of affordable housing policy commitments.</u>

Council <u>further</u> notes that Greenwich Borough Council has adopted a requirement obliging publication of a viability assessment that is both full and un-redacted to justify any shortfall from Local Plan affordable housing targets in plans that are submitted for residential developments. It requests the Executive Councillor for Planning Policy and Transport to work with officers to investigate this approach for introduction in Cambridge as part of a wider review to update the Council's handling of developer obligations for affordable housing.

Furthermore Council is requested:

- to consider other emerging best practice in viability assessment and reviews, including the work of the London s106 group, with a view to maximum transparency for members and for the wider community.
- and to work with South Cambs Planning Services, on the development of a consistent shared Greater Cambridge protocol for s106 including the option of an interim approach pending a review of the Affordable Housing SPD and the Planning Obligations SPD on adoption of the new draft Local Plans.

Resolved (unanimously) that:

Council notes that at the Full Council in February of this year a clear commitment was given by Councillor Price that in regards to Viability Assessments the Council would be seeking to maximise transparency for the benefit of both councillors and the public, acknowledging the clear public interest in the issue of affordable housing policy commitments.

Council further notes that Greenwich Borough Council has adopted a requirement obliging publication of a viability assessment that is both full and un-redacted to justify any shortfall from Local Plan affordable housing targets in plans that are submitted for residential developments. It requests the Executive Councillor for Planning Policy and Transport to work with officers to investigate this approach for introduction in Cambridge as part of a wider review to update the Council's handling of developer obligations for affordable housing.

Furthermore Council is requested:

- to consider other emerging best practice in viability assessment and reviews, including the work of the London s106 group, with a view to maximum transparency for members and for the wider community.
- and to work with South Cambs Planning Services, on the development of a consistent shared Greater Cambridge protocol for s106 including the option of an interim approach pending a review of the Affordable Housing

SPD and the Planning Obligations SPD on adoption of the new draft Local Plans.

16/10/CNLc Councillor O'Connell: EU Referendum

The motion was withdrawn prior to the meeting as an agreement had been reached with Councillor Ratcliffe under motion 6a (minute item 16/10/CNLa).

16/11/CNL Written Questions

The Mayor advised that no written questions had been received.

16/12/CNL Urgent Decision

16/12/CNLa Approval of capital budget of £46,000 to purchase the MOT plant for the fleet service which will be funded from DRF

The decision was noted.

16/12/CNLb Approval of a capital budget of £160,000 for Stamp Duty Land Tax on Land Transfer for Site K1 Orchard Park, Cambridge

The decision was noted.

The meeting ended at 10.00 pm

CHAIR

HOUSING SCRUTINY COMMITTEE 22 September 2016
5.30 - 8.15 pm

Present:

Scrutiny Committee Members: Councillors Todd-Jones (Chair), Avery, Gawthrope, Holland, Moore, Page-Croft, Perry and Smart

RECOMMENDATION TO COUNCIL
(EXECUTIVE COUNCILLOR FOR HOUSING - COUNCILLOR PRICE)

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY

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) Medium Term Financial Strategy 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 by 6 votes to 0 with 2 abstentions.

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.

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Cambridge City Council **Item**

To:	Executive Councillor for Housing: Councillor Kevin Price
Report by:	Julia Hovells, Business Manager / Principal Accountant
Relevant scrutiny committee:	Housing Scrutiny Committee 22/9/2016
Wards affected:	All

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY

Key Decision

1. Executive Summary

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

1.2 The Housing Revenue Account (HRA) Medium Term Financial Strategy 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 Medium Term Financial Strategy attached, to include all proposals for change in:

- Financial assumptions as detailed in Appendix B of the document.

- 2016/17 revenue budgets as introduced in Section 5, resulting from changes in financial assumptions and the financial consequences of change, as introduced in Section 5, detailed in Appendix D of the document and summarised in Appendix G.

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

The Executive Councillor is asked to recommend to Council:

b) 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, for decision at Council on 20th October 2016.

3. Background

3.1 The Housing Revenue Account budget was set for 2016/17 as part of 2016/17 HRA Budget Setting Report, approving a net contribution from reserves in the year of £1,737,420.

3.2 This figure was later amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2015/16 into 2016/17 as part of the closedown process for 2015/16. Following these changes, the sum of £1,928,420 was anticipated to be required as a contribution from reserves for the year.

3.3 The HRA Medium Term Financial Strategy 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 2016/17 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 Medium Term Financial Strategy are incorporated as part of the document itself and the associated appendices.

(b) **Staffing Implications** (if not covered in Consultations Section)

There are no direct staffing implications associated with this report. Any staffing implications resulting from the Housing Transformation Programme and resulting recommendations will be addressed as part of the reports presented to Housing Scrutiny Committee during the review.

(c) **Equality and Poverty Implications**

An Equalities Impact Assessment is not considered to be required as part of this report.

(d) **Environmental Implications**

There are no adverse environmental implications anticipated as a result of changes proposed in this report.

(e) **Procurement**

There are no direct procurement implications associated with this report. Any external staff resource required to implement Pay to Stay will be procured though the Council's existing temporary staffing contractual arrangements.

(f) **Consultation and communication**

Tenant and Leaseholder representatives are being consulted on the proposals in the HRA Medium Term Financial Strategy as part of the Housing Committee scrutiny process.

(g) **Community Safety**

There are no direct community safety implications associated with the HRA Medium Term Financial Strategy.

5. Background Papers

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

- Housing Revenue Account Mid-Year Financial Review (October 2015)
- Housing Revenue Account Budget Setting Report (February 2016)

6. Appendices

Appendix A	Housing Revenue Account Medium Term Financial Strategy.

7. Inspection of Papers

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

Author's Name:	Julia Hovells
Author's Phone Number:	01954 - 713071
Author's Email:	julia.hovells@cambridge.gov.uk

Housing Scrutiny Committee

Housing Revenue Account Medium Term Financial Strategy (HRA Business Plan Update)

CAMBRIDGE CITY COUNCIL

September 2016

2016/17 to 2045/46

Cambridge City Council

Contents

Appendices

Section 1
Introduction and Local Context

Foreword by the Executive Councillor

The Medium-Term Financial Strategy examines and restates the HRA budget for the current year and updates our financial assumptions and projections for the following four years. It seeks to plot a path through what has been, and continues to be, a period of significant change in national legislation for stock holding councils, in order to minimise and mitigate the impact on our tenants and to continue to invest in building new council homes.

The importance of councils as providers of secure, high quality, low cost rental homes for those for whom home ownership or private sector rent may never be an option is clear, yet the constraints on councils as providers have never been greater. Grant for new affordable rented homes has all but disappeared and many providers across the wider sector are diversifying into low cost home ownership with the changing definition of 'affordable'.

It is crucial that councils continue to make the case to government that the provision of low cost social rented homes is key both to meeting ambitious targets for the supply of new housing and to tackling the housing affordability crisis which is so clear, not just in Cambridge but across the country. Over the past few months this has been at the core of our discussions with the Treasury over the proposed Devolution Deal. Securing £70,000,000 for the HRA to be used with our retained Right to Buy receipts will enable a significant replacement programme of homes lost through Right to Buy and the increased rental receipts will enable further future investment in new homes.

Much work remains to be done but the proposed Devolution Deal offer can provide some hope in the too often bleak landscape for those on our housing needs register.

Councillor Kevin Price.

Executive Councillor for Housing

Background and Executive Summary

The Housing Revenue Account (HRA) Medium Term Financial Strategy is to be read in conjunction with the original HRA 30-Year Business Plan approved in February 2012, which set the scene for the current financial environment and the HRA Budget Setting Report of February 2016.

This report provides opportunity to review assumptions and consider any material changes, which may need the authority to change financial strategy, policy or to take alternative courses of action, to ensure a financially viable Housing Revenue Account in future years. Both revenue and capital investment is considered in this report, with the impact of any proposed changes on the HRA Business Plan clearly identified. A review of the strategic risks facing the HRA is presented at Appendix A.

The HRA Medium Term Financial Strategy re-states the budget for the current year (2016/17), highlighting only significant or exceptional in-year changes for approval, reviews and updates financial assumptions and presents updated projections for the following 4 years from 2017/18 to 2020/21, in the context of the longer-term financial position.

Following a review of the assumptions made previously, it is still clear that the HRA faces significant financial pressure, and although some of the changes made impact the financial forecasts positively, there is still the need to identify significant savings and efficiencies in the HRA, or to increase income generated, in order to maintain a sustainable HRA for in the longer term. There are still a number of areas of uncertainty, and financial forecasts will be reviewed again as further information is made available to the authority.

Timetable

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

Date	Task
2016	
22 September	Executive Councillor for Housing considers HRA Medium Term Financial Strategy and incorporates Housing Scrutiny Committee views in recommendations to Council
20 October	Council considers HRA Medium Term Financial Strategy
2017	
18 January	Executive Councillor for Housing considers HRA Budget Setting Report, considers any alternative budget proposals, approves rent levels and revenue budgets, following consideration of Housing Scrutiny Committee views, making final capital related recommendations to Council
23 February	Council approves HRA Budget Setting Report

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 1/4/2016**	**Estimated Stock Numbers as at 1/4/2017**
General Housing	6,414	6,471
Sheltered Housing	510	510
Supported Housing	22	22
Temporary Housing (Individual Units)	47	45
Temporary Housing (HMO's / EA)	30	30
Miscellaneous Leased Dwellings	17	17
Shared Ownership Dwellings	78	88
Total Dwellings	**7,118**	**7,183**
Property Type (Excluding Shared Ownership)	**Actual Stock Numbers as at 1/4/2016**	**Estimated Stock Numbers as at 1/4/2017**
Bedsits	107	107
1 Bed	1,687	1,698
2 Bed	2,376	2,423
3 Bed	2,253	2,248
4 / 4+ Bed	107	109
Sheltered Housing	510	510
Total Dwellings	**7,040**	**7,095**

Leasehold Stock

At 1st April 2016, the Council retained the freehold and managed the leases for 1,145 leasehold flats.

Housing Stock Changes

The table below compares reductions in the general housing stock in the last 10 years through right to buy sales, other sales, re-development and conversion, with increases in the number due to new build dwellings and acquisitions.

Year	Opening Stock	RTB's	Other Disposals / Demolitions	Conversions / Other Changes	Acquisitions / New Builds	Closing Stock
2015/16	7,016	(42)	(4)	5	65	7,040
2014/15	7,164	(51)	(109)	(7)	19	7,016
2013/14	7,235	(60)	(45)	1	33	7,164
2012/13	7,280	(41)	0	(6)	2	7,235
2011/12	7,290	(12)	0	0	2	7,280
2010/11	7,364	(17)	(62)	0	5	7,290
2009/10	7,387	(13)	(2)	(8)	0	7,364
2008/09	7,438	(6)	(44)	(1)	0	7,387
2007/08	7,524	(43)	(42)	(1)	0	7,438
2006/07	7,600	(72)	(2)	(2)	0	7,524
Total		(357)	(310)	(19)	126	

Section 3
The National Policy Context and External Factors

External Factors

In reviewing financial assumptions as a pre-cursor to strategic decision making, it is necessary to consider the assumptions made in respect of external factors, outside of the control of the organisation and to update financial projections in light of any changes or trends in these areas.

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

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 18 months, the average rate of growth has remained low, with rates of below 1% spanning the entire period.

In light of the recent referendum, resulting decision for the UK to leave the European Union and subsequent reduction in the Bank of England Base Rate, it is difficult to accurately predict in which direction this indices will move in the short or medium term.

With this in mind, forecasts for the rate of base inflation have been amended as part of the Medium Term Financial Review to reflect the projections currently being made by the Office for Budgetary Responsibility (OBR), with estimates that prices will increase by 1.9% for 2017/18, increasing to 2.4% from 2018/19 ongoing. This assumption will be revisited again as part of the 2017/18 Budget Setting Report.

Expenditure in respect of building maintenance is inflated in the financial forecasts using the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS) all in tender price index. This index is historically volatile, with huge peaks and troughs in the rates between years, depending upon the level of activity and availability of both labour and materials for the industry.

Again, a decision to leave the European Union is anticipated to have a direct impact in this industry, with current uncertainty about the price that can be secured for building materials, whether financial institutions will continue to lend on the same terms for building projects in the UK, and whether the labour market will be directly impacted.

According BCIS All in Tender Price Index, forecasts for the next 5 years are for growth of 3.7% for the next 3 years, followed by an increase of 4.6% and 6.4% in the last 2 years. These revised assumptions have been incorporated into the financial forecasts, using an average rate of 4.5% form year 6 onwards.

Interest Rates

The Council lends externally, any cash balances held, adopting a mix of investments. If the balances held, whether revenue or capital in nature, relate to the Housing Revenue Account, the interest earned by the authority is credited to the Housing Revenue Account. Although a different mix of investments has been introduced recently, the level of return remains relatively low. Revised interest rate assumptions are included in Appendix B.

In respect of HRA borrowing, the self-financing loan portfolio with the Public Works Loans Board remains, with rates of between 3.46% and 3.53%. Any additional borrowing must still be within the level of the current HRA borrowing cap, resulting in maximum additional borrowing in the region of £16m. There is no indication at a national level that the borrowing cap will be increased in the immediate future.

Although any additional borrowing in the HRA could potentially be met from the General Fund, subject to the availability of resource, for the purpose of financial planning, the assumption that the HRA will borrow externally has been retained.

The external borrowing rate previously assumed for the HRA was 4%, but having reviewed the rates currently available from the PWLB for maturity loans with a 30 year duration, and taken into consideration market projections, it is proposed to reduce this assumption to 2.4%, rising to 2.5% in 2017/18 and then 2.7% from 2018/19 onwards, as part of the HRA Medium Term Financial Strategy, recognising that a certainty rate providing rates at 20 basis points below the standard rate is still available at present.

Although the reduction in the rates available currently mean that the rates are now lower than those secured for the self-financing settlement in 2012, any attempt to re-finance the loans now to take advantage of the lower rates would incur significant early redemption penalties. Any interest saving would be far outweighed by the penalty, which would need to be paid at the point of re-financing.

Right to Buy Sales

In 2015/16, 141 right to buy applications were received and recorded, compared with 103 and 114 in the two previous years respectively. This demonstrates an increase in activity, where previously a marginal decline had been seen. It is possible that renewed interest in the scheme may have been brought about by the anticipated introduction of 'Pay to Stay', the requirement for those on higher income to pay up to market rent for living in their council home. In 2015/16, 42 of the applications proceeded to completion of the sale of the property, compared with 51 in 2014/15. In the first 3 months of 2016/17, 21 sales have completed, supporting the view that interest has again increased.

It is impossible to accurately predict future sales, although recently renewed interest in the lead up to the introduction of 'Pay to Stay' indicates that an increase in the assumed level of sales may be appropriate for the medium term. With this in mind, it is considered prudent to marginally increase the assumption of sales, with an increase to 55 sales in 2016/17, with 50 sales in 2017/18, then reducing by 5 sales per annum, until 25 sales per annum are assumed from 2022/23 onwards.

Right to Buy Receipts

Still subject to an agreement with CLG, allowing the retention of an agreed proportion of right to buy receipts, subject to a set of specific conditions, the authority now holds a significant sum for re-investment. Receipts must be spent, within 3 years, 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, and not on dwellings receiving any other form of public subsidy, ie; Homes and Communities Agency grant.

Whilst held, the capital receipts can be invested by the authority to earn interest in the short-term, but if not spent appropriately within the 3 year time frame, have to be paid over to central government, with 'penalty' interest payable at 4% above the base rate, far exceeding the level of interest that will have been earned in the interim.

There is scope however, subject to progression of the latest devolution offer following public consultation, for money to be made available through this route to be matched with right to buy receipts to deliver new homes in the city.

Appendix C summarises the latest position in respect of receipts held and appropriately re-invested, highlighting that although a deadline has not yet been breached, the timing of investment through our capital programme is absolutely crucial if we are to avoid payment of any penalties.

It may still be necessary to consider some strategic acquisitions in the short-term in order to meet the deadlines, but a decision in this regard, will need to take account of the subsequent impact on our ability to deliver existing new build schemes. The option to pass retained receipts to registered providers still remains, with the registered provider delivering affordable housing to which we would receive nomination rights. The same time constraints apply in this instance, as does the need for the 70% top up funding.

At the end of each quarter, the Head of Finance, as Section 151 Officer, in consultation with the Strategic Director, makes a decision as to whether right to buy receipts are retained or paid directly over to central government. The Executive Councillor for Housing will be informed if the outcome of this decision making process were to be a decision to pay receipts directly back to Central Government. The decision takes account of the ability to identify the 70% top up funding required, and failing this, the potential for the receipt to be passed to a registered provider, with both options maximising the delivery of new homes in the locality. Payment of the sums to central government is only considered if there is a clear risk that the resource cannot be utilised appropriately within the required timeframes, thus mitigating any impact of the need to pay receipts over to central government at a later stage, alongside the interest penalty incurred.

National Housing Policy

National Rent Setting Policy

There is now no discretion at a local level in terms of setting rents. The Welfare Reform and Work Bill included legislation that imposes the requirement on local authorities and registered providers to reduce rents by 1% each year for four years, beginning in April 2016.

For the first year, an exclusion to the legislation was granted in respect of supported housing (sheltered, supported and temporary housing in the City Council's case), which allowed rents in these dwellings to be increased as before, pending the outcome of a review into the rent levels for this type of accommodation.

Cambridge City Council decided, having carefully considered the impact on residents, not to apply the exemption for supported housing in April 2016, as the national announcement confirming the exemption was very late in the process, and after decisions had already been taken to recognise the requirement to reduce rents by 1%.

The outcome of the review of rent levels for supported housing in the longer term is still awaited.

Market Rents for Higher Income Households (Pay to Stay)

The Housing and Planning Act 2016 incorporated a requirement for local authority social landlords to charge up to market rent levels for households on higher incomes, and for HMRC to be able to share information with local authorities to facilitate this.

The policy change will be implemented from April 2017, although a number of bodies are lobbying Government for a delay in this, and will require households earning over £31,000 per annum in taxable income to pay a higher level of rent than the social housing rent restructuring formula dictates, with increased rents introduced on a tapering basis. For every £1 over the threshold which a household earns, the rent payable will increase by 15p. The definition of household will include tenant, joint tenant, spouse, partner or civil partner. Earnings from non-dependent children living in the property, but not included on the tenancy will be disregarded, and any household in receipt of Housing Benefit or Universal Credit will be automatically excluded from the need to pay higher rents.

Local authorities will be able to retain 'reasonable' administrative costs, and for the **first** year of implementation, the sum payable to Central Government will be based upon actual receipts received, indicating that this might not always be the case.

Formal regulations are expected to be published in advance of the need to set rents for 2017/18, with a draft set anticipated by September at the earliest, after which we will be in a position to communicate with individual residents.

Mandatory Disposal of Higher Value Housing Stock

The Housing and Planning Act 2016 also introduced the ability for Central Government to impose a financial levy on stock owning authorities, which equates to the assumption that the authority disposes of a proportion of its higher value housing stock when it falls vacant.

The levy will vary for each financial year, with the value arrived at on a formulaic basis, after a period of consultation with local authorities. Although the formal regulations are still awaited at present, it is anticipated that each authority will have some discretion over which assets it disposes of, in order to meet the levy. Payments are likely to be due periodically throughout each financial year.

An officer project team is currently reviewing the asset holding for the HRA, allowing consideration of a number of options for the disposal criteria which will need to be set. The team are also exploring the options available to the authority in terms of the processes that will need to be introduced and the new workload that will need to be met, utilising either a fully in-house model, or procuring a proportion of the services required externally.

In the absence of any regulations, the HRA Medium Term Financial Strategy has been constructed maintaining the assumption that the compulsion to sell will require the equivalent of approximately 1.8% of the housing stock each year to be disposed of, representative of just under 130 properties per annum at the outset.

Welfare Reforms

Universal Credit

Universal Credit was introduced in Cambridge on the 29th February 2016 and is currently only applicable to single, working age customers who would otherwise have been entitled to make a claim for Jobseekers Allowance. Universal credit does include housing costs for this group and generally this is paid directly to the customer. Claims must be made online, as this is more efficient than paper based alternatives, although the full digital service is not yet available in this area. This means that any follow up to the initial claim is currently paper based. The full digital service will not be available in Cambridge until the rollout of Universal Credit to all claim types. As yet, no date is available but it is not likely to be until at least 2017. The numbers of claims since the end of February have been 171, slightly lower than the DWP's (Department for Work and Pension's) initial estimate of

250. Most of these are for people who do not have a rental liability such as non-dependants and only 7 customers have needed to apply for Council Tax Support and only one of these is a City Homes tenant.

As part of the Delivery Partnership Agreement, requests for Personal Budgeting Support are being accommodated by Cambridge CAB (Citizens Advice Bureau). There have been low numbers of these too and many have not attended the appointment at CAB. CAB, DWP and the City Council are working towards trying to resolve this.

Benefit Cap

Preparations for the introduction of the reduced Benefit Cap are progressing, with the early identification of potential customers being approximately 150, of which approximately 80 are City Homes tenants. DWP have sent letters to all of these customers and Revenues and Benefits will also be contacting them to offer advice and support via the Advice Hub and CAB. The City Council is also working with Cambridge Housing Society to look at ways to help those affected into work.

Removal of the Spare Room Subsidy

Numbers of customers affected by the removal of the spare room subsidy continue to reduce slowly and currently there are 367 City Homes tenants affected by the reform. With 315 impacted by a reduction of 14% and 52 by 25%.

Local Housing Allowance Restriction

Social sector rents used in the calculation of Housing Benefit and the Housing Costs element of Universal Credit will be restricted to the prevailing Local Housing Allowance rates from April 2018 for all new tenancies entered into from April 2016 (unless the tenancy is for a Specified Accommodation, then the tenancy start date is April 2017). There is heavy lobbying by many sectors for exemptions from this reform for Specified Accommodation but there are no details from Government on this at this time.

For claimants under the age of 35, a restriction applies which limits the Housing Benefit payable to the shared room rate, and not the one bedroom rate, as would previously have been applicable. The lower rate restriction was previously applied to those under 25, but now impacts a larger number of residents.

Support for Vulnerable People

Cambridge City Council is still in contract with the County Council for the delivery of tenure neutral support services to older people across the city as a whole, with a term of up to 5 years from 30th April 2014, assuming an extension is agreed from April 2017. The contract sum is £180,000 per annum.

The City Council no longer receives any funding from the County Council for the provision of alarms in sheltered housing, alarms in general needs housing or for support in temporary housing. Across our temporary housing stock enhanced housing management services are still being provided by our own staff team to ensure that rent arrears are minimised and residents are moved on to more permanent accommodation as soon as it becomes available. There is no longer any dedicated support provision in this area.

The authority is also contracted to deliver support services in extra care housing, operating under temporary extensions arrangements whilst the County Council decide upon the most appropriate delivery vehicle for the future.

Section 4
Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

Rent collection performance locally remains consistently good, with over 99% of the value of rent due, collected in 2015/16.

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)
31/3/2012	£655,177	1.98%	£863,677
31/3/2013	£661,246	1.86%	£862,042
31/3/2014	£619,986	1.68%	£967,755
31/3/2015	£637,735	1.67%	£763,491
31/3/2016	£598,820	1.51%	£735,539

Performance in the collection of current tenant debt was improved in 2015/16, despite the ongoing impact for residents of both the social sector size criteria reduction in housing benefit and the benefit cap. Officers continue to work proactively with all tenants, but particularly those already, or soon to be, affected by the benefit changes, in an attempt to mitigate any negative financial impact on the Housing Revenue Account. Dedicated staffing resource continues to be directed at supporting those facing financial difficulties, in an attempt to ensure that residents react appropriately to the changes and get all of the financial assistance to which they are entitled.

The collection of former tenant arrears continues to prove challenging, although the focussed effort during 2014/15 to reduce the level of arrears was maintained and improved upon marginally during

2015/16. There is still work to do to ensure that former tenant debt held is that which is realistically collectable, and to facilitate write off of any which isn't. Provision is made in the Housing Revenue Account to write off just under 93% of former tenant debt, but a decision to do this is not taken until all avenues for collection have been exhausted.

Although, over the longer term, the position in respect of rent arrears is anticipated to worsen following the introduction of Universal Credit, the full impact is not expected to be realised immediately, but instead over a period, as tenants are moved to direct payment.

Taking the information above into consideration, it is recommended that the current contribution level of 1.12% that was allowed for assuming the need to collect 100% of rent from April 2016, is reduced in the short-term and instead phased back up to this higher level over a 3 year period. Assumptions of 0.56% in 2016/17, 0.84% in 2017/18 and 1.12% by 2018/19 have been incorporated as part of this review. The level of provision for the longer term will be reviewed once the authority has some experience of payment performance locally.

At 31 March 2016, the total provision for bad debt stood at £1,181,406, representing 89% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2015/16 was £389,281, representing a void loss of 1.05%, compared with £320,237 in 2014/15, representing a void loss of 0.88%.

The marginal increase in void loss in 2015/16 was due to a combination of the decision to begin holding vacant units at Ditchburn Place pending the refurbishment of the scheme, coupled with 'management or major voids' held pending decision to dispose and some new build units which were unoccupied for longer than anticipated due to some problems identified with the quality of the homes post hand over.

Void performance statistics exclude 'management of major' voids, ensuring that the authority has a proper picture of those dwellings vacant, but anticipated to be available for re-let once any standard 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 desire to carry out the refurbishment of Ditchburn Place in 3 phases.

Rent Setting

Although in the background, the national rent setting policy for calculating rents in social housing, 'rent restructuring' remains, as identified in Section 3, National Housing Policy, there has been significant change in national rent policy which impacts this.

Rents levels are required legislatively to be reduced by 1% per annum for 4 years, with the first year of this applied from April 2016. Compared to the previous business plan assumption of an increase of 4%, this change has already significantly impacted the revenue stream for the HRA.

The potential to exempt supported housing from the rent cut, and instead to apply an increase of CPI plus 1% was not exploited locally. The level of rent chargeable in supported housing in future years will be dependent upon the outcome of a national review of supported housing, and the authority will need to decide whether to apply any future exemptions if they exist, subject to their implementation being discretionary.

The authority identified savings as part of the 2016/17 budget, to offset the financial impact of year 1 of the rent loss, but there are a further 3 years reductions anticipated.

Rent Restructuring

Rent restructuring, designed to ensure consistency in rent levels for all social housing tenants irrespective of landlord by introducing a formulaic target rent for each property, is still the prescribed method of calculation for social housing rents.

There is still a significant gap between the target rents for many properties, and the actual level of rent being charged to the existing residents. The authority now only has the ability to close this gap when a property becomes void, which the authority has been doing fully since April 2015.

The average target 'rent restructured' rent at the start of 2016/17 across the general housing stock was £104.83, with the average actual rent charged being £100.26, both recorded on a 52 week basis. The average actual rent was therefore representative of 95.6% of the average target rent, with only 16.7% of this general housing stock being charged at target rent levels.

There were 98 new build properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at April 2016.

The gap between actual and target rent levels now equates to an annual loss of income of approximately £1,650,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement, where convergence was anticipated by now. Closing this gap may never be realised in many cases, with a significant proportion of properties likely to need to be sold when they fall vacant, to meet the higher value void levy.

Pay to Stay

The requirement for households with annual incomes in excess of £31,000 to be required to pay up to market rent levels will be introduced from April 2017, as described in Section 3.

The increased income collected by local authorities as a result of this change will be payable to central government, with the expectation that a contribution towards the cost of administering the scheme will be retainable locally.

Until work has been undertaken to define the process through which income information will be shared by HMRC and the basis upon which rents will be charged to residents, combined with IT suppliers undertaking development work to provide for as much of the process to be managed electronically as possible, it is impossible to quantify the additional resource that will be required to fulfil our obligations.

Communication with residents will be undertaken in the lead in to April 2017, as soon as the authority is clear about the process being adopted.

Resource of £120,000 was included in the HRA from 2016/17 to meet the anticipated increased costs of collecting rent from 100% of tenants as a result of direct payment. As the introduction of this is being phased, it is proposed to utilise this resource in 2016/17 to meet the up-front costs of implementing 'Pay to Stay', which is also an increased cost of rent collection, just in a different form.

Once the regulations supporting the changes in national rent policy are available, consideration will be given to any required changes in the Rent Setting Policy at a local level as part of the 2017/18 HRA budget setting process, either as part of the HRA Budget Setting Report or as the subject of a specific Housing Scrutiny Committee report at the same time. Rent levels will continue to be set in January of each year, with the Executive Councillor for Housing having the authority to make this decision, following consideration and debate by Housing Scrutiny 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. HRA reserves are currently at levels above the target due to the need to identify resource to top up the retained right to buy receipts which we currently hold, thus allowing them to be spent appropriately.

The impact on HRA reserves for 2015/16, and 2016/17 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	2015/16 £'000	2016/17 £'000
Opening General HRA Reserves	**(14,865)**	**(9,790)**
Changes in HRA Reserves		
Original Budget (Approved in February)	990	1,737
Carry Forwards (Approved in June)	9,272	191
MTFS Mid-Year Review (Approved in October)	192	(190)
Budget Setting Report Revised Budget (February)	(19)	-
Estimated Closing General HRA Reserves	**(4,430)**	**(8,052)**
Actual Outturn for the Year (Reported in June)	5,497	-
Contribution from Ear-Marked Reserves	(422)	-
Actual Closing General HRA Reserves	**(9,790)**	**-**

The original budget for 2016/17 approved a net use of general reserves of £1,737,420, recognising the desire to hold target HRA general reserves of £3,000,000 over the longer term. The budget incorporated a revenue contribution of £11,238,900 to fund capital expenditure.

The financial projections incorporated into this report include the effects of changes in capital scheme approvals and resources, approved carry forwards from 2015/16 and incorporation of changes in anticipated interest due for 2016/17 based upon revised cash balance assumptions as part of this HRA Medium Term Financial Strategy.

The final general HRA reserves position reported at 31 March 2016 was £9,790,590. This included a return to general HRA reserves of £422,307 previously ear-marked for shared ownership repurchases and specific re-investment of monies generated from roof space rental.

The revised projection of the use of general reserves in the current year (2016/17) now indicates that there is expected to be a net use of reserves of £1,738,410, which would leave a balance of £8,052,180 at 31st March 2017.

There is now a proposed use of £11,128,900 of direct revenue financing of capital expenditure in 2016/17 and £6,997,470 in 2017/18. This is possible due to a combination of the current level of HRA reserves, built up from underspending in prior years, coupled with a significant reduction in the level of depreciation assumed to be charged to the HRA from 2017/18 onwards.

Earmarked Funds

In addition to General Reserves, the Housing Revenue Account still maintains a small 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 5
Detailed Review of Revenue Budgets

Housing Transformation Programme

Following a detailed financial review of the HRA and Housing General Fund Services as part of the Fundamental Review of Housing, a first tranche of savings were identified from 2016/17 onwards.

Many of the approved savings for 2016/17 have been delivered as anticipated, with service restructures completed as planned and the south area office vacated as anticipated by the end of June 2016. Delays in finding a suitable sub-tenant for the area office may however result in the saving in this area not being realised from August 2016 as anticipated.

During 2016/17 and 2017/18, a Housing Transformation Programme has been introduced, led by the Strategic Advisor for Housing, which seeks to ensure that the authority is best placed to respond to the changes in the economy and in national housing policy which the HRA faces,
Identifying how services will need to transform to deliver within the financial constraints imposed, whilst still meeting the needs of the most vulnerable.

The work streams being considered as part of the programme include:

- Responsive, Cyclical and Void Repairs
- Housing Management
- Anti-Social Behaviour
- Specialist Housing Services
- Stores
- Garages
- Disabled Adaptations
- Section 20 Works and Cost Recovery
- Corporate Costs and Recharges
- Self-Financing Debt
- Disposal of Higher Value Voids Levy
- Pay to Stay

The initial findings are presented to Housing Scrutiny Committee as part of this committee cycle, with detailed budget proposals to be incorporated as part of the 2017/18 budget process and included in the 2017/18 HRA Budget Setting Report.

2016/17 Mid-Year Budget Changes

As part of the HRA Medium Term Financial strategy, there is no formal mid-year review of service delivery or operational budgets, but there is an opportunity to review the HRA position for the current year from a strategic perspective, allowing incorporation of any major in-year changes in income or financing arrangements as a direct result of changes in the capital programme.

For 2016/17, there is the need to recognise and approve the following changes in the HRA mid-year:

- Revised rental income assumptions as a result of delays in the delivery of the new build programme, increased right to buys, and the assumption that voids may be held in the latter stages of the year pending decisions about the sale of properties to meet the higher value voids levy once known.

- A reduction in the 2016/17 contribution to the bad debt provision, recognising the phased introduction of direct payments as part of welfare benefit changes.

- An increase in the revenue costs associated with the sale of properties under the right to buy that can be capitalised in 2016/17 due to a higher level of sales than anticipated.

- A reduction in the amount of interest that the HRA will expect to pay on notional internal borrowing in 2016/17 due to a reduction in the assumed rate of interest payable.

- An increase in the anticipated interest received on cash balances for 2016/17, as although the interest rate is predicted to reduce, the level of balances held is higher due to underspending in 2015/16, re-phased capital expenditure and increased sales receipts.

- Inclusion of the HRA share (£25,000) of the Employer's Apprenticeship Scheme Levy, to be effective from April 2017. The Council's levy will be based upon 0.5% of the total pay bill.

- Re-allocation of £120,000 rent collection budget to meet the up-front costs of Pay to Stay.

These changes are detailed in Appendix D, and are incorporated into the HRA Summary Forecast at Appendix G.

Section 6
Capital - Existing Stock

Stock Condition / Decent Homes

The authority holds validated stock condition data for its housing stock, which is updated on a continual basis.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2016 at 92%, compared with 97.9% achieving the desired standard at 31 March 2015. There were 553 properties that were considered to be non-decent (in addition to refusals), with another 379 anticipated to become non-decent during 2016/17.

Stock Investment

As part of the Fundamental Review of the Housing Service in 2015/16, the 30-year investment programme was fully reviewed, taking into consideration work completed to date, the stock condition data held for all dwellings and the prices that the authority was contractually committed to for works delivered by its planned maintenance contractors.

The table below confirms the assumptions currently made in respect of decent homes component lives:

Decent Homes Asset Life Table – With Local Asset Lives Assumed

Element	Option	Original Life Assumed	Current Life Assumed
Balcony		80	80
Balustrade/railing	Metal, timber, concrete, glass, melamine, other	80	80
Bathroom		**30**	**40**
Boiler		**8**	**12**

Element	Option	Original Life Assumed	Current Life Assumed
Canopy	Timber, concrete, GRP, metal	40	40
Chimney	Pointing & Render	50	50
Communal door	GRP, timber, PVCu, composite, steel, mixed	40	40
Communal lift		20	20
Door entry system		15	15
Drainage		25	25
Electrics		30	30
Enclosure doors	GRP, timber, PVCu, composite, steel, mixed	40	40
Front/Back door	GRP, timber, PVCu, composite, steel	40	40
Garage		80	80
Garage door	Timber, composite, steel other	30	30
Garage rainwater goods		15	15
Garage roof	Metal, asbestos, concrete, felt, other	30	30
Glazed areas	PVCu, timber, metal, aluminium, SDG	40	40
Heating	Gas warm air, electric warm air, electric storage heaters	30	30
Heating	Other, solid fuel, electric ceiling heater	30	30
Heating	Gas boilers & radiators	40	40
Kitchen	**Small, medium or large**	**20**	**25**
Roof covering	Flat	30	30
Roof covering	**Pitched**	**50**	**60**
Roof structure		50	50
Shed door	GRP, Timber, PVCu, composite, steel, mixed, other	30	30
Shed roof	Metal, asbestos, corrugated sheets, felt, other	30	30
Shed windows	Timber, PVCu, metal, other	30	30
Smoke detector		15	15
Wall Finish	Brick, render, cladded, tile hung, metal sheet	60	60
Wall structure	Brick, block, timber, concrete, combination, other	80	80
Water heating	From boiler, on/off peak immersion, gas/electric instantaneous, communal	15	15
Window	**PVCu**	**25**	**40**
Window	Timber, metal, aluminium, part PVCu	40	40

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

- Expenditure as approved in the HRA Budget Setting Report in February 2016.
- Re-phasing of expenditure anticipated to take place in 2015/16 into 2016/17 and beyond, as approved in June / July 2016.
- Re-allocation of resource between both expenditure elements and years, of the decent homes and other investment in the housing stock programmes, to ensure appropriate delivery.
- Inclusion of an additional annual allocation of £60,000, recognising the incidence of failure being experienced in external doors prior to their timetable replacement in the programme. This will be reviewed again as part of the wider review of the Decent Homes Programme from 2017/18.
- Removal of the residual allocation for the inflationary element of the capital programme for 2016/17, and reduction in future years, where resource has been identified as not being required in year.
- Inclusion of £130,000 of funding to implement the capital aspects of the Stores Review findings, which as part of the Housing Transformation Programme, recommend retaining a reconfigured, restructured service in-house, but sited at Cowley Road, with reduced stock lines, improved IT capabilities, and improved processes and storage systems. The revenue aspects of the change (£40,750) will be met from the existing 2016/17 transformation fund budget.
- Capital financing has been updated in respect of revised assumptions in right to buy and other capital receipts, grants, revenue funding of capital expenditure and borrowing requirements.

The current HRA Business Plan and resulting Housing Capital Investment Plan are constructed on the basis that a partial investment standard is retained in the housing stock, reduced as part of the Fundamental Review of the Housing Service, but recognising that future consideration needs to be given to the impact of further reducing investment levels over the longer-term and returning to the basic decent homes standard, to provide flexibility to respond to the increased financial pressure that the HRA faces.

Section 7
Capital & Asset Management – New Build & Re-Development

Asset Management

Consideration continues to be given to the strategic acquisition or disposal of assets, in line with the current HRA Acquisition and Disposal Policy. The policy will have be reviewed and significantly amended once the regulations surrounding the higher value voids levy are available. This legislation will require a completely new approach to the asset management of the housing stock.

Receipts from individual asset disposals are currently recognised in the HRA's reserves only at the point of receipt and after all relevant costs have been provided for, but this will need to change once the new regulations are in place, as it will be necessary to forecast the number of sales which will take place in each period, in order to plan effectively to meet the levy set.

The following HRA assets have been, or are being, considered for market acquisition or disposal:

Potential Acquisition/Disposal	Comment	Status
13 Shelly Row	2-bedroom house approved for market disposal	Sold
20 Beche Road	4-bedroom house approved for market disposal	Sold
2 Grafton Street	3-bedroom house approved for market disposal	Sold
23 Magrath Avenue	3-bedroom house in need of investment, approved for disposal at HSC in June 2016	Awaiting sale
188 Kendal Way	3-bedroom house currently owned by the County Council (linked to 12 Mortlock Avenue)	Awaiting acquisition
12 Mortlock Avenue	3-bedroom house currently leased to the County Council (linked to 188 Kendal Way)	Awaiting sale
1 Ferry House	2-bedroom house proposed for market disposal	Awaiting decision

New Build & Re-Development

General Approach

All new build housing in the HRA is now being delivered by the newly formed Housing Development Agency, who will project mange these sites alongside sites for a number of other partner organisations, including South Cambridgeshire District Council, Cambridge City Housing Company, Ermine Street Housing, Cambridgeshire County Council and the University. The H.D.A will charge a fee of 3% of gross build cost for affordable housing scheme delivery. The fee will be 1% of the gross build cost of the scheme, if the majority of housing is market or sub-market.

Potential new build schemes are still identified, and incorporated into the 3-year affordable housing rolling programme to allow formal feasibility investigation and consultation with stakeholders. The limited resources available to the HRA, and general economic uncertainty currently mean that schemes need to be carefully scrutinised to ensure continued viability.

Each scheme is considered and approved at Housing Scrutiny Committee based upon indicative costs, and then 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, culminating ultimately in a build contract value which forms the final budget for each scheme.

As part of the HRA Budget Setting Report or HRA Medium Term Financial Strategy, the latest scheme appraisal costs available at the time are incorporated into the financial models, and therefore the Housing Capital Investment Plan. These costs will not always be the finally agreed contractual sums that the authority enters into in all cases, but ensures that the most up to date data is being utilised.

Current New Build Schemes in Contract

Work continues to deliver the programme of HRA new build housing across the city. At the time of writing this report 123 new homes have been completed since April 2012.

Following some delays in the earlier stages of some new build projects in respect of securing vacant possession and obtaining planning permission, subsequent challenges have been faced in ensuring handover of new homes which meet our expectations. The impact of the delayed revenue stream for some sites may be mitigated in part, by contract clauses allowing negotiation of liquidated and ascertained damages, which will indemnify the Council in respect of a proportion of this loss.

The table below details the new build schemes (including acquisitions) that have reached completion since April 2012:

Scheme	Date Completed	Approved Social Housing Units	External Funding Source	Percentage Social Housing on Site
Jane's Court	November 2013	20	HCA Grant	59%
Anstey Way	January 2015	1	RTB Receipts	50%
Latimer Close	March 2015	12	HCA Grant	60%
Barnwell Road	July 2015	12	HCA Grant	59%
Campkin Road	March 2016	20	HCA Grant	63%
Stanesfield Road	March 2015	4	HCA Grant	50%
Atkins Close	June 2015	8	HCA Grant	100%
Wadloes Road	October 2015	6	RTB Receipts	100%
Colville Road (Acquisitions)	June 2015	6	RTB Receipts	76%
Atkins Close (Acquisitions)	June 2015	4	RTB Receipts	100%
Wadloes Road (Acquisitions)	October 2015	3	RTB Receipts	100%
Colville Road	June 2016	19	HCA Grant	76%
Total		**115**		

In addition to the above, 8 of the 20 units at Aylesborough Close had been handed over at the time of writing this report.

The table below summarises new build schemes currently in progress, providing details of the latest budgeted costs and number of units that will be delivered on each site once complete:

Scheme	Approved Social Housing Units	Approved Shared Ownership Units	External Funding Source	Latest Funding Approved (Capital Cost net of Land Transfer)	HCA Grant, RTB Receipt and Sales Receipt Funding	Net Funding (Capital Cost net of Grant, Land Transfer, Sales and RTB Receipts)
Hawkins Road	9	0	RTB Receipts	1,413,720	(424,120)	989,600
Fulbourn Road	8	0	RTB Receipts	1,320,540	(396,160)	924,380
Ekin Road	6	0	RTB Receipts	1,091,740	(327,520)	764,220
Water Lane *	14	0	HCA Grant	1,510,460	(719,000)	791,460
Aylesborough Close *	20	0	HCA Grant	3,073,000	(775,000)	2,298,000
Clay Farm	78	26	RTB Receipts, Sales Receipts and HCA Grant	16,204,780	(6,163,809)	10,040,971
Homerton	29	10	RTB Receipts and Sales Receipts	7,007,560	(2,354,759)	4,652,801
Total	**164**	**36**				

* Both Water Lane (by £369,000) and Aylesborough Close (by £275,000) scheme budgets have been increased to reflect the need to buy market dwellings on each of the sites, which are then in turn sold on to returning leaseholders, increasing the funding for each scheme by a comparable amount, therefore resulting in no change in net cost to the HRA.

The Housing Capital Investment Plan, an updated version of which is attached at Appendix J, incorporates the funding for new build schemes as identified in the tables above. It recognises the need for gross spend on the affordable housing scheme, land values, grant, right to buy receipts and sales receipts to be shown separately, and arriving at the net cash cost to the Council as per the table above. For these purposes the use of retained right to buy receipt is treated as an external funding source, recognising that failure to utilise it as statutorily required, would result in the need to pay the receipt over to Central Government.

Future New Build - Garage and In-Fill Sites

In March 2015, approval was given to proceed with the 2015/16 programme of garage and in-fill sites on HRA land, with initial funding of £3,030,000 to deliver 18 units, incorporated into the financial plans. Based upon the latest indications following discussions with Planning and Urban Design, it is now anticipated that it will be possible to deliver 17 units on the identified sites. The budget for this scheme has therefore been amended to reflect the reduction in units, and to incorporate the impact of price increases since the scheme was given outline approval in March 2015, resulting in a revised budget for this scheme of £3,013,000.

At Housing Scrutiny Committee in September, approval was given to add to this programme with four additional in-fill sites, allocating £709,000 of resource identified for new build to these specific sites. The sites in this programme now include:

Scheme	Site Type	Status	Current Budget Approval (£)	Potential New Build Units
Cadwin Fields and Nuns Way	Garage	Pre-planning	3,013,000	2
Cameron Road	Garage	Pre-planning		6
Wiles Close	Garage	Pre-planning		3
Tedder Way	In-fill	Consultation stage		2
Kendal Way	In-fill	Pre-planning		2
Uphall Road	Garage	Pre-planning, potential in-house build		2
Queensmeadow	In-fill	Feasibility stage	709,000	1
Hills Avenue	In-fill	Feasibility stage		1
Wulfstan Way	In-fill	Feasibility stage		2
Total			**3,722,000**	**21**

Once approved in principle, consultation, further investigative and feasibility work is undertaken, with a view to obtaining planning permission and building out the sites as soon as is practically achievable.

Akeman Street

In January 2016, Housing Scrutiny Committee considered a report for the redevelopment of mixed use HRA site in Akeman Street, where 10 new affordable homes were proposed in place of the current mixed commercial and residential development, which provides only 2 social rented homes.

Although the scheme received approval to proceed, a commitment was made to return to committee with a revised scheme mix, following further consideration of the number of units which could be re-provided on the site and whether any re-provision of commercial or community facility should also be incorporated.

Anstey Way

The Anstey Way site continues to be subject to land assembly activity, with the Council in the process of buying back any leasehold dwellings on the site, whilst also actively re-housing existing tenants in new homes.

The original new build scheme presented for Anstey Way, which would have delivered 34 homes in place of the existing 28, could not be fully funded in light of the financial pressures facing the HRA.

Funding of £1,280,000 was incorporated in the Housing Capital Investment Pan in September 2015 to meet the cost of land assembly for the site, with a subsequent £3,110,000 identified as part of the 2016/17 budget process towards the cost of re-developing the site.

Additional resource of £400,000 has been incorporated in the Housing Capital Investment Plan as part of this report, recognising that the costs of site assembly will be higher than originally anticipated based upon a combination of the current market value of the leasehold flats which are being re-purchased to facilitate the future development of this site and the impact of changes in stamp duty.

Once the site has been vacated, it is anticipated that the bungalows, as a minimum, will be demolished to avoid any unlawful occupation or anti-social behaviour in the locality.

Although options for the site are being explored, no decisions have yet being taken, as the final outcome of the devolution proposals may well increase flexibility in the use of HRA resources, resulting in a wider number of options being available for investing in new homes on this site.

Details of all changes to the new build investment programme are provided and reconciled in Appendix E.

Devolution

Discussions with Central Government in respect of the potential for devolution across East Anglia have culminated in a recent agreement to proceed to public consultation on a governance structure, based upon a brother / sister devolution deal for the region.

The devolution arrangements would see an arrangement for Norfolk and Suffolk together, and a separate arrangement for Cambridgeshire and Peterborough, with both having an elected mayor for their area.

In respect of the Cambridgeshire and Peterborough offer, government funding of £100 million would be made available for housing and infrastructure costs to meet the impact of growth in the area, with a particular focus on the Greater Cambridge area encompassed by the South Cambridgeshire and Cambridge City areas. In addition, £70 million would be made available over 5 years, ring-fenced for social rented housing and to be spent in Cambridge City Council's HRA. A government allocation of £20 million over 30 years would be provided to meet the ongoing costs of supporting infrastructure. If the devolution offer proceeds, the projections for the future of the HRA will look different.

£70 million of funding over 5 years is anticipated to allow the delivery of up to 500 homes over this period, assuming that this is also combined with right to buy receipts where they are available. The new homes would be let at social housing rent levels, using the Local Housing Allowance as a guide for this. The resource could be invested on HRA sites, General Fund sites, or for the delivery of the affordable housing element on Section 106 sites. As the new homes will not carry any liability in the form of prudential borrowing, the assets will make a positive contribution to the HRA business plan from the outset, helping to offset some of the impact of homes lost through right to buy and the higher value voids levy when it is implemented.

The funding and resulting 500 new homes have not been built into the HRA Business Plan at this stage, as there is further work to do before the devolution deal is finalised. However, if agreed, the funding could be used towards the schemes mentioned above in the future new build programme, releasing resource elsewhere to allow the Anstey Way scheme to proceed.

Section 8
Summary and Conclusions

HRA Budget Strategy

The Budget Process

The HRA budget for 2017/18 will incorporate the work being carried out as part of the Housing Transformation Programme. The process will remain broadly similar to that for previous years in terms of timing and detailed administration.

The work being undertaken as part of the Transformation Programme to exemplify savings will allow response to the changes in national housing policy which negatively impact the HRA business model, but would also allow strategic re-direction of resource into other areas of investment, such as new build housing, if the financial pressures are not as currently anticipated.

The potential for devolution alters the short-term position for the HRA, but would not address the delivery of a sustainable HRA over the full 30 years if the higher value voids levy were to be implemented as we are currently assuming. A degree of cost reduction or additional income generation would still be required to ensure the longer-term viability of the business.

The updated base model used to prepare this report incorporates a global reduction in spending as identified in the Housing Transformation Programme report presented to Housing Scrutiny Committee in June 2016. The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2017/18 budget bids and savings process.

For 2016/17 the HRA Medium Term Financial Strategy incorporates changes in the anticipated interest earned in year from a revenue perspective, recognising that the opening balances at the start of the year were higher than anticipated and adjusts the anticipated level of rental income based upon updated knowledge of the timing of sales and the delivery of new build homes. The level of administrative costs of sales that can be charged to capital has been updated, and has the amount of interest payable on internal borrowing. Also incorporated are changes in the capital programme in respect of the budget now required for specific new build schemes, adjusted as they reach the next milestone in the development process and for non-scheme specific new build investment, based upon the level of investment required to avoid paying nay retained right to buy to Central Government, instead ensuring they are re-invested in the locality.

Approach to HRA Savings

The historic target for annual savings in the HRA of 2% ongoing savings in general management expenditure has been replaced for the next two years with the Housing Transformation Programme target of £1,000,000 per annum, and has been removed after this point. An adjustment in respect of repairs expenditure in line with estimated stock changes has been maintained.

Transformation funding of £120,000 per annum is also incorporated now for a 3 year period, allowing not only the one-off costs associated with change and transformation to be met, but also any ongoing revenue spending that may be required as a result of changes in the housing sector, for example to allow the authority to meet any unmet costs of the Pay to Stay agenda. If not utilised in each year to fund ongoing expenditure, the transformation budget could be offered as a savings towards the target set.

At this stage, pending the outcome of the review of the self-financing debt as part of the transformation programme, the assumption that the authority attempts to set-aside resource for the repayment of up to 25% of the housing debt by the point at which the loan portfolio begins to reach maturity, is retained. The authority will reconsider its approach to set-aside, although any decision in this regard will be taken in full knowledge of the financial risks which will accompany it.

As part of the 2017/18 budget setting process, any areas of new revenue investment, outside of that to be met from the Transformation Programme fund, will need to be offset by the identification of additional savings or increased income generation elsewhere across the HRA.

Until the devolution offer is confirmed finally, one of the key challenges for 2016/17 and beyond, remains 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. with the potential for retained right to buy receipts to need to be paid over to CLG, with interest, currently at 4.5%, calculated from the quarter in which they were originally received.

The level of capital investment in the housing stock was reviewed in 2015/16, resulting in a similar monetary investment requirement to that previously assumed. However, due to escalating building industry costs, now only providing for a lower level of investment in the housing stock overall. Any further savings in spending in respect of the existing stock, would be likely to mean a return to the basic decent homes approach.

The position will be reviewed again as part of the January 2017 HRA Budget Setting Report, with a view to maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst attempting to maintain a programme of new build housing where possible.

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 where appropriate.

The base financial assumptions included in the financial model are included at Appendix B, with continuing uncertainties for the HRA summarised at Appendix K.

Appendix G summarises the revenue budget position for the HRA for the period between 2016/17 and 2020/21, based upon inclusion of the amended financial assumptions that form part of the update to the Self-Financing Business Plan.

Appendix J demonstrates the potential impact of the business plan of changes in some of the base assumptions that have been incorporated as part of this review, including the negative impact if rent increases are not returned to the level of CPI plus 1% from 2020/21 as being assumed.

HRA MTFS Conclusions

Updating the base assumptions for the HRA has had a significant impact on the future financial projections for the housing business.

One of the key positive changes in the business plan is a significant reduction in the assumed level of depreciation to be charged for the housing stock in future years, following a review by our independent external valuers, which resulted in an extension of remaining assets lives for many of the properties within the HRA. A reduction in the level of depreciation reduces the amount of resource which needs to be transferred into the Major Repairs Reserve, where it can then only be spent on capital activity, and instead leaves the resource in the revenue account, where it can be used to fund either revenue or capital activity, thus increasing the flexibility in the use of this resource.

Current financial modelling retains the assumption of the requirement to reduce rents by 1% per annum for four years from April 2016 and the compulsion to sell higher value housing stock on the open market when it becomes void. If we add to this the assumption made as part of the Housing Transformation Programme, that savings totalling £2,000,000 will be identified across 2017/18 and 2018/19, alongside the existing policy that the authority should set-aside revenue resource to be in a position to be able to redeem 25% of the loans when they reach maturity, the HRA is able to set a revenue budget until year 31, 2047/48, after which reserves are diminished within a further 3 years.

Although the revenue position, assuming the savings target of £2,000,000 is delivered in full, is just viable for the life of the business plan, the capital programme is not fundable from year 23, 2039/40, at which point the authority would be forced to breach their debt cap in order to meet the investment need in the housing stock.

Some of the revenue resource released by the change in depreciation levels has been included in the earlier years of the business plan as revenue funding of capital expenditure to provide the top up required alongside retained right to buy receipts, allowing continuation of a new build programme until 2018/19, and avoiding the need to pay sales receipts to central government during this short to medium term period.

It could be argued that this resource could instead be reserved to allow the capital programme to be funded for slightly longer than the 22 years currently funded, but this would negatively impact the revenue position, as the short extension to the new build programme increases the rental stream for the HRA as it goes a little way towards replacing some of the stock lost through right to buy and the assumed sale of higher value voids.

From 2018/19 onwards, a line has been incorporated into the Housing Capital Investment Plan recognising that there may be the need to pass retained right to buy receipts to a registered provider for re-investment in affordable housing where the HRA does not currently have sufficient resource to top this funding up. This would avoid the need to pay the receipts over to central government, and would ensure that the delivery of new homes in the locality is maximised.

The final outcome of the current devolution offer will be key to whether the HRA is able to continue to invest in new build homes itself after 2018/19, or may alternatively need to work with a registered provider to facilitate the delivery. Although not built into the assumptions currently, the one-off additional resource of £70,000,000 to be made available through devolution spread over 5 years would enable the delivery of up to 500 new homes over the medium term.

Any options available to the authority are currently predicated on the assumption that the Housing Transformation Programme will reduce costs or generate additional income of at least £2,000,000. The first £1,000,000 is anticipated to be identified for delivery in 2017/18, allowing for clarity in some of the national housing policy changes before the second tranche of savings are identified in preparation for 2018/19 budgets.

The work streams anticipated to deliver in year 1 are:

- Housing Management
- Repairs, Voids and Building Projects
- Stores
- Central Overheads and Recharges (Phase I)
- Pay to Stay

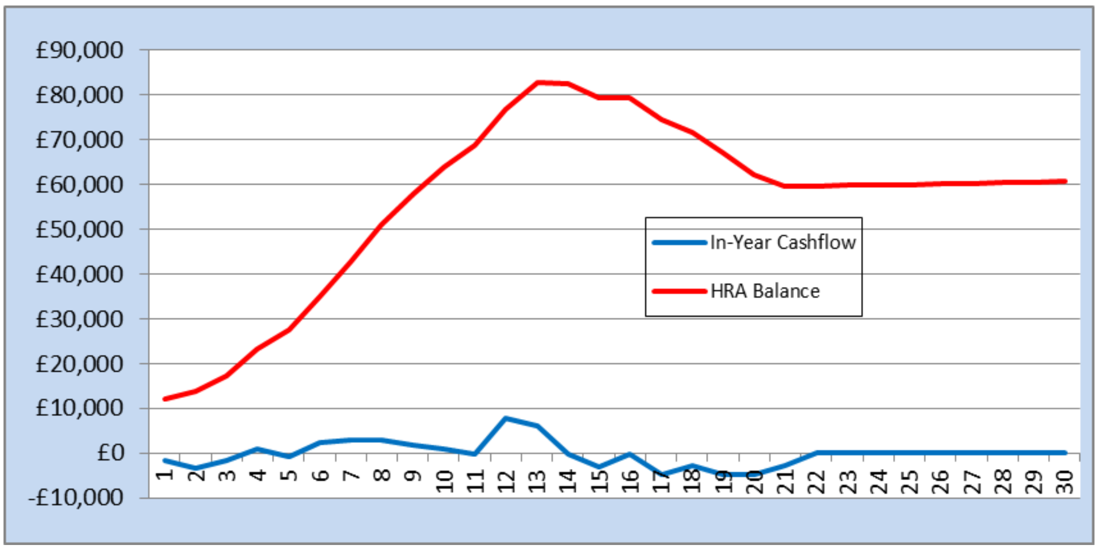
The work streams anticipated to deliver by year 2 are:

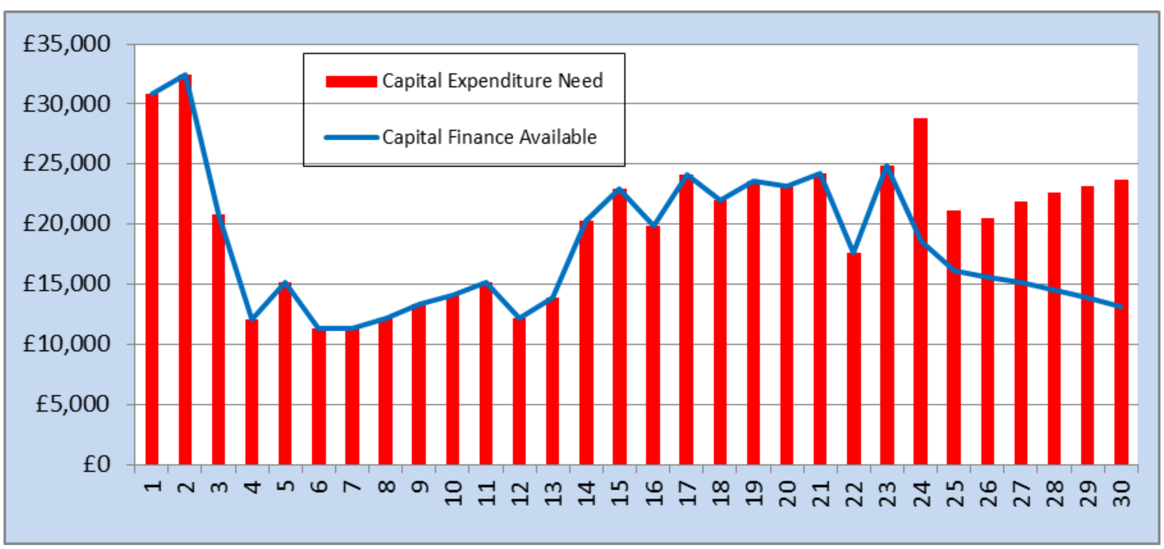
- Repairs Standards Review
- Senior Management Review
- Central Overheads and Recharges (Phase II)
- Debt Repayment
- Disabled Adaptations Investment and Policy
- Decent Homes Investment

The consideration of shared services is also to be explored, within a slightly longer timescale of 2 to 3 years.

The first graph below shows the financial forecast for the HRA with the current base assumptions and the anticipated savings from the Housing Transformation Programme included, demonstrating the ability to set-aside revenue resource in the early years to be able to meet the existing policy of 25%.

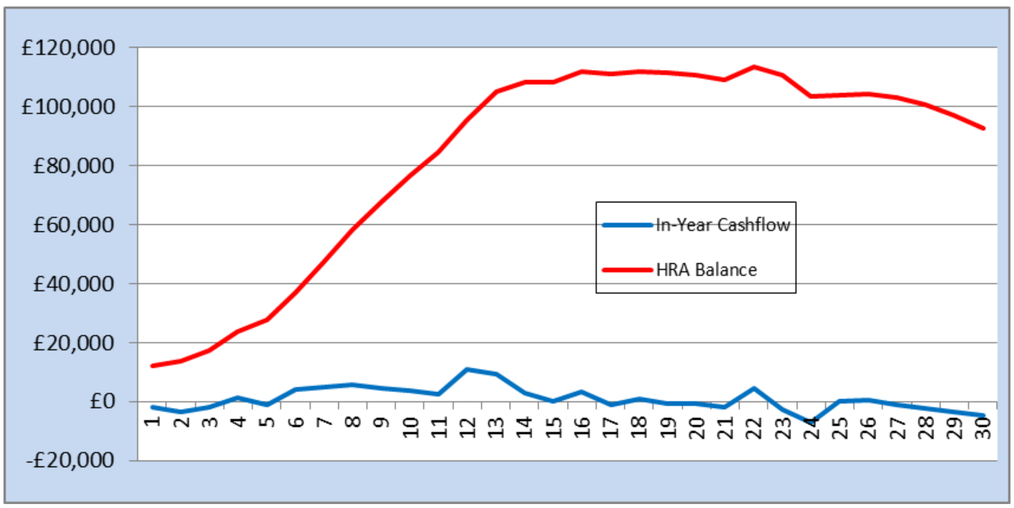
The second graph, however, depicts the inability to finance the required investment in the housing stock from year 23 onwards, which would force the HRA to re-finance all of its borrowing as each loan reaches maturity in order to be able to maintain the housing stock at currently agreed stock condition levels.

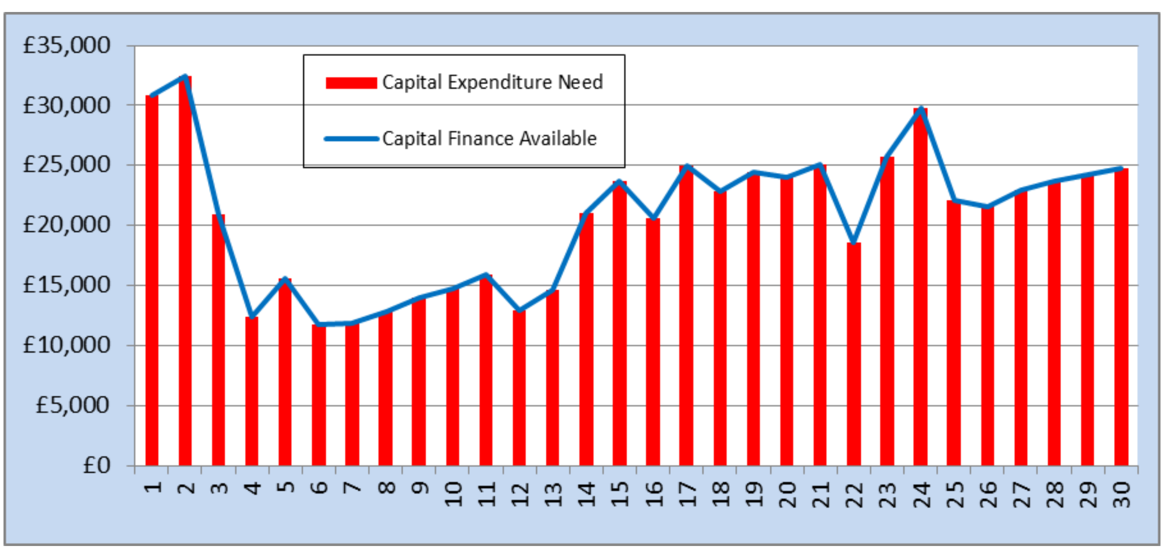




To illustrate the impact which devolution may have, the following graphs depict the position assuming the ability to deliver up to 500 new homes over the medium term. An assumed 440 new homes have been incorporated into the business plan, which would utilise the £70,000,000 devolution funding and all of the uncommitted anticipated retained right to buy receipts over the same period. The base assumption that £2,000,000 of savings will be identified has been retained.

Based upon this scenario, the HRA would be financially viable for life of the business plan, and the ability to fund the required expenditure in the capital programme would be extended for the life of the plan. This does however demonstrate that even with the devolution money, there is still the need to reduce cost in the HRA in the short-term as currently identified, assuming that the high value voids levy materialises as currently assumed.





Appendix A

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified	• Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted
Funding is not identified to meet the costs associated with changes in statutory requirements	• Additional / specific funding requirements for new services can be identified through the budget process, to allow effective prioritisation of resources
HRA Debt Settlement could be re-opened by Government (or not re-opened when changes dictate that it should)	• The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies
Changes in national rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible. • Consideration could be given to deviating from national rent policy at a local level if statute were to allow
Implementation of Pay to Stay and Fixed Term Tenancies carry administrative costs that far outweigh any allowances provided	• Limited resource is incorporated into financial plans for the ongoing costs associated with housing transformation, with the opportunity to review this annually
Housing Portfolio & Spending Plans	
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets	• Council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in context of long-term impact • The Business Plan includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications • 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

Risk Area & Issue arising	Controls / Mitigation Action
Financial planning lacks appropriate levels of prudency	
Business Planning assumptions are wildly inaccurate Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA Failure to deliver Major Housing / Development Projects, i.e. return on capital, project on time etc.	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework • A business cases is required for all strategic acquisitions, disposals and one-off areas of significant investment • Performance and contractor management procedures are robust and contracts are enforceable • The Council's accounts are audited on an annual basis, with assurance given that the authority is delivering economy, efficiency and effectiveness in its use of resources

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes • 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
Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
Changes to the right to buy rules, pooling regulations and Pay to Stay result in a continued high level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity
Volatility and competition in the property market impacts the ability to fund capital pressures from the sale of assets	• Policy on applying general capital receipts for strategic disposals only at point of receipt
Volatility and uncertainty in the property market impacts the ability to dispose of assets at appropriate values and within timescales required to meet the higher value voids levy	• Reconsider appropriate level of HRA reserves to hold as a minimum once the levy vale is known • Retain capital receipts realised in advance of the levy in anticipation of the need for them

Appendix B

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	**1.9% for 2017/18, then 2.4% ongoing**	**General inflation on expenditure included at 1.9% for 2017/18, rising to 2.4% from 2018/19 ongoing, per OBR (Office for Budgetary Responsibility) forecasts.**	**Amended**
Capital Inflation	**3.7% for 3 years, 4.6%, 6.4%, then 4.5% ongoing**	**Based upon the BCIS forecast for the next 5 years, using an average over this period as the ongoing assumption**	**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, pending review of the set-aside policy as part of the Housing Transformation Programme.	Retained
Capital Investment	Reduced Partial Investment Standard	Base model assumes a reduced partial investment standard in the housing stock, compared with a basic decent homes standard. This will be reviewed again during 2017/18.	Retained
Pay Inflation	**1.9% Pay Progression plus: 2017/18 – 1.0% 2018/19 – 1.0% 2019/20 – 1.0% 2% ongoing**	**Assume allowance for increments at 1.9%. Pay inflation for four years from 2016/17 limited to 1% reflecting recent Government guidance, and a return to 2% thereafter, reflecting economic recovery.**	**Amended**
Employee Turnover	**0% (3% transitional only)**	**Employee budgets assume a turnover saving of 3.0% of gross pay budget only until service restructure, at which point this assumption is removed**	**Amended**
Rent Increase Inflation	-1% from 2016/17 for 4 years, then CPI plus 1% for 4 years, then CPI plus 0.5% from 2024/25	Rent decreases of 1% per annum in line with government guidelines from 2016/17 to 2019/20, then CPI plus 1% until the end of the 10 year period, reverting to inflation plus 0.5% after this. Assume CPI in preceding September is as above.	Retained
Rent Convergence	Voids Only	Ability to move to target rent achieved only through movement of void properties directly to target rent.	Retained
External Lending Interest Rate	**1%, 0.88%, 1.07% then 1.13% ongoing**	**Interest rates based on latest market projections, including the impact of CCLA investment.**	**Amended**
Internal Lending Interest Rate	**1%, 0.88%, 1.07% then 1.13% 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**

Key Area	Assumption	Comment	Status
External Borrowing Interest Rate	**2.4%, 2.5%, then 2.7% ongoing**	**Assumes additional borrowing using Capita predictions of PWLB rates, rising to 2.7% over the next 3 years, including assumed certainty rate.**	**Amended**
Internal Borrowing Interest Rate	**2.4%, 2.5%, then 2.7% ongoing**	**Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.**	**Amended**
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, pending a review once the impact of the higher value voids levy and other housing policy changes are clear.	Retained
HRA Target Balances	£3,000,000	Maintain HRA target balance at £3,000,000, pending a review once the impact of the higher value voids levy and other housing policy changes are clear.	Retained
Right to Buy Sales	**55, 50, 45, 40, 35, 30, then 25 sales ongoing**	**Pay to Stay expected to sustain a higher level of activity. Assume 55 for 2016/17, reducing by 5 sales per annum, until 25 are assumed ongoing.**	**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 with only those received to date committed to specific new build schemes. Debt repayment proportion contributes to set-aside.	Retained
Void Rates	1%	Assumes 1% per annum from 2017/18 onwards.	Retained
Bad Debts	**0.56% for 2016/17, then 0.84% for 2017/18 and 1.12% ongoing**	**Bad debt provision increased by 100% long term, to reflect the requirement to collect 100% of rent directly, assuming an extension of the existing payment profile across the entire housing stock as Direct payment is implemented from 2016.**	**Amended**
Savings Target	**£1,000,000 for 2017/18 and 2018/19, then removed**	**2 year target included assuming the need to offset loss of rental income and sale of higher value voids. Similar pressure to reduce spending may exist longer term.**	**Amended**
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
Transformation / Spend to Save Fund	**£120,000 for 3 years from 2016/17**	**Policy space replaced by Housing Transformation / Spend to Save Fund for 3 years, with delegation to the Strategic Advisor to Housing.**	**Amended**
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 C

Retained 1-4-1 Right to Buy Receipts

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	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
30/09/2012	305,694.44	305,694.44	1,018,981.47	30/09/2015	6,033,316.06	1,809,994.82	0.00	0.00
31/12/2012	1,052,927.43	1,358,621.87	4,528,739.57	31/12/2015	9,420,870.94	2,826,261.28	0.00	0.00
31/03/2013	721,056.95	2,079,678.82	6,932,262.73	31/03/2016	13,631,090.94	4,089,327.28	0.00	0.00
30/06/2013	558,506.21	2,638,185.03	8,793,950.10	30/06/2016	14,432,244.66	4,329,673.40	0.00	0.00
30/09/2013	649,210.49	3,287,395.52	10,957,985.07	30/09/2016			0.00	0.00
31/12/2013	939,637.07	4,227,032.59	14,090,108.63	31/12/2016			0.00	0.00
31/03/2014	1,556,452.02	5,783,484.61	19,278,282.03	31/03/2017			1,453,811.21	4,846,037.37
30/06/2014	1,053,196.82	6,836,681.43	22,788,938.10	30/06/2017			1,053,196.82	3,510,656.07
30/09/2014	517,057.26	7,353,738.69	24,512,462.30	30/09/2017			517,057.26	1,723,524.20
31/12/2014	1,004,106.23	8,357,844.92	27,859,483.07	31/12/2017			1,004,106.23	3,347,020.77
31/03/2015	831,750.78	9,189,595.70	30,631,985.67	31/03/2018			831,750.78	2,772,502.60
30/06/2015	595,447.59	9,785,043.29	32,616,810.97	30/06/2018			595,447.59	1,984,825.30
30/09/2015	902,092.08	10,687,135.37	35,623,784.57	30/09/2018			902,092.08	3,006,973.60
31/12/2015	857,169,10	11,544,304,47	38,481,101.49	30/12/2018			857,169.10	2,857,230.33
31/03/2016	1,591,834,76	13,136,139.23	43,787,130.77	31/03/2019			1,591,834.76	5,306,115.87
30/06/2016	2,263,872.93	15,400,012.16	51,333,373.88	30/06/2019			2,263,872.93	7,546,243.10

Appendix D

2016/17 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2016/17 Budget (£)	Budget Amendment in 2017/18 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		**1,941,610**		
HRA Summary Account				
Rent Income	Reduction in rent income due to delays in the delivery of the new build programme.	100,650	Incorporated into base assumptions	Built into base for future years
Bad Debt Provision	Reduction in bad debt provision back to level of 0.56% for 2016/17, rising to the higher level of 1.12% by 2018/19.	(206,680)	Incorporated into base assumptions	Short-term and built into base for future years
RTB Capitalisation	Increase in ability to capitalise cost associated with sale of properties under right to buy, as number of sales is predicted to rise.	(28,350)	Incorporated into base assumptions	Short-term and built into base for future years
Interest paid on Borrowing	Interest paid for notional internal borrowing has been reduced as a direct result of a reduction in the interest rate applicable.	(18,820)	Incorporated into base assumptions	Short-term and built into base for future years
Interest earned on HRA Balances	Although interest rates are anticipated to fall, the level of balances held by the HRA result in an estimated increase in the level of interest that will be earned.	(36,800)	Incorporated into base assumptions	Built into base for future years
Apprenticeship Levy	HRA share of the new Apprenticeship Scheme Levy from April 2017	0	25,000	Built into base from 2017/18
Rent Collection Costs	Re-allocation of £120,000 included for collection costs associated with direct payment, to be utilised to meet costs of implementing Pay to Stay	0	One-Off	Re-allocation of existing resource
Total HRA Summary Account		**(190,000)**		
Revised use of / (contribution to) HRA Reserves post MTFS		**1,751,610**		

Appendix E

2016/17 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	**37,646**	**20,996**	**9,255**	**13,200**
General Fund Housing				
Increase in budget for DFG's to enable spending of increased Better Care Fund Grant	26	0	0	0
Decent Homes and Other HRA Stock Investment				
Re-phase funding for School Court communal boiler and plant room replacement to 2017/18	(450)	550	0	0
Vire communal areas uplift budget to boilers in 2017/18 to allow for School Court boiler and plant room replacement	(100)	0	0	0
Include additional provision for door replacements due to accelerated failures	60	60	60	60
Re-phase bathroom replacement funding over following four years for delivery purposes	(200)	50	50	50
Re-phase sulphate attack funding to the end of the programme pending review of this allocation overall	(77)	0	0	0
Include additional funding in other health and safety works for Woburn Close balconies	160	0	0	0
Remove budget for hard surfacing works to meet £100k saving target in discretionary works, whilst delivering a £42k additional one-off saving	(142)	0	0	0
Meet 2016/17 discretionary spend saving from hard surfacing budget	100	0	0	0
Adjust contractor overheads to reflect re-phased spend		72	12	12
Adjustment to allocation for new build decent homes work to recognise delays and additions in the programme	(106)	44	108	192
New Build				
Gross up spend for Water Lane and Aylesborough Close to recognise property acquisitions for returning leaseholders, to be offset by capital receipts	644	0	0	0
Inclusion of additional carry forward for Clay Farm to reflect correction to creditors raised in error as part of post closedown process	521	0	0	0
Inclusion of additional carry forward for Homerton to reflect correction to creditors raised in error as part of post closedown process	261	0	0	0
Re-phasing of spend for Clay Farm	(337)	337	0	0

Area of Expenditure And Change	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Re-phasing of ear-marked resource for Anstey Way	(560)	560	0	0
Amendment to budget for 2015/16 Garage Sites to correct budgeting error, reflect reduction of one unit and add inflation to 2016/17 prices	13	0	0	0
Re-phasing of spend for 2015/16 Garage Sites	(2,233)	2,233	0	0
Inclusion of additional resource for the le4asehold re-purchase that form part of the site assembly costs at Anstey Way	400	0	0	0
Transfer from New Build + RTB Receipts unallocated spend to approved 2016/17 In-Fill Sites	0	(709)	0	0
Include budget for approved 2016/17 In-Fill Sites	0	709	0	0
Re-phase New Build + RTB Receipts unallocated spend to2016/17	(2,645)	2,645	0	0
Inclusion of additional New Build + RTB Receipts unallocated spend to match RTB receipts	0	6,170	12,321	0
Inclusion of assumed grants to Registered Providers where RTB receipts can't yet be met with existing HRA resource, pending Devolution outcome	0	0	2,010	3,000
Other HRA Spend				
Include funding for implementation of stores review, to include new stores and van racking	130	0	0	0
Inflation Allowance				
Remove inflation adjustment for 2016/17 as not to be allocated to work streams and adjust inflation allowed to reflect new base and recognise new build using RTB receipts is cash limited	(2,223)	(1,285)	(993)	(1,401)
Total Housing Capital Plan Expenditure post HRA MTFS	**30,888**	**32,432**	**22,823**	**15,113**

Appendix F

New Build Investment Cashflow

New Build / Re-Development Scheme	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£'0	£'0	£'0	£'0	£'0	£'0
New Build / Re-Development Cash Expenditure (Net of Developer's Cross Subsidy / Notional Land Value)						
Colville Road (Phase 1)	107,000	0	0	0	0	0
Water Lane	678,000	0	0	0	0	0
Aylesborough Close	557,000	0	0	0	0	0
Hawkins Road (Garage Site)	680,000	0	0	0	0	0
Fulbourn Road (Garage Site)	1,293,000	0	0	0	0	0
Ekin Road (Garage Site)	268,000	0	0	0	0	0
Clay Farm	7,796,000	2,717,000	0	0	0	0
Homerton	2,753,000	0	0	0	0	0
Garage Sites 2015/16	780,000	2,233,000	0	0	0	0
In-Fill Sites	0	709,000	0	0	0	0
Anstey Way (Land Assembly)	1,642,000	0	0	0	0	0
Anstey Way (Ear-Marked Funds)	250,000	2,860,000	0	0	0	0
Akeman Street	129,000	1,844,000	0	0	0	0
New Build / Acquisition – + RTB Receipts	1,322,000	9,711,000	12,321,000	0	0	0
Grants to Registered Providers	0	0	2,010,000	3,000,000	3,000,000	3,000,000
New Build / Re-Development Expenditure equivalent to Notional Land Value						
Spend Equivalent to Land Value	545,000	0	0	0	0	0
Total New Build/ Re-Development Expenditure	**18,800,000**	**20,074,000**	**14,331,000**	**3,000,000**	**3,000,000**	**3,000,000**

New Build / Re-Development Scheme	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£'0	£'0	£'0	£'0	£'0	£'0
New Build / Re-Development Grant and Area Committee Funding						
Water Lane	(87,500)	0	0	0	0	0
Aylesborough Close	(125,000)	0	0	0	0	0
Clay Farm	0	(97,125)	*0*	*0*	*0*	*0*
Total New Build / Re-Development Funding	**(212,500)**	**(97,125)**	**0**	**0**	**0**	**0**
Use of Retained Right to Buy Funding						
Hawkins Road (Garage Site)	(204,000)	0	0	0	0	0
Fulbourn Road (Garage Site)	(387,900)	0	0	0	0	0
Ekin Road (Garage Site)	(80,400)	0	0	0	0	0
Clay Farm	(1,706,680)	(601,540)	0	0	0	0
Homerton	(612,780)	0	0	0	0	0
Garage Sites 2015/16	(234,000)	(669,900)	0	0	0	0
In-Fill Sites	0	(212,700)	0	0	0	0
Akeman Street	(30,960)	(442,560)	0	0	0	0
New Build – With RTB Receipts	(396,600)	(2,913,300)	(3,696,300)	0	0	0
Grants to Registered Providers	0	0	(2,010,000)	(3,000,000)	(3,000,000)	(3,000,000)
Total Use of Retained Right to Buy Funding	**(3,653,320)**	**(4,840,000)**	**(5,706,300)**	**(3,000,000)**	**(3,000,000)**	**(3,000,000)**
Total to be funded from HRA Resources (DRF & MRR), Sales Receipts and Non-RTB Capital Receipts	**14,934,180**	**15,136,875**	**8,624,700**	**0**	**0**	**0**
Total HRA Borrowing	**0**	**0**	**0**	**0**	**0**	**0**

Appendix G

HRA Summary Forecast 2016/17 to 2020/21

Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Income					
Rental Income (Dwellings)	(36,799,670)	(36,384,160)	(36,116,660)	(35,507,590)	(35,933,670)
Rental Income (Other)	(1,086,020)	(1,106,650)	(1,133,210)	(1,160,410)	(1,188,260)
Service Charges	(2,573,880)	(2,640,960)	(2,699,130)	(2,758,700)	(2,819,690)
Contribution towards Expenditure	(3,270)	(3,330)	(3,410)	(3,490)	(3,580)
Other Income	(471,750)	(474,090)	(478,690)	(483,230)	(487,710)
Total Income	**(40,934,590)**	**(40,609,190)**	**(40,431,100)**	**(39,913,420)**	**(40,432,910)**
Expenditure					
Supervision & Management - General	3,571,980	3,775,810	3,979,410	4,274,960	4,606,000
Supervision & Management - Special	2,566,540	2,623,920	2,691,330	2,760,480	2,840,820
Repairs & Maintenance	6,588,430	6,420,210	6,592,570	6,778,370	6,990,490
Depreciation – to Major Repairs Res.	8,952,760	9,309,050	9,672,200	10,069,580	10,402,840
Debt Management Expenditure	0	0	0	0	0
Other Expenditure	3,194,140	2,456,040	1,685,260	1,709,020	1,745,200
Total Expenditure	**24,873,850**	**24,585,030**	**24,620,770**	**25,592,410**	**26,585,350**
Net Cost of HRA Services	**(16,060,740)**	**(16,024,160)**	**(15,810,330)**	**(14,321,010)**	**(13,847,560)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(335,330)	(296,790)	(348,260)	(421,440)	(487,760)
(Surplus) / Deficit on the HRA for the Year	**(16,396,070)**	**(16,320,950)**	**(16,158,590)**	**(14,742,450)**	**(14,335,320)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,522,470	7,523,650	7,535,200	7,562,780	7,572,280
Housing Set Aside	0	5,134,870	5,134,870	5,134,870	5,134,870
Appropriation from Ear-Marked Reserve	(13,200)	0	0	0	0
Depreciation Adjustment	(503,690)	0	0	0	0
Direct Revenue Financing of Capital	11,128,900	6,997,470	5,203,380	1,160,760	2,507,290
(Surplus) / Deficit for Year	**1,738,410**	**3,335,040**	**1,714,860**	**(884,040)**	**879,120**
Balance b/f	(9,790,590)	(8,052,180)	(4,717,140)	(3,002,280)	(3,886,320)
Total Balance c/f	**(8,052,180)**	**(4,717,140)**	**(3,002,280)**	**(3,886,320)**	**(3,007,200)**

Appendix H

Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend					
Disabled Facilities Grants	576	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195
Choice Based Lettings IT System	25	0	0	0	0
Total General Fund Housing Capital Spend	**796**	**745**	**745**	**745**	**745**
HRA Capital Spend					
Decent Homes					
Kitchens	236	206	190	655	640
Bathrooms	341	275	305	251	1,036
Central Heating / Boilers	655	2,210	544	2,586	3,536
Insulation / Energy Efficiency	236	200	200	200	200
External Doors	206	169	114	112	351
PVCU Windows	0	0	0	0	6
Wall Structure	462	142	140	134	254
Wall Finishes	257	202	174	383	74
External Painting	0	0	0	0	300
Roof Structure	322	300	300	300	300
Roof Covering	342	334	334	334	334
Chimneys	13	1	0	1	0
Electrical / Wiring	497	561	293	555	932
Smoke Detectors	116	116	116	116	116
Sulphate Attacks	25	102	102	102	102
Major Voids / Major Works	60	0	0	0	0
HHSRS Contingency	100	100	100	100	100
Other Health and Safety Works	210	50	50	50	50
Other External Works	0	0	0	0	0

Description	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Capitalised Officer Fees - Decent Homes	323	305	305	305	305
External Professional Fees	17	17	17	17	17
Decent Homes Planned Maintenance Contractor Overheads	486	546	326	647	916
Decent Homes New Build Allocation	0	261	329	418	428
Total Decent Homes	**4,904**	**6,097**	**3,939**	**7,266**	**9,997**
Other Spend on HRA Stock					
Garage Improvements	788	100	100	100	100
Asbestos Removal	100	50	50	50	50
Disabled Adaptations	878	878	878	878	878
Communal Areas Uplift	296	346	346	346	346
Fire Prevention / Fire Safety Works	100	100	100	100	100
Hard surfacing on HRA Land - Health and Safety Works	250	250	250	250	250
Hard surfacing on HRA Land - Recycling	0	0	0	0	0
Communal Areas Floor Coverings	198	100	100	100	100
Lifts and Door Entry Systems	51	13	13	13	13
Fencing	238	200	200	200	200
Reduction in Discretionary Investment	0	-100	-100	-100	-100
Capitalised Officer Fees - Other HRA Stock Spend	114	114	114	114	114
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	375	213	213	213	213
Total Other Spend on HRA stock	**3,388**	**2,264**	**2,264**	**2,264**	**2,264**
HRA New Build / Re-Development					
Roman Court	6	0	0	0	0
3 Year Affordable Housing Programme	3,583	0	0	0	0
3 Year Affordable Housing Programme (Notional Spend - Land Value)	545	0	0	0	0
New Build - Clay Farm	7,796	2,717	0	0	0
New Build - Homerton	2,753	0	0	0	0
Re-Development - Anstey Way (Land Assembly Only)	1,642	0	0	0	0
Anstey Way - Earmarked Resource towards Re-Development	250	2,860	0	0	0
2015/16 Garage & In-Fill Sites	780	2,233	0	0	0

Description	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
2016/17 In-Fill Sites	0	709	0	0	0
Akeman Street	129	1,844	0	0	0
New Build or Acquisition - Unallocated Retained RTB Receipt Investment	1,322	9,711	12,321	0	0
Right of First Refusal Buy Back	0	0	0	0	0
Grants to Registered Providers	0	0	2,010	3,000	3,000
Total HRA New Build	**18,806**	**20,074**	**14,331**	**3,000**	**3,000**
City Homes Estate Improvement Programme					
City Homes Estate Improvement Programme	52	0	0	0	0
Total City Homes Estate Improvement Programme	**52**	**0**	**0**	**0**	**0**
Sheltered Housing Capital Investment					
Ditchburn Place	2,408	1,796	0	0	0
Total Sheltered Housing Capital Investment	**2,408**	**1,796**	**0**	**0**	**0**
Other HRA Capital Spend					
Orchard Upgrade / Mobile Working	23	0	0	0	0
Stores Reconfiguration	130	0	0	0	0
Cambridge Public Sector Network	23	0	0	0	0
Air Cooling Systems in Area Offices	11	0	0	0	0
Shared Ownership Repurchase	300	300	300	300	300
Commercial and Administrative Property	47	30	30	30	30
Total Other HRA Capital Spend	**534**	**330**	**330**	**330**	**330**
Total HRA Capital Spend	**30,092**	**30,561**	**20,864**	**12,860**	**15,591**
Total Housing Capital Spend at Base Year Prices	**30,888**	**31,306**	**21,609**	**13,605**	**16,336**
Inflation Allowance and Stock Reduction Adjustment for Future Years	0	1,126	1,214	1,508	1,867
Total Inflated Housing Capital Spend	**30,888**	**32,432**	**22,823**	**15,113**	**18,203**
Housing Capital Resources					
Right to Buy Receipts	(302)	(305)	(309)	(312)	(315)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0

Description	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Notional Land Receipts (New Build Schemes)	(545)	0	0	0	0
Major Repairs Reserve	(4,597)	(16,430)	(9,672)	(10,070)	(10,403)
Direct Revenue Financing of Capital	(11,129)	(6,997)	(5,203)	(1,161)	(2,507)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(3,324)	(2,717)	(300)	(300)	(300)
Retained Right to Buy Receipts	(3,653)	(4,840)	(3,696)	0	0
Retained Right to Buy Receipts Passed to Registered Provider	0	0	(2,010)	(3,000)	(3,000)
Disabled Facilities Grant	(576)	(271)	(271)	(271)	(271)
Prudential Borrowing	0	0	(1,362)	0	(1,407)
Total Housing Capital Resources	**(24,126)**	**(31,560)**	**(22,823)**	**(15,114)**	**(18,203)**
Net (Surplus) / Deficit of Resources	6,762	872	0	(1)	0
Capital Balances b/f	**(9,668)**	**(2,906)**	**(2,034)**	**(2,034)**	**(2,034)**
Use of / (Contribution to) Balances in Year	6,762	872	0	(1)	0
Capital Balances c/f	**(2,906)**	**(2,034)**	**(2,034)**	**(2,035)**	**(2,034)**
Other Capital Balances (Opening Balance 1/4/2016)					
Major Repairs Reserve	(3,269)	Fully utilised by 2017/8 as above			
Retained 1-4-1 Right to Buy Receipts	(9,047)	Utilised between 2016/17 to 2018/19 above			
Right to Buy Receipts for Debt Redemption	(5,079)	Retained for future debt repayment			
Total Other Capital Balances	**(17,395)**				

Appendix I

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management	(912.6)	(76.9)	6.7	(982.8)
Special Services	(870.1)	(139.6)	9.2	(1,000.5)
Repairs and Maintenance	(248.8)	(57.6)	0	(306.4)
Total	**(2,031.5)**	**(274.1)**	**15.9**	**(2,289.7)**

Tenants Survey

	Opening Balance	Contributions	Expenditure to July	Current Balance
Tenants Survey	(25.9)	(6.2)	0.0	(32.1)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(1,901.7)	0.0	0.0	(1,901.7)

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(5,079.3)	(600.3)	0.0	(5,679.6)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(3,269.9)	0.0	0.0	(3,268.9)

Appendix J

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
General Inflation	General Inflation using CPI of up to 2.4% for expenditure	Volatility in the economy could lead to an increase in expenditure inflation, particularly whilst rents increases are non-existent for the next 4 years. Assume CPI for expenditure of 3% ongoing.	Inability to set a balanced revenue budget from 2045/46.
Rents Inflation	1% reduction for 4 years, then return to CPI plus 1% for remaining 4 years of 10 year rent settlement followed by CPI plus 0.5%	There is no guarantee that there will be the ability to return to previously assumed rent increase if rents are set legislatively, so assume a rent freeze from 2020/21	Inability to set-aside for redemption of debt from revenue resources. Inability to set a balanced revenue budget from 2031/32.
Direct Payments (Universal Credit)	Bad Debts at 0.56%, 0.84%, then 1.12%	Evidence from the pilot authorities for Direct payment indicates that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2019/20.	Inability to fund the capital programme and set a balanced revenue budget is brought forward by 3 years.

Note: Key sensitivities are modelled independently to demonstrate the financial impact. Combined they would have a cumulative effect.

Appendix K

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties

Self-Financing for the HRA

Future uncertainty exists about the ability to manage the cashflow and service the debt for the HRA in a self-financing environment in light of recent national housing policy changes. The debt cap, over which the HRA is not allowed to borrow, currently remains, although additional borrowing at present represents additional risk. The authority has explored a variety of avenues to persuade government that re-opening the debt may be required.

Right to Buy Sales

The number of sales has increased significantly since April 2012, and a slight decline in interest has been piqued again by the announcements surrounding Pay to Stay, which is likely to result in continued high interest. 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 exceed the level that the authority is able to support in 70% match funding following national housing policy changes, unless the devolution offer is progressed to deliver £70m of additional investment in HRA homes in the city. At present, sufficient investment required to fulfil the resource held at 30th June 2016 is incorporated into the HRA financial model, but specific sites for all of 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.

Ditchburn Place Extra Care

The current care and support contract is operating under temporary arrangements pending decisions by the County Council about the future of this contract at Ditchburn Place. 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.

HRA Commercial Property

Stock condition surveys and investment profiles are still 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. The introduction of the higher value voids levy will accelerate the need for this information.

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 still unquantifiable, although indications from earlier adopters are that it will be significant.

Housing Revenue Account – Revenue Uncertainties

HRA New Build

Although the current new build programme is now progressing quite well, delays are still being experienced in respect of some of the earlier projects, which has the potential to further impact negatively upon rental income. If any individual development scheme does not proceed, the initial outlay needs 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 Area Office Closure

Although now vacated, the lease for the south area office does not expire until January 2020, so the option to sub-let the premises in the short term has been deployed. With the current uncertainty in the economy, and many companies holding off on investment decisions, it may prove difficult to find a sub-lessee at the values required to deliver the saving incorporated into the HRA business plan.

National Rent Policy

The change in national rent policy, with what was previously rent guidance, now being legislation, requires rent reductions of 1% per annum from April 2016 for four years. There is no guarantee that rent increases will be re-introduced at CPI plus 1% after this period, although our financial plans are constructed on this basis.

Compulsion to Sell Higher Value Homes Levy

The Housing and Planning Act allows the introduction of an annual levy, representative of the proportion of high value homes which may become vacant in any one year. Until the regulations surrounding the legislation are released, significant uncertainty exists about the value of the levy and the timing within which payments may be due. In addition to the loss of rental income, the process to dispose of a large number of assets in any one year will be costly and administratively burdensome.

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 although tendered, the finalised costs will not be available until all works have been packaged and sub-contracted. The decision to phase the works also poses additional uncertainty in terms of both the costs and the length of the build. Uncertainty exists with regard the future of care provision at Ditchburn Place, which could necessitate a review of the investment decision altogether.

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. Reduced funding of approximately £0.9m is included in the Housing Capital Programme over the next 9 years to continue to fund this risk-based approach. This will not meet the remedial costs of all sites where sulphate has been identified and 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 additional investment.

Disabled Facilities Grants and Private Sector Housing Grants and Loans

Although the external contribution towards DFG's has increased for 2016/17, the Council element of investment in both DFG's and Private Sector Housing Grants and Loans is now wholly dependent upon the generally available element of right to buy receipts in any year, with funding 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. As government funding is now managed via the Better Care Fund at County level, a County led, county-wide review may also impact this service in the coming months.

Right to Buy Sales and Retained Right to Buy Receipts

Interest in right to buy has seen another peak, with the introduction of 'Pay to Stay' from April 2017. Under the terms of the agreement signed with CLG, the authority is committed to invest the receipts in new homes 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, in light of the recent changes in national housing policy, unless devolution provides a medium term solution. Receipts may be paid over to central government at the end of each quarter, unless there is demonstrable available resource to provide the top up funding required.

STRATEGY & RESOURCES COMMITTEE **10 October 2016**
5.00 – 8.30pm

Present: Barnett (Vice-Chair in Chair), Baigent, Bick, Cantrill, Sinnott and Sarris

RECOMMENDATION TO COUNCIL
(EXECUTIVE COUNCILLOR FOR FINANCE AND RESOURCES
COUNCILLOR ROBERTSON)

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2016/17

The Council had adopted The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised 2011).

The Code required as a minimum receipt by full Council of an Annual Treasury Management Strategy Statement which includes the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a half-year review report and an Annual Report (stewardship report) covering activities in the previous year.

The half-year report had been prepared in accordance with CIPFA's Code of Practice on Treasury Management and covers the following:-

- The Council's capital expenditure (prudential indicators);
- A review of compliance with Treasury and Prudential Limits for 2016/17;
- A review of the Council's borrowing strategy for 2016/17;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2016/17; and;
- An update on interest rate forecasts following economic news in the first half of the 2016/17 financial year.

In line with the Code of Practice, all treasury management reports have been presented to both Strategy & Resources Scrutiny Committee and to full Council.

An additional recommendation was agreed that Deutsche Bank was removed from the CounterParty list.

The Strategy and Resources Committee considered and approved the recommendations by 4 votes to 0 with 2 abstentions.

Accordingly, Council is recommended to:

2.1 Approve the Treasury Management Half Yearly Update Report, 2016/17 which includes the Council's estimated Prudential and Treasury Indicators 2016/17 to 2019/20.

2.2 Approve amendments to the Counterparty limits as follows:

Name	Recommended Limit (£)
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch AAA/V1)	10m (in each fund)
CCLA Local Authorities' Property Fund	15m

2.3 Increase the upper limit on principal sums to be deposited for over 1 year to £50m.

2.4 Approve an amendment to the Minimum Revenue Provision Policy for 2016/17.

2.5 Agree to remove Deutsche Bank from the CounterParty list.

Cambridge City Council **Item**

To:	The Executive Councillor for Finance & Resources: Councillor Richard Robertson	
Report by:	Caroline Ryba – Head of Finance & S151 Officer	
Relevant scrutiny committee:	Strategy & Resources Scrutiny Committee	10/10/2016
Wards affected:	All Wards	

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2016/17

Key Decision

1. Executive summary

1.1 The Council has adopted The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised 2011).

1.2 The Code requires as a minimum receipt by full Council of an Annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a half-year review report and an Annual Report (stewardship report) covering activities in the previous year.

1.3 This half-year report has been prepared in accordance with CIPFA's Code of Practice on Treasury Management and covers the following:-

- The Council's capital expenditure (prudential indicators);
- A review of compliance with Treasury and Prudential Limits for 2016/17;
- A review of the Council's borrowing strategy for 2016/17;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2016/17; and;
- An update on interest rate forecasts following economic news in the first half of the 2016/17 financial year.

1.4 In line with the Code of Practice, all treasury management reports have been presented to both Strategy & Resources Scrutiny Committee and to full Council.

2. Recommendations

2.1 The Executive Councillor is asked to recommend this report to Council, which includes the Council's estimated Prudential and Treasury Indicators 2016/17 to 2019/20.

2.2 Following a recent review, the Executive Councillor is asked to recommend to Council amendments to the Counterparty limits as follows:

Name	Recommended Limit (£)
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch AAA/V1)	10m (in each fund)
CCLA Local Authorities' Property Fund	15m

2.3 In line with this review the Executive Councillor is also recommended to increase the upper limit on principal sums to be deposited for over 1 year to £50m.

2.4 The Executive Councillor is asked to recommend to Council an amendment to the Minimum Revenue Provision Policy for 2016/17.

3. Background

3.1 The Council is required to comply with the 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.

3.2 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, deposits, borrowing, interest rates and the economy.

4 The Council's Capital Expenditure and Financing 2016/17 to 2019/20

4.1 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.

4.2 Details of 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 2016/17 and is in line with the agreed Capital Plan.

	2016/17 Probable Outturn £'000	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**
General Fund Capital Expenditure	41,843	2,453	1,301	801
HRA Capital Expenditure	30,092	31,687	22,078	14,368
Total Capital Expenditure	**71,935**	**34,140**	**23,379**	**15,169**
Resourced by:				
• Capital receipts	-4,569	-5,226	-5,706	-3,000
• Other contributions	-47,366	-28,914	-17,673	-12,169
Total available resources for financing capital expenditure	**-51,935**	**-34,140**	**-23,379**	**-15,169**
Un-financed capital expenditure	**20,000**	**0**	**0**	**0**

5. The Council's Prudential and Treasury Management Indicators

5.1 The table below shows the Capital Financing Requirement (CFR), which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Capital Financing Requirement & Cumulative External Borrowing	2016/17 Probable Outturn £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
General Fund Capital Financing Requirement	25,685	25,685	25,685	25,685
HRA Capital Financing Requirement	214,748	214,748	214,748	214,748
Total Capital Financing Requirement	**240,433**	**240,433**	**240,433**	**240,433**
Movement in the Capital Financing Requirement	**20,000**	**0**	**0**	**0**
Estimated External Gross Debt/Borrowing (Including HRA Reform)	213,572	213,572	213,572	213,572
Authorised Limit for External Debt	250,000	250,000	250,000	250,000
Operational Boundary for External Debt	240,433	240,433	240,433	240,433

5.2 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members.

5.3 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):-

	Principal (£'000)
Authorised Borrowing Limit (A) – Agreed by Council on 20th October 2011	250,000
HRA Debt Limit (B)	230,839
2011/12 Borrowing (for HRA Self-Financing, C)	213,572
General Fund Headroom (A minus B)	19,161
HRA Headroom (B minus C)	17,267
2012/13 Borrowing	NIL
2013/14 Borrowing	NIL
2014/15 Borrowing	NIL
2015/16 Borrowing	NIL
2016/17 Borrowing up to 31st August 2016	NIL
Total Current Headroom (A minus C)	36,428

5.4 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 A.

6. Borrowing

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

6.2 At present the only debt held by the authority relates to the twenty loans from the PWLB for self-financing the HRA taken out in 2012 totalling £213,572,000.

6.3 The Council does not currently anticipate any new external borrowing for the period 2016/17 to 2019/20, inclusive.

6.4 The 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.

6.5 The Medium Term Financial Strategy now includes proposals for capital expenditure of up to £20 million in 2016/17, to be funded from internal borrowing. The Council must make MRP based on the underlying principle that the provision should be linked to the life of the assets for which the borrowing is required. It is therefore proposed to amend the policy for 2016/17 as shown in Appendix E.

6.6 In the event that external borrowing is undertaken the Council is able as an eligible local authority to access funds at the PWLB Certainty Rate (a 0.20% discount on loans) until 31 October 2017.

7. Investment Portfolio

7.1 The Council takes a cautious approach within its Treasury Management Strategy, with the detailed counterparty list with limits is shown within Appendix B. These limits have not been breached to date in 2016/17.

7.2 No changes to the counterparty list or limits are proposed as part of this half-year review.

7.3 The average rate of return for all deposits to 31st August 2016 is 1.17%, compared to an actual of 1.13% for 2015/16. The Council has achieved its interest receipts budget of £478,200 to the end of August 2016. There is uncertainty of rates and levels of receipts for the second half of this year.

7.4 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.

SUMMARY DEPOSIT ANALYSIS	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Short Term	41,100	42,700	44,900	43,800
Medium Term	23,000	23,400	25,100	28,100
Long Term	33,600	33,900	35,900	46,800
TOTAL PREDICTED CASH DEPOSITS:-	**97,700***	**100,000***	**105,900***	**118,700***

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

7.5 The Council's balances show a broadly upward trend.

7.6 An analysis of the sources of the Council's deposits is prepared from the audited balance sheet at the end of each financial year. The analysis for 31 March 2016 is shown at Appendix C.

8. Brexit Update

8.1 The referendum result has generated some uncertainty in the investment markets. Realistically, given the number of complexities of the situation, these uncertainties will take some time to clear.

8.2 At the moment these issues are prominent in the headlines but volatility on the markets now appears to be settling somewhat.

8.3 Rates have dropped following Brexit. Article 50 has not yet been triggered and it is still not clear exactly when this will happen. There are then two years to complete negotiations for leaving the EU, so the uncertainty is expected to continue in the medium term.

9 . Proposed changes to Counterparty limits

9.1 Counterparty limits have been reviewed in response to general economic conditions and the Council's current cash-flow modelling. This review indicates that the Council has capacity to deposit funds over a longer period and therefore achieve better returns. It is therefore proposed to increase the maximum that can be invested in each Enhanced Cash Fund from £5m to £10m, and the limit on the CCLA Local Authority Property Fund from £10m to £15m in total.

9.2 The current limit on deposits with a duration of over 1year is £40m. It is proposed to increase this limit to £50m.

9.3 The above changes give the Chief Financial Officer scope to make additional investments in these Funds, as part of usual treasury activity, which includes appropriate due diligence.

10. Interest Rates

10.1 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 D.

11. Implications

(a) **Financial Implications**
The prudential and treasury indicators have been amended to take account of known financial activities.

(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 – Prudential and Treasury Management Indicators
Appendix B – The Council's current Counterparty list
Appendix C – Sources of the Council's Deposits
Appendix D – Capita's opinion on UK Forecast Interest Rates
Appendix E – Amended Minimum Revenue Provision Policy 2016/17
Appendix E – 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

Appendix A

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Probable Outturn 2016/17 £'000	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- General Fund	41,843	2,453	1,301	801
- HRA	30,092	31,687	22,078	14,368
Total	**71,935**	**34,140**	**23,379**	**15,189**
Incremental impact of capital decisions on:				
Band D Council Tax (City element)	0.96	0.03	0.02	0.02
Average weekly housing rent	-1.02	1.77	1.81	0.17
Capital Financing Requirement (CFR) as at 31 March				
- General Fund	25,685	25,685	25,685	25,685
- HRA	214,748	214,748	214,748	214,748
Total	**240,433**	**240,433**	**240,433**	**240,433**
Change in the CFR	20,000	0	0	0
Deposits at 31 March	97,700	100,000	105,900	118,700
External Gross Debt	213,572	213,572	213,572	213,572
Ratio of financing costs to net revenue stream				
-General Fund	-637	-573	-739	-875
-HRA	7,156	6,616	6,362	6,154
Total	**6,519**	**6,043**	**5,623**	**5,279**
% of net revenue expenditure				
-General Fund	-2.30%	-2.53%	-3.24%	-4.11%
-HRA	17.48%	16.30%	15.75%	15.44%
Total (%)	**15.18%**	**13.77%**	**12.51%**	**11.33%**

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Probable Outturn 2016/17 £'000	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
TREASURY INDICATORS				
Authorised limit				
for borrowing	250,000	250,000	250,000	250,000
for other long term liabilities	0	0	0	0
Total	**250,000**	**250,000**	**250,000**	**250,000**
HRA Debt Limit	230,839	230,839	230,839	230,839
Operational boundary				
for borrowing	240,433	240,433	240,433	240,433
for other long term liabilities	0	0	0	0
Total	**240,433**	**240,433**	**240,433**	**240,433**
Upper limit for total principal sums deposited for over 364 days & up to 5 years*	50,000	50,000	50,000	50,000
Upper limit for fixed & variable interest rate exposure				
Net interest on fixed rate borrowing/deposits	6,855	6,919	6,753	6,617
Net interest on variable rate borrowing/deposits	-27	-18	-15	-15
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit	
10 years and above (PWLB borrowing for HRA Reform)		100%	100%	

***Includes recommended change**

Appendix B

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. Recommended changes are shown in bold:-

Name	Council's Current Deposit Period	Category	Limit (£)
Specified Investments:-			
All UK Local Authorities	N/A	Local Authority	20m
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
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Barclays Bank Plc	Using Capita's Credit Criteria	UK Bank	25m
HSBC Bank Plc	Using Capita's Credit Criteria	UK Bank	20m
Standard Chartered Bank	Using Capita's Credit Criteria	UK Bank	20m
Bank of Scotland Plc (BoS)	Using Capita's Credit Criteria	UK Bank	20m
Lloyds TSB Bank Plc	Using Capita's Credit Criteria	UK Bank	20m
National Westminster Bank Plc (NWB)	Using Capita's Credit Criteria	UK Nationalised Bank	20m
Santander UK Plc	Using Capita's Credit Criteria	UK Bank	5m
The Royal Bank of Scotland Plc (RBS)	Using Capita's Credit Criteria	UK Nationalised Bank	20m
Other UK Banks	Using Capita's Credit Criteria	UK Banks	20m
Members of a Banking Group (BoS Group includes Lloyds, RBS Group includes NWB)	Using Capita's Credit Criteria	UK Banks and UK Nationalised Banks	30m
Deutsche Bank	Using Capita's Credit Criteria	Non-UK Bank	5m

Name	Council's Current Deposit Period	Category	Limit (£)
Svenska Handelsbanken	Using Capita's Credit Criteria	Non-UK Bank	5m
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/V1)	**Over 3 months and up to 1 year**	**Financial Instrument**	**10m (per single counterparty)**
Money Market Funds	Liquid Rolling Balance	Financial Instrument	15m (per fund)
Custodian of Funds	Requirement for Undertaking Financial Instruments	Fund Managers	Up to 15m (per single counterparty)
UK Government Treasury Bills	Up to 6 months	Financial Instrument	15m
Other Specified Investments - UK Building Societies:-			
Name	**Council's Current Deposit Period**	**Asset Value (£'m) – as at 1st July 2016**	**Limit (£)**
Nationwide Building Society	1 month or in line with Capita's Credit Criteria, if longer	207,622	Assets greater than £100,000m - £20m Assets between £50,000m and £99,999m - £5m Assets between £5,000m and £49,999m - £2m
Yorkshire Building Society		43,231	
Coventry Building Society		33,672	
Skipton Building Society		16,612	
Leeds Building Society		14,329	
Principality Building Society		7,409	
West Bromwich Building Society		5,725	
Non-Specified Investments:-			
Name	**Council's Current Deposit Period**	**Category**	**Limit (£)**
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	Up to 30m (in total)
CCLA Local Authorities' Property Fund	**Minimum of 5 years**	**Pooled UK Property Fund**	**Up to 15m**
Certificates of Deposit (with UK Banking Institutions)	Liquid Rolling Balance	Financial Instrument	15m (per single counterparty)
Certificates of Deposit (with UK Building Societies)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)

Name	Council's Current Deposit Period	Category	Limit (£)
Certificates of Deposit (with Foreign Banking Institutions)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/V1)	**Over 1 year and up to 5 years**	**Financial Instrument**	**10m (per single counterparty)**
Municipal Bonds Agency	N/A	Pooled Financial Instrument Facility	50,000
Supranational Bonds – AAA	Using Capita's Credit Criteria	Multi-lateral Development Bank Bond	15m
UK Government Gilts	Over 1 year & up to 30 Years	Financial Instrument	15m

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.

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 £1.4m each year based on current deposit and interest rate levels.

At 1st April 2016, the Council had deposits of £97.987m. The table below provides a sources breakdown of the funds deposited at that date:-

Funds Deposited as at 1 April 2016	**£'000**	**£'000**
Working Capital		21,872
General Fund:		
General Reserve	16,012	
Asset Renewal Reserves	2,693	
Other Earmarked Reserves	15,093	33,798
Housing Revenue Account (HRA):-		
General Reserve	9,791	
Asset Renewal Reserves	2,032	
Major Repairs Reserve	3,269	
Other Earmarked Reserves	1,936	
Capital Financing Requirement (Including HRA Reform)	-220,432	
PWLB Borrowing for HRA Reform	213,572	10,168
Capital:		
Capital Contributions Unapplied	8,198	
Usable Capital Receipts	23,951	32,149
Total Deposited		**97,987**

The HRA accounts for around 43% of reserves deposited.

Appendix D

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) reduced the bank rate to 0.25% (previously 0.50%) and increased Quantitative Easing (QE) by £60bn to £435bn, on 4th August 2016. Going-forward, the Council's treasury advisor, Capita, has provided the following interest rate forecasts, also issued on 4th August 2016:-

	Previously	Aug-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.50%	0.25%	0.10%	0.15%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
3 month LIBID	0.50%	0.30%	0.20%	0.20%	0.20%	0.20%	0.20%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%
6 month LIBID	0.55%	0.40%	0.30%	0.30%	0.30%	0.40%	0.40%	0.50%	0.50%	0.50%	0.60%	0.60%	0.70%
12 month LIBID	0.75%	0.60%	0.50%	0.50%	0.60%	0.60%	0.70%	0.70%	0.70%	0.80%	0.80%	0.80%	0.90%
5yr PWLB rate	1.20%	1.00%	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.70%	1.50%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.50%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.20%	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

This is the first bank rate change since 2009. The actual vote on 4th August 2016 was unanimous at 9-0 in favour.

Minimum Revenue Provision Policy Amended 2016/17 (Proposed Amendment underlined)

Minimum Revenue Provision (MRP) is the revenue charge that the Council is required to make for the repayment of debt, as measured by the underlying need to borrow, rather than actual debt. The underlying debt is needed to finance capital expenditure which has not been fully financed by revenue or capital resources. As capital expenditure is generally expenditure on assets which have a life expectancy of over one year it is prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure.

The Local Authorities (Capital Finance and Accounting) regulations require local authorities to calculate for the financial year an amount of MRP which is considered to be 'prudent'.

There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

The Housing Revenue Account share of the CFR is not subject to an MRP charge.

There is no requirement to make MRP on an asset until the financial year after that asset becomes operational.

The Government has issued guidance on the calculation of MRP. The Council is required to have regard to the guidance based on the underlying principle that the provision should be linked to the life of the assets for which the borrowing is required.

However, the guidance is clear that differing approaches can be considered as long as the resulting provision is prudent.

<u>In general, the Council will make a minimum revenue provision based on the equal instalment method, amortising expenditure equally over the estimated useful life of the asset for which the borrowing is required. However, no provision will be made in respect of expenditure on specific projects where the Head of Finance determines that receipts will be generated by the project to repay the debt.</u>

<u>Specifically in respect of the current capital programme:</u>

The Council has agreed to make a loan to company (which is classed as capital expenditure) to enable it to let intermediate rent properties. This will be financed from internal borrowing.

As this loan is to a wholly owned subsidiary company, is secured on assets and there is a plan and evidence that there is an ability to repay the loan at the end of the short 3 year pilot period, no MRP will be set aside. However, to ensure that this policy is prudent, the Council will review this loan annually and at the end of the pilot period if the company continues and the loan is renegotiated. Where there is evidence which suggests that the full amount of the loan may not be repaid, it will be necessary to reassess the need to commence MRP to recover the impaired amounts from revenue.

The Council has agreed to finance an element of the capital cost of a new community centre at Clay Farm from internal borrowing. This element will in effect be repaid over the next 15 years (with interest) from receipts of rental incomes and subsidy from the site developer and a tenant. As there are sufficient revenues to repay the capital costs no MRP will be set aside.

Appendix F

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
Certificates of Deposit (CDs)	Low risk certificates issued by banks which offer a higher rate of return
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	Currency deposited by national governments or corporations in banks outside of their home market
External Gross Debt	Long-term liabilities including Private Finance Initiatives and Finance Leases
HRA	Housing Revenue Account - a 'ring-fenced' account for local authority housing account where a council acts as landlord
HRA Self-Financing	A new funding regime for the HRA introduced in place of the previous annual subsidy system
London Interbank Offered Rate (LIBOR)	A benchmark rate that some of the leading banks charge each other for short-term loans
London Interbank Bid Rate (LIBID)	The average interest rate which major London banks borrow Eurocurrency deposits from other banks
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
Non-Specified Investments	These are investments that do not meet the conditions laid down for Specified Investments and potentially carry additional risk, e.g. lending for periods beyond 1 year
Operational Boundary	Limit which external borrowing is not normally expected to exceed

Term	Definition
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
Quantitative Easing (QE)	A financial mechanism whereby the Central Bank creates money to buy bonds from financial institutions, which reduces interest rates, leaving businesses and individuals to borrow more. This is intended to lead to an increase in spending, creating more jobs and boosting the economy
Security	A measure of the creditworthiness of a counter-party
Specified Investments	Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' credit rating criteria where applicable
Supranational Bonds	Multi-lateral Development Bank Bond
UK Government Gilts	Longer-term Government securities with maturities over 6 months and up to 30 years
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
Yield	Interest, or rate of return, on an investment

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STRATEGY & RESOURCES COMMITTEE

10 October 2016
5.00 – 8.30pm

Present: Barnett (Vice-Chair in Chair), Baigent, Bick, Cantrill, Sinnott and Sarris

RECOMMENDATION TO COUNCIL (EXECUTIVE COUNCILLOR FOR FINANCE AND RESOURCES COUNCILLOR ROBERTSON)

MID-TERM FINANCIAL STRATEGY (MTFS) OCTOBER 2016

The report presented and recommended the budget strategy for the 2017/18 budget cycle and specific implications, as outlined in the Mid-Term Financial Strategy (MTFS) October 2016 document.

The report also recommended the approval of new capital items and funding proposals for the Council's Capital Plan, the results of which are shown in the MTFS.

At this stage in the 2017/18 budget process the range of assumptions on which the Budget-Setting Report (BSR) published in February 2016 was based need to be reviewed, in light of the latest information available, to determine whether any aspects of the strategy need to be revised. This then provides the basis for updating budgets for 2017/18 to 2021/22. All references in the recommendations to Appendices, pages and sections relate to the MTFS Version 1.

The recommended budget strategy is based on the outcome of the review undertaken together with financial modelling and projections of the Council's expenditure and resources, in the light of local policies and priorities, national policy and economic context. Service managers have identified financial and budget issues and pressures and this information has been used to inform the MTFS.

The Strategy and Resources Committee considered and approved the recommendations 4 votes to 0 with 2 abstentions.

Subsequent to the meeting the Head of Finance requested a change to recommendation 2.2 to add the wording (underlined) 'budget savings, pressures, proposals and rephasings' to properly cross reference the MTFS document as detailed in recommendation ii below.

Accordingly, Council is recommended to:

General Fund Revenue

i. Agree the budget strategy and timetable as outlined in Section [pages 1 to 2 refer] of the MTFS document.

ii. Agree incorporation of the budget savings, pressures, proposals and rephasings identified in Section 4 (pages 13 to 15 refer). This provides an indication of the net savings requirements, by year for the next 5 years, and revised General Fund revenue, funding and reserves projections as shown in Section 5 (page 16 refers) of the MTFS document.

Capital

i. Allocate £20m in the Capital Plan for investment in a new programme of commercial property acquisition with the emphasis on security of assets and their income stream and

ii. Delegate authority to the Head of Property Services to identify and invest in suitable commercial property up to £20m (inclusive of acquisition costs) in consultation with the Executive Councillor for Finance and Resources, the Chair and Opposition Spokesperson for Strategy & Resources Scrutiny Committee and the Head of Finance.

iii. Note the changes to the Capital Plan as set out in Section 6 [pages 17 to 21 refer] of the MTFS document and agree the new proposals:

Ref.	Description	2016/17 £000
Proposals		
SC631	Grand Arcade car park LED lights	194
SC622	Grafton East car park LED lights	137
SC629	Abbey Pools air plant upgrade	46
SC630	Abbey Pools solar thermal upgrade	49
SC625	Lammas Land kiosk improvements	20
SC623	Environment and cycling improvements in Water Street and Fen Road	50

Ref.	Description	2016/17 £000
PR038	Investment in commercial property	20,000
Misc	Section 106 miscellaneous	1,084
	Total Proposals	**21,579**

Reserves

i. Agree changes to General Fund Reserve levels, with the Prudent Minimum Balance being set at £5.31m and the target level at £6.37m as detailed in Section 7 [pages 22 to 25 refer].

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Cambridge City Council Item

To:	Executive Councillor for Finance and Resources
Report by:	Head of Finance
Relevant scrutiny committee:	Strategy & Resources 10 October 2016
Wards affected:	All Wards

Medium-Term Financial Strategy (MTFS) October 2016

Key Decision

1. Executive Summary

1.1 This report presents and recommends the budget strategy for the 2017/18 budget cycle and specific implications, as outlined in the Medium-Term Financial Strategy (MTFS) October 2016 document, which is attached and to be agreed.

1.2 This report also recommends the approval of new capital items and funding proposals for the Council's Capital Plan, the results of which are shown in the MTFS.

1.3 At this stage in the 2017/18 budget process the range of assumptions on which the Budget-Setting Report (BSR) published in February 2016 was based need to be reviewed, in light of the latest information available, to determine whether any aspects of the strategy need to be revised. This then provides the basis for updating budgets for 2017/18 to 2021/22. All references in the recommendations to Appendices, pages and sections relate to the MTFS Version 1.

1.4 The recommended budget strategy is based on the outcome of the review undertaken together with financial modelling and projections of the Council's expenditure and resources, in the light of local policies and priorities, national policy and economic context. Service managers have identified financial and budget issues and pressures and this information has been used to inform the MTFS.

2. Recommendations

The Executive Councillor is asked to recommend to Council:

General Fund Revenue

2.1 To agree the budget strategy and timetable as outlined in Section 1 [pages 1 to 2 refer] of the MTFS document.

2.2 To agree incorporation of the budget savings and pressures identified in Section 4 [pages 13 to 15 refer]. This provides an indication of the net savings requirements, by year for the next 5 years, and revised General Fund revenue, funding and reserves projections as shown in Section 5 [page 16 refers] of the MTFS document.

Capital

2.3 That the Council allocates £20m in the Capital Plan for investment in a new programme of commercial property acquisition with the emphasis on security of assets and their income stream, subject to the MTFS October 2016 being approved;

and:

2.4 Authority is delegated to the Head of Property Services to identify and invest in suitable commercial property up to £20m (inclusive of acquisition costs) in consultation with the Executive Councillor for Finance and Resources, the Chair and Opposition Spokesperson for Strategy & Resources Scrutiny Committee and the Head of Finance.

2.5 To note the changes to the Capital Plan as set out in Section 6 [pages 17 to 21 refer] of the MTFS document and agree the new proposals:

Ref.	Description	2016/17 £000
	Proposals	
SC631	Grand Arcade car park LED lights	194
SC622	Grafton East car park LED lights	137
SC629	Abbey Pools air plant upgrade	46
SC630	Abbey Pools solar thermal upgrade	49
SC625	Lammas Land kiosk improvements	20
SC623	Environment and cycling improvements in Water Street and Fen Road	50

Ref.	Description	2016/17 £000
PR038	Investment in commercial property	20,000
Misc	Section 106 miscellaneous	1,084
	Total Proposals	**21,579**

Reserves

2.6 To agree changes to General Fund Reserve levels, with the Prudent Minimum Balance being set at £5.31m and the target level at £6.37m as detailed in Section 7 [pages 22 to 25 refer].

3. Background

Medium-Term Financial Strategy

3.1 The purpose of this report is to outline the overall financial position of the Council and to consider the prospects for the 2017/18 budget process within the context of projections over the medium-term. The detailed analysis undertaken to fulfil this is presented in the MTFS October 2016 document appended to this report.

3.2 The document considers the General Fund revenue position and the Council's overall Capital Plan.

3.3 Revenue forecasts are presented for the 5-year projection period through to the year 2021/22, demonstrating the sustainability of the Council's financial planning with reference to the level of reserves held throughout this period.

3.4 The report considers the effects of external factors affecting budget preparation, including the overall economic climate, and external funding levels which can reasonably be expected; as well as the existing commitments of the Council.

3.5 Recommendations for approval of specific revenue and capital costs, as identified, are included.

3.6 The analysis undertaken leads to a recommended integrated financial strategy for the 2017/18 detailed budget-setting process.

4. Implications

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

5. Background Papers

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

MTFS Working Papers on the 2016/17 and 2017/18 files

6. Appendices

MTFS October 2016: 2016/17 to 2021/22 Document

7. Inspection of papers

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

Author’s Name:	Caroline Ryba
Author’s Phone Number:	01223 - 458134
Author’s Email:	caroline.ryba@cambridge.gov.uk

Version 1
Strategy &
Resources

General Fund
Medium-Term Financial Strategy

October 2016

2016/17 to 2020/21

Cambridge City Council

CAMBRIDGE
CITY COUNCIL

Contents

Appendices

Foreword by the Leader of the Council and the Executive Councillor for Finance and Resources

Every year at this time the City Council carries out a review of finances to help plan the budget for the next year. In the face of continuing cuts in government grant and the need to maintain vital services and support to the residents of Cambridge, we have this year evolved that review into a the Medium Term Financial Strategy (MTFS). This document looks ahead several years and plans how to manage our finances and provide the services and support our city needs.

Uncertainty

The need for a strategy is vital given the year on year reduction in government grant, to zero in 2019/20, and the potential threats to other revenue sources. Large elements of the Council's income comes from the New Homes Bonus system and from our share of business rates. The government consulted on possible changes to these earlier this year but we now have a new Prime Minister and Cabinet who may have a different approach and come to different conclusions from their predecessors, thereby adding to the uncertainty. They have already abandoned the George Osbourne plan to move the national budget into surplus by 2020.

Another major problem for the council is the low level of income from bank balances we hold. In recent years inflation has often been higher than interest rates, creating a loss in real value of those balances as well as lower levels of income from them. The recent cut in interest rates may be followed by a further reduction and there is a risk that interest will be charged on money held in bank accounts.

In the face of these uncertainties a strategy is required which protects the council's financial future and the services that our residents rely on. Fundamental to the strategy are developing ways of running the council more productively and establishing ways which make us less reliant on government funding. We will thereby be more certain to have the finances to achieve our objectives.

Efficiency plan

A key part of the MTFS is the development of an efficiency plan. This reminds us of the vision and objectives this council has set and which need resourcing, and brings together and further develops the range of policies built up over the past few years to cut costs and enhance income. The plan will be submitted to the government in order to secure a funding guarantee for the four years to 2019/20.

The reviews of services and transformation of the way the council is organised and delivers services has enabled major savings in costs. That work will continue towards the objective of improved productivity and doing more with less.

In working towards more independence from the government the strategy does not seek isolation. The benefits of working together with other councils are bearing fruit in reducing costs through sharing the management and delivery of certain services. There is potential for further development of these relationships once the initial set have bedded in and the benefits both financial and non-financial have been proven.

The council has built up land and property holdings over many centuries and in many cases the value and return from these assets has been enhanced by schemes to develop the property for better rewards. These provide an income stream that many other councils lack. Additional development and investment in these holdings has been very successful in strengthening the value and return on these assets. Further development and acquisitions are planned making use of cash holdings. Rather than leave money languishing in the bank earning almost nothing, it will be made to work to provide returns at higher levels. Some of this will enable energy efficient transformation of council buildings and a welcome reduction in carbon footprint as well as lower energy bills. In certain areas the council acts in a very entrepreneurial manner developing and running commercial services and making available capital for Investment in developing such services forms part of the strategy.

The council's land and buildings are our tangible assets but there is also our staff who work for us at all levels either directly providing services or backing them up with administrative and support work. Their direct knowledge of the services they provide and the systems they operate is an important resource, and the elements of the efficiency plan involve making best use of that knowledge by further enabling and empowering our officers.

Objectives

Faced with a range of uncertainties in the next few years the move from a Mid-year Financial Review to a MTFS with its efficiency plan is an important step. It provides for planning ahead towards being more productive and less reliant on external funding while maintaining and developing services. It also embraces the financial objectives of this council: sound and prudent financial management, the minimisation of the need for cuts to services, and investment in a fairer and more equal city.

Cllr Lewis Herbert - Leader of the Council

Cllr Richard Robertson – Executive Councillor for Finance and Resources

Section 1
Introduction

Background

The Medium-Term Financial Strategy (MTFS) for the General Fund (GF), known in previous years as the Mid-year Financial Review or MFR, is part of the forecasting and budget setting process which leads to the Budget Setting Report (BSR) being presented to Council in February each year. At this time the Council Tax level for the following financial year is set.

The MTFS sets out the council's financial strategy over the medium-term based on a range of assumptions and forecasts. This document takes the council's existing financial strategy and, if necessary, amends the key assumptions on which it is based. The previous year's 'direction of travel', as set out in the BSR, is revised in the light of factors such as national and local policy changes, current and forecast economic indicators and new legislation.

The GF MTFS incorporates a review of the current year's budget position and updated projections for the 5 years from 2017/18 to 2021/22. These demonstrate the effects of any changes in assumptions made and their impact in terms of savings requirements. A key part of the MTFS process is the identification of:

- Items which require immediate action or approval
- Items which provide context for decisions on the strategy or process:
    - The level of spending reductions required
    - Resources to be made available for funding the capital plan
    - The level of GF general reserves

Budget consultation

Cambridge City Council has carried out a residents' survey in 2016. The residents' survey included questions on priorities for the council's budget in 2017/18, alongside questions on: satisfaction with the council and the services it provides; how the council should communicate with residents and businesses; and how residents and businesses would prefer to engage with the council. Some of the satisfaction questions were drawn from a standard set of questions developed by the Local Government Association to allow benchmarking against other local authorities, while other questions were similar to previous residents surveys carried out by the council, to allow comparison with results from previous years. A postal questionnaire was sent to a random sample of 4,400 Cambridge residents, with the aim of receiving a robust sample.

Findings from focus groups have been explored in more depth through two supplementary workshops. The first workshop focused on residents on low incomes, who tend to be under-represented within City Council consultations, and explored whether their views are similar or different to those expressed by respondents to the postal survey. The second workshop focused on local businesses, and explored which services they think should be prioritised in the council's budget for 2017/18, and whether their preferences for communication and engagement methods are similar to those expressed in the postal survey.

The findings from the consultation will inform the decisions that councillors make about the about the council's budget for 2017/18, as well as the Council's approach to communications and its developing digital strategy.

Timetable

Key dates and decision points are set out below:

Date	Task
2016	
10 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
20 October	Council considers both GF and HRA MTFS reports
2017	
5 January	Budget Setting Report (BSR) published
23 January	BSR considered by Strategy & Resources Scrutiny Committee
26 January	The Executive consider and recommend the BSR and Council Tax level to Council
13 February	Special Strategy & Resources Scrutiny Committee to consider any budget amendment proposals
23 February	Council approves Budget Setting Report and sets the level of Council Tax for 2017/18

Section 2
Policy context, priorities and external factors

Local policy context and priorities

Annual Statement

The [Annual Statement](#) for 2016/17 was agreed in May 2016 and sets out the local policy context and priorities for the council.

The Annual Statement reflects and informs the council's Corporate Plan. The Leader's Foreword to this MTFS supplements the Annual Statement and Corporate Plan 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.

City Deal

The City Council is working with Cambridgeshire County Council, South Cambridgeshire District Council, the University of Cambridge and the Greater Cambridge Greater Peterborough Local Enterprise Partnership to deliver infrastructure, housing and skills targets as agreed with Government in the Greater Cambridge City Deal. The deal consists of a grant of up to £500 million, to be released over a 15 to 20 year period, expected to be matched by up to another £500million from local sources, including through the proceeds of growth.

The Greater Cambridge City Deal Board is engaging organisations and the public through the summer and autumn 2016 on proposals for tackling congestion in Cambridge. The proposals are intended to reduce peak time congestion, freeing up buses to run more rapidly and reliably, helping employees get to work quickly and efficiently. The package that has been put forward contains eight elements, some of which may have an impact on the City Council.

Following the public consultations, details of the package are due to be decided on in January 2017, so at this stage it is not possible to predict the precise nature or extent of their impact on the City Council. They can, however, be anticipated to have an impact on patterns of usage (and potentially therefore income) at the council's city centre car parks, as well as potential impacts on how and when city council vehicles move around the city to deliver services, and potentially through the proposed work place parking levy.

The service and financial impact of the proposed measures, including arrangements for essential vehicular access, will become clearer in 2017 and beyond and will be factored into the council's financial planning in more detail as the impacts become clearer.

Shared services

The council currently shares some services with neighbouring councils and is working with these councils to develop other shared services where it makes sense to do so. The benefits of working together include improvements in service delivery, efficiencies and greater resilience. Shared services for Waste and Recycling, Legal, ICT, Building Control, Housing Development Agency, CCTV and Payroll are operational, with additional collaborations for Garage and Fleet, Planning and other back office services planned.

Devolution

Cambridge City Council, along with Peterborough City Council and the other councils in Cambridgeshire have negotiated a devolution deal for Cambridgeshire and Peterborough with the government. The deal would see powers and funding devolved from central government to the area. Following a consultation with residents across Cambridgeshire and Peterborough, the deal is subject to approval by the Secretary of State. The City Council, along with all other councils involved, will decide whether to proceed at meetings in late October.

The deal covers the potential transfer of a wide range of resources and powers for infrastructure, housing, economic development, employment and skills from the government. To access the funding and to be able to make decisions more locally, the councils in Cambridgeshire and Peterborough would need to set up a new body called a Combined Authority and have an election for a directly elected Mayor to chair the Combined Authority.

The deal will provide a new £20m annual fund for the next 30 years (£600m) to support economic growth, development of local infrastructure and jobs and £100m for affordable, rented and shared ownership homes across the area. Cambridge will benefit from a grant of £70m for investment in council housing given the high level of house prices in the city. The council plan to fund and deliver at least 500 new council homes using this money.

The council, along with its partners, will be required to fund the set up and first year of operation of the Combined Authority and Mayoralty. Thereafter, it is expected that the ongoing administrative costs of the new authority would be funded through an additional precept (Council Tax) levied by the authority, although other funding sources may be available at the time. No allowance has been made for the set up and first year costs in the figures presented in this report, as they are not yet quantifiable.

External factors

EU Referendum vote to leave / Brexit

The outcome of the EU referendum, which took place on 23 June 2016, was a vote for the United Kingdom (UK) to leave the European Union (Brexit). This heightened the levels of uncertainty that existed before the vote, led to a change in Prime Minister and Cabinet, and speculation on the timing and consequences of negotiations to leave.

These higher levels of uncertainty were immediately reflected in volatility in financial markets and a sharp drop in the value of the pound. Financial indicators have stabilised since the result, but many questions remain. The medium and longer term economic consequences of Brexit cannot be predicted at this point in time, and will depend on the outcome of trade negotiations with Europe and other major trading nations.

Economic commentators generally agree that the UK will see lower growth than had been expected, with businesses being reluctant to invest in the UK and some industries relocating to mainland Europe. As a result the government has abandoned its policy to return government finances to surplus by 2020. Lower taxation take, pressures to spend former EU funds on the NHS and replacing grant funding received from the EU make it unlikely that the funding pressure on local authorities will be eased.

Inflation rates

The base rate of inflation used to drive expenditure assumptions in the GF financial forecasts is the Consumer Price Index (CPI). Previously the base level of inflation included within forecasts was 2% reflecting the Government target for CPI. However, the Bank of England's August 2016 forecast, which incorporates their view of the impact of the Brexit vote on inflation, predicts a sharp increase in CPI. We have therefore revised our assumptions to align with the Bank of England's forecasts, see Section 3. It should be noted that CPI forecasts may be subject to considerable revision in the coming months as the effect and timing of Brexit become clearer. Rates used will be reviewed again for the BSR in February 2017.

Interest rates on deposits

The council lends its cash balances externally on a short-term basis, with a view to generating a return that can be spent on delivering council services whilst managing both security and liquidity of the cash. On 4 August 2016, the Monetary Policy Committee of the Bank of England lowered the base rate from 0.5% to 0.25% in response to increased uncertainty and the worsening economic outlook following the EU referendum outcome. Rates available to investors are expected to reduce further before recovering in the longer term. As a result, our assumptions relating to the rates at which we can lend out our cash balances have been reduced, as noted in Section 3.

Interest rates on external borrowing

The Council has no GF borrowing or existing plans to borrow.

National policy context

Government spending announcements

The government published the Budget on 16 March 2016. The following announcements included in the budget will impact on the council and therefore require consideration:-

- Overall growth forecasts were reduced, putting pressure on the 2019/20 target for eliminating the deficit and requiring £3.5bn of additional efficiency savings
- Some of these savings could technically be required from local government, although the 2016/17 local government finance settlement offered certainty of funding for four years for those councils publishing an efficiency plan
- Small business rate relief will apply to a greater number of businesses, but the effects of this will be funded by central government

- Proposals for the review of business rates were published, including more frequent business rates revaluations and a switch from RPI to CPI for inflation of the business rates multiplier.

Since the Brexit vote and the change of Prime Minister and Cabinet, there have been a number of relevant announcements, but no emergency budget or equivalent. The Chancellor's Autumn Statement is likely to be the first opportunity for a coherent package of fiscal proposals to be set out in response to the changes in economic outlook for the country. However, the following announcements give some indication of current government thinking:-

- The government has abandoned its policy to return government finances to a surplus by 2020. It is possible to infer from this announcement that further cuts in public spending are unlikely, at least until 2020
- Devolution will remain a government priority.

Local government finance

2017/18 and future years

The local government finance settlement for 2016/17 also provided indicative figures for the three following years. However, considerable uncertainty remains for 2017/18 and beyond, as the government is consulting on changes to New Homes Bonus (NHB) and business rates, and a full revaluation of business properties is to be done for April 2017.

As part of the provisional local government finance settlement on 17 December 2015, it was announced that authorities producing an efficiency plan could fix certain elements of the settlement for the 4 years, 2015/16 to 2019/20. These elements are Revenue Support Grant (RSG), Transitional Grant and Rural Services Delivery Grant. Only RSG is relevant for the City Council and the settlement effectively phases this grant out over the 4-year timeframe.

In addition, business rates tariffs and top-ups in 2017/18, 2018/19 and 2019/20 will not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.

Little guidance has been provided on what the plan should contain, except as follows. It should:-

- Cover the full 4 year period
- Be locally owned and driven
- Show how greater funding certainty can bring about opportunities for further savings
- Be open and transparent about the benefits it will bring to the council and the community
- Show collaboration with local partners and link to devolution deals, as appropriate

The council's efficiency plan is set out in Section 8 of this MTFS.

This MTFS therefore assumes that the level of Settlement Funding Assessment (SFA) will be as indicated in the 2016/17 settlement, included in the February 2016 BSR and as shown below. There is considerable uncertainty relating to SFA for 2020/21 and 2021/22, as this is beyond the current parliamentary term and after the implementation of 100% business rates retention. The overall SFA has therefore been assumed to remain at 2019/20 levels.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Revenue Support Grant (RSG)	1,104	571	-	-	-
Business rates baseline	3,986	4,104	4,259	4,387	4,518
Business rate tariff adjustment / negative RSG	-	-	(24)	(152	(283)
Total SFA - per 2016/17 finance settlement	**5,090**	**4,675**	**4,235**	**4,235**	**4,235**

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.

A cut of approximately two-thirds of the funding available for NHB was announced in the 2015 Spending Review, followed by a technical consultation on the future of the scheme. The outcome of that consultation is awaited. In the absence of any further information, projections have been updated in line with housing trajectory figures, **assuming no changes to the way NHB is calculated. In practice, reductions in total NHB receipts could be seen**

from 2017/18 onwards. For illustrative purposes, the impact of one possible scenario is outlined in the final paragraph in this section.

NHB receipt estimates, based on projections of future housing completions and empty homes brought back into use, are shown below, along with current commitments.

Description	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Confirmed NHB funding at February 2015 BSR	(4,176)	(3,441)	(2,878)	(1,587)	-
Add					
Confirmed NHB receipts for 2016/17	(1,360)	(1,360)	(1,360)	(1,360)	(1,360)
Estimated NHB receipts for 2017/18	(1,726)	(1,726)	(1,726)	(1,726)	(1,726)
Estimated NHB receipts for 2018/19	-	(2,004)	(2,004)	(2,004)	(2,004)
Estimated NHB receipts for 2019/20	-	-	(1,726)	(1,726)	(1,726)
Estimated NHB receipts for 2020/21	-	-	-	(1,573)	(1,573)
Potential New Homes Bonus Total	**(7,262)**	**(8,531)**	**(9,694)**	**(9,976)**	**(8,389)**
Commitments against NHB					
Funding for officers supporting growth e.g. within planning	785	785	785	785	785
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564
Public Realm Officer - Growth X3782	35	35	-	-	-
Direct revenue funding of capital	1,075	1,075	1,075	1,075	1,075
Contribution to City Deal Investment and Delivery Fund	3,631	4,266	4,847	4,988	4,195
Contribution to A14 mitigation Fund	-	-	1,500	-	-
Total commitments against NHB	**6,090**	**6,725**	**8,771**	**7,412**	**6,619**
NHB uncommitted	**(1,172)**	**(1,807)**	**(923)**	**(2,564)**	**(1,771)**
% NHB used to support service delivery (revenue and capital)	**34%**	**29%**	**25%**	**24%**	**29%**

Along with partners, the Council has committed 50% of NHB funding each year to a City Deal Investment and Delivery Fund. If NHB reduces, it is this contribution that would be impacted first. Reductions greater than these amounts may require savings in revenue or capital spending, with the spending listed above being considered against other spending priorities.

It can be seen from the table above that service delivery spending represents less than a third of projected NHB, so would not be impacted by cuts of up to two thirds. **One of the options consulted on which achieved a reduction in funding of two-thirds, is to reduce the payment period for NHB from six years to two. Applying this, with a taper to achieve the reduction, indicates that continued funding for all listed commitments can be maintained by eliminating the uncommitted portion of NHB and limiting contributions to the City Deal Investment and Delivery Fund. In this case over the four years to 2020/21 contributions to the fund suffer a reduction of 68% from £16.8m to £5.4m and uncommitted NHB retained by the council falls from £5.6m to £0.4m.**

Section 3
Review of key assumptions

Budget forecasts presented in the February 2016 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 / Sensitivity
Pay Inflation	Pay progression cost estimate plus: 2017/18 – 1.0% 2018/19 – 1.0% 2019/20 – 1.0% and 2.0% thereafter	Reflects the agreed pay increase for 2017/18, Government guidance for the following two years, then provides for an increase thereafter (reduced from 2.5%).
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 in more applicable.
General inflation (CPI)	2017/18 – 1.9% thereafter 2.4% (previously 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.

Key area	Assumption	Comment / Sensitivity
Major contracts	Inflation per contract	Major contracts and agreements, in term, are rolled forward based on the specified indices in the contract or agreement
Income and charges increases	2.0%	Income and charges – general assumption of 2.0% ongoing, but specific reviews of all charges required by committees. Property rental income based on detailed projections and rent reviews.
Capital funding contributions	£1.8m	Capital funding contributions at base level of £1.8m per annum with feasibility budget of £82-£94k.
Council Tax increase	2017/18 £5.00 2018/19 onwards 2.0%	Council Tax increase £5.00 for a Band D property in 2017/18 giving approximately £56k more than a 2% increase in the year.
Government grant (SFA)	Indicative levels of grant as notified through the final local government finance settlement in early 2016.	The council's efficiency plan will be accepted by government and these grant levels confirmed.

Section 4
Review of budgets and savings targets

2015/16 outturn

A favourable variance of £2,479k after approved carry forward requests of £485k was recorded on net service spending in the GF for 2015/16. After variances on government funding, statutory capital accounting adjustments, contributions to/ from earmarked reserves and the application of direct revenue funding for capital have been taken into account, the overall net effect was an increase in the GF reserve of £2,893k.

Whilst the variance on net service spending was spread widely across the council and various categories of income and expenditure, over £1.5m was due to over achievement of income targets. Total budgets for staff and agency workers were underspent by more than £700k (2% of budget). Other variances were generally small, and in the context of savings being generated by the ongoing transformation programme, it was felt that limited benefit would be gained by reviewing these in detail.

2016/17 budgets

Departmental budgets are regularly monitored and action is taken where necessary to bring over spending in line with budgets. Where it looks likely that the annual budget will not be spent in full, this is kept under review to ensure that the service spends only what is necessary to deliver its aims and objectives. However, variance from 2016/17 budgets requires consideration of the impacts on future savings requirements and budgets.

A summary of these impacts and other identified pressures and savings are given in the table below and they have been included in the revised projections for the GF and saving requirements given in Section 5.

Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Pressures:						
Reductions in interest receivable as a result of lower interest rate expectations	-	165	165	165	165	165
Members allowances	-	47	47	47	47	47
Total pressures	**-**	**212**	**212**	**212**	**212**	**212**
Deliverable savings and increased income:						
Office accommodation strategy savings	-	-	(60)	(60)	(60)	(60)
Savings arising from the change to LED lighting in car parks	-	(46)	(46)	(46)	(46)	(46)
Total deliverable savings	**-**	**(46)**	**(106)**	**(106)**	**(106)**	**(106)**
New proposal and re-phasing:						
Additional contribution to Sharing Prosperity Fund	200	-	-	-	-	-
Park Street multi-storey car park reduction in income during redevelopment delayed for one year	-	(560)	160	370	30	-
Total new proposal and re-phasing	**200**	**(560)**	**160**	**370**	**30**	**-**
Total changes to future indicative budgets	**200**	**(394)**	**266**	**476**	**136**	**106**
Changes to base assumptions	(276)	(517)	(444)	(338)	(429)	(692)
Total changes	**(76)**	**(911)**	**(178)**	**138**	**(293)**	**(586)**

Applying these budget savings and pressures gives an indication of the net savings requirements by year for the next 5 years, assuming that savings are delivered in the year that the requirement is identified. The requirement for net savings is then adjusted using GF reserves to create a consistent profile across the period, whilst leaving in place the planned overachievement of savings in 2017/18. Following all these changes the net savings requirements total £2.2m.

Description	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
BSR 2016 - Current Savings Target (new savings each year)	**174**	**336**	**1,347**	**1,713**	**800**
Previous year savings not achieved / (over achieved)		(737)	-	-	-
Changes to base assumptions	(517)	73	106	(91)	(264)
Proposals and rephasing	(560)	720	210	(340)	(30)
New pressures in year	212	-	-	-	-
New deliverable savings found in year	(46)	(60)	-	-	-
Savings still to be found	**(737)**	**332**	**1,663**	**1,282**	**506**
Use of reserves to smooth savings through adjustment to base expenditure	-	228	(1,103)	(722)	54
Savings still to be found	**(737)**	**560**	**560**	**560**	**560**

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	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Expenditure						
Net service budgets	20,276	18,574	19,819	19,646	19,715	20,136
Capital accounting adjustments	(5,423)	(5,423)	(5,423)	(5,423)	(5,423)	(5,423)
Capital expenditure financed from revenue	3,831	1,798	1,798	1,786	1,786	1,786
Contributions to earmarked funds	9,166	7,068	7,072	6,770	8,552	6,965
Revised net savings requirement	-	737	(560)	(560)	(560)	(560)
Net spending requirement	**27,850**	**22,754**	**22,706**	**22,219**	**24,070**	**22,904**
Funded by:						
Settlement Funding Assessment (SFA)	(5,864)	(5,090)	(4,675)	(4,235)	(4,235)	(4,235)
Locally Retained Business Rates – Growth Element	(800)	(800)	(800)	(800)	(800)	(800)
Other grants from central government	-	0	0	0	0	0
New Homes Bonus (NHB)	(6,323)	(7,262)	(8,531)	(9,694)	(9,976)	(8,389)
Appropriations from earmarked funds	(1,409)	0	0	0	0	0
Council Tax	(7,353)	(7,766)	(7,962)	(8,161)	(8,366)	(8,576)
Contributions (from) / to reserves	(6,102)	(1,836)	(739)	671	(693)	(904)
Total funding	**(27,851)**	**(22,754)**	**(22,707)**	**(22,219)**	**(24,070)**	**(22,904)**

* Net service budgets include savings and pressures identified in Section 4.

Section 6
Capital plan

Approved plan

The capital plan was approved by council in February 2016. Since then projects carried forward from 2015/16 of £16,445k have been added and further net changes of -£21k have been approved through area committees (s106) and urgency processes.

Approved since BSR	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Approved at BSR Feb 2016:							
Programmes	1,185	312	300	-	-	-	1,797
Projects	1,638	251	36	-	-	-	1,925
Sub-total	**2,823**	**563**	**336**	**-**	**-**	**-**	**3,722**
Provisions	794	572	220	56	487	-	2,129
Total	**3,617**	**1,135**	**556**	**56**	**487**	**-**	**5,851**
Changes approved and adjustments made in year:							
Programmes	885	-	-	-	-	-	885
Projects	3,907	-	-	-	-	-	3,907
Sub-total	**4,792**	**-**	**-**	**-**	**-**	**-**	**4,792**
Provisions	11,059	573	-	-	-	-	11,632
Total	**15,851**	**573**	**-**	**-**	**-**	**-**	**16,424**
Current approved plan:							
Programmes	2,070	312	300	-	-	-	2,682
Projects	5,591	251	36	-	-	-	**5,878**
Sub-total	**7,661**	**563**	**336**	**-**	**-**	**-**	8,560
Provisions	11,807	1,145	220	56	487	-	**13,715**
Total	**19,468**	**1,708**	**556**	**56**	**487**	**-**	**22,275**

Mid-year capital spending proposals

In addition to projects already approved (and included in the above Current Plan), the tables below list proposals that have been endorsed by the Capital Programme Board and are now proposed for funding, with the exception of PR038, where individual investments have yet to be identified. All items have assigned existing funding sources with only two impacting on Capital Funding Available (as indicated).

Ref.	Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	Approved since BSR Feb 2016:							
SC621	20 Newmarket Road **(required use of the £51k funding available)**	125	-	-	-	-	-	125
SC607	Fleet Maintenance and Management Service at Waterbeach	46	-	-	-	-	-	46
	Total Approved since BSR Feb 2016	**171**	-	-	-	-	-	**171**
	Amendments since BSR Feb 2016:							
	Costs (and funding) revised:							
PV529	Amended scheme costs (mainly 125 Newmarket Road) and rephasing into 2015/16	(61)	-	-	-	-	-	(61)
SC611	Grafton East car park roof repairs **(released funding)**	(75)	-	-	-	-	-	(75)
	Transferred from Plan to PUD:							
UD030h	Romsey - Town Square Public Realm Improvements (S106)	(56)	-	-	-	-	-	(56)
	Total Adjustments since BSR Feb 2016	**(21)**	-	-	-	-	-	**(21)**

Ref.	Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	Proposals							-
SC631	Grand Arcade car park LED lights	194	-	-	-	-	-	194
SC622	Grafton East car park LED lights	137	-	-	-	-	-	137
SC629	Abbey Pools air plant upgrade	46	-	-	-	-	-	46
SC630	Abbey Pools solar thermal upgrade	49	-	-	-	-	-	49
SC625	Lammas Land kiosk improvements	20	-	-	-	-	-	20
SC623	Environment and cycling improvements in Water Street and Fen Road	50	-	-	-	-	-	50
PR038	Investment in commercial property	20,000	-	-	-	-	-	20,000
Misc	Section 106 miscellaneous	1,084	-	-	-	-	-	1,084
	Total Proposals	**21,579**	-	-	-	-	-	**21,579**

The prioritisation scores for the six proposed schemes are set out below:

Prioritisation category	SC607 - Grand Arcade car park LED lights	Sc622 - Grafton East car park LED lights	SC629 - Abbey Pools air plant upgrade	SC630 - Abbey Pools solar thermal upgrade	SC625 - Lammas Land kiosk improvements	SC623 - Environment and cycling improvements in Water Street and Fen Road
Statutory requirement or business critical	No	No	Yes	Yes	No	No
Alignment with council objectives	0.7 out of 5	0.7 out of 5	1.7 out of 5	1.7 out of 5	0.7 out of 5	2.6 out of 5
[Degree of alignment scored against objectives in Annual Statement, then averaged. 0 = no alignment, 5 = will deliver this objective in a value-added / innovative way with additional benefits for the council]	(Scores 5 on 'Tackling climate change, and making Cambridge cleaner and greener)	(Scores 5 on 'Tackling climate change, and making Cambridge cleaner and greener)	(Scores 5 on 'Tackling climate change, and making Cambridge cleaner and greener and 'Protecting our city's unique quality of life')	(Scores 5 on 'Tackling climate change, and making Cambridge cleaner and greener and 'Protecting our city's unique quality of life')	(Scores 4 on 'Protecting our city's unique quality of life')	
Financial impact	1=revenue savings	1=revenue savings	0=cost neutral	0=cost neutral	0=cost neutral	0=cost neutral
Delivery risk – project planning	Low	Low	Low	Low	Medium	Low
Delivery risk – project complexity	Medium	Medium	Medium	Low	Medium	Low

If all the above proposals are accepted, the effect of these schemes, along with schemes already approved in year on the level of unapplied capital funding available is shown in the following table.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
BSR Feb 2016:							
Spend	3,617	1,135	556	56	487	-	5,851
Funding	(3,668)	(2,683)	(2,104)	(1,842)	(2,273)	(1,786)	(14,356)
Funding available and unapplied	**(51)**	**(1,548)**	**(1,548)**	**(1,786)**	**(1,786)**	**(1,786)**	**(8,505)**
Changes approved and adjustments made in year:							
Spend	15,851	573	-	-	-	-	16,424
Funding	(15,875)	(573)	-	-	-	-	(16,448)
Funding available and unapplied	**(24)**	**-**	**-**	**-**	**-**	**-**	**(24)**
Proposals:							
Spend S106	1,084	-	-	-	-	-	1,084
Funding S106	(1,084)	-	-	-	-	-	(1,084)
Spend other (net)	20,496	-	-	-	-	-	20,496
Funding other (net)	(20,496)	-	-	-	-	-	(20,496)
Funding available and unapplied	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Revised capital funding availability	**(75)**	**(1,548)**	**(1,548)**	**(1,786)**	**(1,786)**	**(1,786)**	**(8,529)**
Memo: 5% top-slice of 'BSR 2015 funding available' for feasibility budget (revenue)	**66**	**82**	**82**	**94**	**94**	**94**	**512**

Revised plan

If the above proposals are approved, the revised capital plan will be as follows:

MTFS Proposals	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Current approved plan total (as above):	**19,468**	**1,708**	**556**	**56**	**487**	**-**	**22,275**
Changes proposed:							
Programmes	20,803	-	-	-	-	-	20,803
Projects	776	-	-	-	-	-	776
Sub-total	**21,579**	**-**	**-**	**-**	**-**	**-**	**21,579**
Provisions	-	-	-	-	-	-	-
Total	**21,579**	**-**	**-**	**-**	**-**	**-**	**21,579**
Proposed plan:							
Programmes	22,030	312	300	-	-	-	22,642
Projects	7,240	251	36	-	-	-	7,527
Sub-total	**29,270**	**563**	**336**	**-**	**-**	**-**	**30,169**
Provisions	11,777	1,145	220	56	487	-	13,685
Total	**41,047**	**1,708**	**556**	**56**	**487**	**-**	**43,854**

Work continues to develop a number of larger schemes to be brought forward for funding approval through the Budget Setting Report in February 2017 and beyond. These schemes will draw on capital funding available and reported above, expected capital receipts and potentially internal and external borrowing as appropriate for the scheme. These larger schemes are likely to include the redevelopment of Park Street Car Park, the redevelopment of Mill Road Depot and development at Cambridge Fringe North East.

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;
- The actual impact and timing of local growth on the demand for some services may not reflect projections used;
- The economic impact of the United Kingdom leaving the European Union may impact some of the council's income streams such as car parking income, commercial rents and planning fee income;
- Funding from central government (SFA, NHB and other grants) may fall below projections;
- Increases in council tax and business rates receipts due to local growth may not meet expectations;
- Business rates appeals, which may be backdated to 2010, may significantly exceed the provision put aside for this purpose;
- The business rates revaluation, due to come into effect in April 2017 may reduce business rates receipts;
- The impact of 100% business rates retention, coupled with any additional responsibilities handed down to the council at that time, may create a net pressure on resources;
- New legislation or changes to existing legislation may have budgetary impacts;
- Unforeseen capital expenditure, such as major repairs to offices and commercial properties, may be required;

- The implementation of proposals to tackle congestion in Cambridge may adversely impact car parking income and the delivery of services that rely on officers travelling around the city. The council may also become subject to a work place parking levy;
- The council may have to contribute to costs associated with the implementation and administration of devolution proposals, including the establishment of a combined authority; and
- The council may not be able to replace time-limited funding for commitments to maintain open spaces associated with growth sites, or implement alternative arrangements for their maintenance.

Reserves

General Fund reserve

The GF reserve is held as a buffer against crystallising risks and to deal with timing issues and uneven cashflows. As such, the level of the reserve required is dependent on the financial risks facing the council which will very over time. Therefore, the prudent minimum balance (PMB) and target level of the GF reserve has been reviewed in the light of current risks. Detailed calculations of these amounts are provided in Appendix B.

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**
February 2016 BSR	
- Target level	6.16
- Minimum level	5.13
September 2016 MTFS – Recommended levels	
- Target level	6.37
- PMB	5.31

The table below shows current and projected levels of the GF reserve.

Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Balance as at 1 April (b/fwd)	(16,012)	(9,909)	(8,074)	(7,334)	(8,006)	(7,312)
Total Contribution (to) / from reserves	6,102	1,836	739	(671)	693	904
Balance as at 31 March (c/fwd)	(9,909)	(8,074)	(7,334)	(8,006)	(7,312)	(6,409)

Earmarked and specific funds

In addition to the GF reserve, the GF 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 C.

A review of the purpose and use of these funds was undertaken during 2014/15. A number of the funds were discontinued and balances released. These funds are now subject to annual review as part of the MTFS to ensure that principles agreed at the time are applied:-

- Major policy-led funds, such as the Sharing Prosperity Fund (SPF) and the Climate Change Fund, will be retained.
- Selected Repairs and Renewals (R&R) Funds – for vehicles and Bereavement Services – will be retained.
- Any other reserves will only be held as required for statutory or accounting purposes, or to record balances held by the council for other organisations or partnerships.
- Uncommitted balances will be moved to the GF reserve, and funds closed when all committed balances are spent.

Type of earmarked or specific fund	Balance at 31 March 2016 £000
Major policy-led funds	7,472
R&R funds	2,143
Statutory and accounting reserves	4,717
Shared / partnership funds	2,212
Other – to be closed once committed balances are spent	1,243
Total	**17,787**

The uncommitted balance of £90k on the efficiency fund has been transferred into the transformation budget. The following funds are recommended to be released:-

Earmarked or specific fund	Balance at 31 March 2016 £000	Notes
Consultation programme	37	Close - to be funded from existing budgets as required
Cambridge LSP funding	23	Close - old balance, no longer required
Mapping poverty research	4	Close - to be funded from existing budgets, as required
Kick about site	47	Close - old balance, no longer required
HPDG 2009/10	3	Close – old balance, no longer required
Specific revenue grants earmarked reserve	4	Close - old balance, no longer required. Part of the larger fund
Project facilitation fund	33	Uncommitted balance
Total	**151**	

The balance on the SPF is substantially committed. It is therefore proposed to transfer £200k from GF reserves to the SPF to enable further projects supporting the council's Anti-Poverty Strategy to be funded.

Section 8
Budget strategy and efficiency plan

General Fund savings requirements

The February 2016 BSR identifies the need to find £174k of ongoing net savings in the GF in 2017/18. This amount is after the application of £103k 2016/17 savings identified in excess of that year's requirement and £532k of net new pressures in 2017/18 already identified in BSR 2016. Current financial projections, taking account of revised assumptions and incorporating all changes proposed as part of this GF MTFS show that work remains to be done to balance the budgets for 2017/18 and beyond, with additional net savings of £2.2m to be found in the next five years.

Description	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Net savings requirement (BSR Feb 2016)	174	336	1,347	1,713	800
Contribution to savings target (Section 4)	(911)	224	(787)	(1,153)	(240)
Revised (MTFS) net savings requirement	(737)	560	560	560	560

General Fund budget strategy

The budget process

The GF budget process for 2016/17 will remain broadly similar to that for previous years, working within an overall cash limit designed to meet known financial pressures.

The updated base model used to prepare this report has driven the recommendations in respect of the 2017/18 budget process and provided indications of the level of savings required to meet both current and anticipated spending needs.

The GF MTFS has highlighted:

- An on-going pressure arising from a reduction in interest rates earned on cash balances;
- Higher than previously expected levels of inflation on expenditure;
- Increased levels of risk and uncertainty in a number of areas, with both direct and indirect impacts on the finances of the council. Direct risks include current consultations on business rates and NHB. Indirectly, the current negative economic outlook could impact planning and parking income and increase the demand for the council's services;

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.

Therefore, 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. This approach is set out in the following efficiency plan.

Efficiency plan 2016 to 2020

Introduction

In December 2015, as part of the provisional local government finance settlement, a four year funding guarantee was offered to councils that submit an efficiency plan for the four year period commencing 2016/17. The following sections set out the City Council's approach to transforming its services and delivering savings and efficiencies for its residents, services users, businesses and visitors to the city.

Each year, the council publishes an Annual Statement. In his introduction, the Leader of the Council refers to developing our 'Plan for 2020', which will 'set out a clear long term strategic direction for the council and for Cambridge, 'our city of considerable magic'.

The seven aims or objectives within the statement form the basis of the Corporate Plan, setting out how the vision and strategic direction will be delivered. These objectives are:-

- Delivering sustainable prosperity for Cambridge and fair shares for all
- Tackling the housing crisis and delivering our planning objectives
- Making Cambridge safer and more inclusive
- Investing in improving transport and tackling congestion
- Protecting our city's unique quality of life
- Protecting essential services and transforming council delivery
- Tackling climate change, and making Cambridge cleaner and greener.

Major initiatives

Political control of the council changed in May 2014. The resulting change in aims, objectives and policies, alongside projected reductions in local government funding, provided impetus to the development of a three pronged approach to service review and savings delivery: the transformation programme, the extension of collaborative working with local partners, and investment to provide regular income streams.

The transformation programme

The council has formally set up the programme, with a programme manager, business change manager and programme office, to deliver projects under the following three themes:-

- **Deliver inclusive and easy to use services for all** – protecting core services that residents need and value and ensuring fairness;

- **Transforming how we deliver services** - working with our committed staff team and other partners;
    - **Shared services**
    - **Internal service reviews**

- **Making the best use of all our assets** - reinvesting all available Council resources to maximise financial return and benefits for city residents, and making existing assets work harder too.
    - **Commercialisation**

- **Investment for income**
- **Challenging avoidable capital commitments**

The projects form a complex and cross-cutting transformational change programme. 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 sustainable and fit for the new environment we find ourselves in.

Following a detailed review of earmarked funds which released £12.1m, funding for transformation has been provided from reserves. Resourcing to support the programme office and deliver each project is subject to on-going review and approval as the programme develops.

Shared services

The council is developing a suite of shared services with neighbouring councils in Cambridgeshire. Whilst the delivery of savings is important, other expected benefits include service resilience, improvements to service delivery, better use of buildings through co-location, and the sharing of specialist staff, including key managers and directors. Initially, shared services were implemented as opportunities arose, but now shared governance arrangements and a partnership agreement are in place between the City Council, South Cambridgeshire District Council and Huntingdonshire District Council.

Existing shared services include Waste and Recycling, ICT, Legal and Building Control and other smaller services. Once the partners have reviewed the operation of these services and ensured that they are well established there will be an opportunity to consider the potential for further shared services to be formed. These are likely to include Planning, Garage and Fleet, Finance, HR and Internal Audit.

Internal service review

The council undertakes a continuing programme of internal service reviews, ensuring that all services are reviewed on a cyclical basis. Considering the level of efficiency savings already generated from services, particular emphasis is now being placed on reviewing service specification levels, ensuring that the service we provide meets identified needs, is lean, fit for purpose, and without costly and unnecessary variations and additions.

The council has developed a **digital transformation strategy** which underpins the delivery of all services by investing in technology to manage demand, reduce costs and transform links with customers. The strategy is designed to underpin and enable the Council's transformational journey by providing the link between the aims of the Council and the ICT required to deliver those aims. The benefits of better technology for our customers and staff include greater choice and flexibility in how our services are delivered to our communities. It also enables us to work smarter not harder, to help us work better in the partnerships we have across the city and make what can be tough jobs that bit easier.

This strategy will support the Council services to direct their customers to appropriate and targeted channels and improve the customer experience and meet the growing needs to provide cost effective and efficient services. The council seeks to make the most of opportunities in the way it designs and delivers services helping to ensure everyone who wants to have the chance to benefit from these changes and putting the customer at the heart of everything we do.

Therefore implementing a successful digital transformation strategy will not only contribute to increased efficiency but there will be longer term benefits for both the residents and the council.

Commercialisation

The council runs a number of services on a commercial basis, including off street car parking, bereavement services and trade waste. Further opportunities are being sought to increase entrepreneurial delivery in these services and others. The drive towards commercialisation will be led by the newly-appointed Head of Commercial Services, and includes the provision of maintenance and MOT testing for HGVs from the council's re-sited and enlarged fleet maintenance facility. All services have been tasked with exploring or extending their income generating opportunities, with potential identified for further commercialisation in bereavement services, environmental health and planning.

Investment for income

Funding released from earmarked reserves supplemented with money from general reserves has been made to 'work harder'. This is particularly important given the recent reduction in interest rates in the UK. £8.5m has been used to purchase commercial property to add to the council's portfolio, producing an annual return in excess of 6%. It is proposed that a further £20m will be allocated from reserves for a new programme of acquiring additional commercial property, with the emphasis on the security of the assets and their income stream, while enhancing revenue.

Following a review of reserves and capital plans, a further £8m is to be used to establish an Invest for Income Fund, with work currently in progress to identify appropriate investments to make a reasonable return. Particular emphasis will be put on these being in areas of sustainable energy and commercial services in keeping with the existing activities of the council. Such projects are more difficult and take longer to develop than purchasing property but will widen the way the council's investments serve the community as well as further diversifying the investment portfolio.

The council has lent £7.4m to Cambridge City Housing Ltd (CCHC), a company wholly-owned by the council. CCHC provides housing at sub-market rents to tenants who are unable to afford market rents within the city. This investment provides the council with a better return than bank deposits and other treasury investments, as well as helping to address housing need.

Challenging avoidable capital commitments

The council has examined its approval process for GF capital schemes, introducing more rigorous challenge to the prioritisation and planning of projects. New processes are designed to ensure that schemes are specific, well- planned and deliverable to stated timescales. Schemes on the existing GF capital programme were challenged and over £10m of capital funding released as a result.

Further work is underway to scrutinise all GF schemes approved and being planned to ensure that they meet current priorities and requirements, and that they represent the best use of the funding available.

Appendix A

Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
Capital-GF Projects								
PR030e	Cavendish Rd (Mill Rd end) improvements: seating & paving (S106)	J Richards	7	0	0	0	0	0
PR030f	Bath House Play Area Improvements (S106)	D O'Halloran	107	0	0	0	0	0
PR031i	Perse Way Flats Play Area (S106)	A Wilson	2	0	0	0	0	0
PR031k	St Luke's Church: grant for refurbishment of community facilities (S106)	J Hanson	8	0	0	0	0	0
PR031l	Landscaping and play area improvements on green on Bateson Road (S106)	J Parrott	26	0	0	0	0	0
PR031m	Install play equipment at Dundee Close, Discovery Road and Scotland Road play areas (S106)	J Parrott	24	0	0	0	0	0
PR032g	Cherry Hinton Rec Ground pavilion refurb. (S106)	I Ross	297	0	0	0	0	0
PR032h	Trumpington Bowls Club Pavilion Ext. (S106)	I Ross	2	0	0	0	0	0
PR032l	Grant to improve community facilities at Lutheran Church on Shaftesbury Road (S106)	J Hanson	45	0	0	0	0	0
PR032m	Grant to improve the community room facilities at Rock Road Library	J Hanson	16	0	0	0	0	0
PR032o	Nightingale Park Community Green Space (S106)	G Belcher	22	0	0	0	0	0
PR032r	Install junior fit kit at Accordia development (S106)	A Wilson	15	0	0	0	0	0
PR033c	Public Art element of improvements to the entrances at Histon Rd Rec (S106)	N Black	2	0	0	0	0	0
PR033f	Histon Rd Rec Ground Improvements (S106)	A Wilson	14	0	0	0	0	0
PR033m	Benches on Carisbrooke Road green and next to Coton footpath near Wilberforce Road (S106)	A Wilson	3	0	0	0	0	0
PR033n	Shelly Row play area improvements (S106)	A Wilson	50	0	0	0	0	0
PR033o	Refurbishment of Christ's Piece's Tennis Courts and Fencing (S106)	I Ross	59	0	0	0	0	0
PR033q	Additional play equipment, benches and landscaping at Christ Piece's play area (S106)	A Wilson	15	0	0	0	0	0
PR034c	Drainage of Jesus Green (S106)	A French	6	0	0	0	0	0
PR034d	Public Art - 150th and 400th Anniversary (Cambridge Rules) (S106)	N Black	112	0	0	0	0	0
PR034n	Cambridge Gymnastics Academy: grant for warehouse conversion into gym facility (S106)	I Ross	65	0	0	0	0	0
PR034p	Cambridge 99 Rowing Club: grant for kitchen facilities (S106)	I Ross	5	0	0	0	0	0
PR034q	Cambridge Canoe Club: additional boat and equipment store (S106)	I Ross	8	0	0	0	0	0

Appendix A

Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
PR040a	Public art grant - Big Draw event 2015, Chesterton (S106)	N Black	1	0	0	0	0	0
PR040b	Public art grant - Rock Road library community garden (S106)	N Black	7	0	0	0	0	0
PR040c	Public art grant - Creating my Cambridge: Clicking to Connectivity	N Black	15	0	0	0	0	0
PR040d	Public art grant - Twilight at the Museums 2016: Animated Light Projection (S106)	N Black	14	0	0	0	0	0
PR040e	Public art grant - Cambridge Sculpture Trails leaflet (S106)	A Wilson	3	0	0	0	0	0
PR040f	Public art grant - Syd Barrett (S106)	S Tovell	2	0	0	0	0	0
PR040g	Public art grant - Chesterton mural (S106)	S Tovell	1	0	0	0	0	0
PR040i	Public art grant - History Trails (S106)	S Tovell	5	0	0	0	0	0
PR040j	Public art grant - Sounds of Steam (S106)	S Tovell	5	0	0	0	0	0
PR040k	Public art grant - Mitcham's models at Christmas (S106)	A Wilson	1	0	0	0	0	0
PR040l	Public art grant - Newnham Croft stained glass window (S106)	S Tovell	5	0	0	0	0	0
PR040m	Public art grant - public art at North Cambridge Academy (S106)	S Tovell	5	0	0	0	0	0
PR040o	Public art grant - 'The place where we stand' (S106)	S Tovell	3	0	0	0	0	0
PR040p	Public art grant - Life in Trumpington (S106)	S Tovell	1	0	0	0	0	0
PR041b	Grant to Cambridge Gymnastics Academy for trampoline and foam pit in gym (S106)	I Ross	75	0	0	0	0	0
PR041d	Grant to Camrowers and CRA Boathouse (S106)	I Ross	250	0	0	0	0	0
PR042A	Improved access to Hodson's Folly (S106)	S Tovell	9	0	0	0	0	0
SC034o	Netherhall School: supplementary grant for gym and fitness suite facilities (S106)	I Ross	219	0	0	0	0	0
SC391	La Mimosa Punting Station	P Doggett	2	0	0	0	0	0
SC410	Mill Road Cemetery	D Peebles	10	0	0	0	0	0
SC469	Vie Public Open Space (S106)	S Tovell	7	0	0	0	0	0
SC540	Electronic Market Management Software	D Ritchie	2	0	0	0	0	0
SC548	Southern Connections Public Art Commission (S106)	R Hobbs	24	11	21	0	0	0

Appendix A

Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
SC560	Guildhall & Corn Exchange Cap Schemes RO AR9	D Kaye	63	0	0	0	0	0
SC570	Essential Structural/Holding Repairs - Park Street Multi Storey car park	S Cleary	17	0	0	0	0	0
SC571	Procurement of IT System to Manage Community Infrastructure Levy	S Saunders	20	0	0	0	0	0
SC588	NW Cambridge Development Underground Collection Vehicle	M Parsons	265	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Queen Anne Terrace Car Park	S Cleary	299	20	15	0	0	0
SC596	Replacement Air Cooling Systems	W Barfield	127	0	0	0	0	0
SC597	Empty Homes Loan Fund	Y O'Donnell	200	0	0	0	0	0
SC601	Replacement Telecommunications & Local Area Network	T Allen	325	0	0	0	0	0
SC604	Replacement Financial Management System	C Ryba	242	0	0	0	0	0
SC605	Replacement Building Access Control System	W Barfield	73	0	0	0	0	0
SC607	Fleet Maintenance & Management Service at Waterbeach	D Cox	91	0	0	0	0	0
SC608	Improvements to Gwydir Enterprise Centre	D Prinsep	200	0	0	0	0	0
SC609	Electric Pest Control Van	Y O'Donnell	22	0	0	0	0	0
SC612	Car parking control equipment at multi storey car parks	S Cleary	570	0	0	0	0	0
SC613	Dedicated wi-fi frequency for Cambridge CCTV cameras	M Beaumont	25	0	0	0	0	0
SC614	Redeployable CCTV camera stock	M Beaumont	60	0	0	0	0	0
SC615	Cherry Hinton Grounds Improvements Phase 2 (S106)	A Wilson	180	220	0	0	0	0
SC616	General Fund Property Acquisition for Housing Company	D Prinsep	2,114	0	0	0	0	0
SC617	Grant for gym changing rooms and new health suite at Kelsey Kerridge (S106)	I Ross	40	0	0	0	0	0
SC621	20 Newmarket Road - commercial property	D Prinsep	125	0	0	0	0	0
SC622	Grafton East car park LED lights	S Cleary	137	0	0	0	0	0
SC623	Environment and cycling improvements in Water Street and Fen Road	A Wilson	50	0	0	0	0	0
SC624	Dudley Road play area improvements (S106)	A Wilson	40	0	0	0	0	0

Appendix A

Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
SC625	Lammas Land kiosk improvements	J Ogle	20	0	0	0	0	0
SC626	Grant for community facilities at Rowan Humberstone Centre (S106)	A Wilson	71	0	0	0	0	0
SC629	Abbey Pools air plant upgrade	I Ross	46	0	0	0	0	0
SC630	Abbey Pools solar thermal upgrade	I Ross	49	0	0	0	0	0
SC631	Grand Arcade car park LED lights	S Cleary	194	0	0	0	0	0
Capital-GF Projects			**7,240**	**251**	**36**	**0**	**0**	**0**
Capital-Programmes								
PR010a	Environmental Improvements Programme - North Area	J Richards	135	50	50	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	178	36	36	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	124	36	36	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	167	48	48	0	0	0
PR010di	Environmental Improvements Programme - Riverside/Abbey Road Junction	A Wilson	31	0	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	349	0	0	0	0	0
PR020	ICT Infrastructure Programme	R Ward	100	0	0	0	0	0
PR023	Admin Buildings Asset Replacement Programme	W Barfield	212	0	0	0	0	0
PR024	Commercial Properties Asset Replacement Programme	W Barfield	144	0	0	0	0	0
PR027	Replacement of Parks & Open Space Waste/Litter Bins	D Blair	48	0	0	0	0	0
PR028	Litter Bin Replacement Programme	D Blair	114	0	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (S106)	K Laws	155	112	100	0	0	0
PR037	Local Centres Improvement Programme	J Richards	27	0	0	0	0	0
PR037a	Local Centres Improvement Programme - Cherry Hinton High Street	G Richardson	193	0	0	0	0	0
PR038	Investment in commercial property portfolio	D Prinsep	20,000	0	0	0	0	0
PR039	Minor Highway Improvement Programme	J Richards	53	30	30	0	0	0
Capital-Programmes			**22,030**	**312**	**300**	**0**	**0**	**0**
Capital-GF Provisions								

Appendix A

Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
PV007	Cycleways	J Richards	324	100	100	0	0	0
PV016	Public Conveniences	A French	30	0	0	0	0	0
PV018	Bus Shelters	J Richards	110	0	0	0	0	0
PV033B	Street Lighting	J Richards	81	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	2	61	0	0	0	0
PV221b	Lion Yard - Contribution to Works Phase 2	P Doggett	74	300	0	0	0	0
PV529	Upgrade facilities at 125 Newmarket Road	D Greening	(36)	0	0	0	0	0
PV532	Cambridge City 20mph Zones Project	J Richards	241	0	0	0	0	0
PV549	City Centre Cycle Parking	J Richards	182	0	0	0	0	0
PV554	Development Of land at Clay Farm	S Walston	527	659	120	56	487	0
PV564	Clay Farm Community Centre -Phase 2 (Construction)	A Carter	5,782	0	0	0	0	0
PV583	Clay Farm Commercial Property Construction Costs	D Prinsep	295	25	0	0	0	0
PV594	Green Deal	J Dicks	2,510	0	0	0	0	0
PV595	Green Deal - Private Rental Sector	J Dicks	1,655	0	0	0	0	0
Capital-GF Provisions			**11,777**	**1,145**	**220**	**56**	**487**	**0**

Total GF Capital Plan	**41,047**	**1,708**	**556**	**56**	**487**	**0**

Appendix A
Capital Plan Funding

Description	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
External Support						
Developer Contributions	(7,829)	(343)	(121)	0	0	0
Other Sources	(4,600)	(50)	(50)	0	0	0
Prudential Borrowing	0	0	0	0	0	0
Specified Capital Grants (SCG)	0	0	0	0	0	0
Supplementary Credit Approvals (SCA)	0	0	0	0	0	0
Total - External Support	**(12,429)**	**(393)**	**(171)**	**0**	**0**	**0**
City Council						
Developer Contributions	0	0	0	0	0	0
Direct Revenue Financing (DRF) - GF Services	(82)	0	0	0	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(3,831)	(1,798)	(1,798)	(1,786)	(1,786)	0
Earmarked Reserve - Capital Contributions	(2,349)	0	0	0	0	0
Earmarked Reserve - Climate Change Fund	(370)	0	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(1,161)	(20)	(15)	0	0	0
Earmarked Reserves - Technology Investment Fund	(2)	0	0	0	0	0
HRA Capital Balances	0	0	0	0	0	0
Internal Borrowing - Temporary Use of Balances	(20,527)	(659)	(120)	(56)	(487)	0
Other Sources	0	0	0	0	0	0
Prudential Borrowing	0	0	0	0	0	0
Usable Capital Receipts	(371)	(386)	0	0	0	0
Total - City Council	**(28,693)**	**(2,863)**	**(1,933)**	**(1,842)**	**(2,273)**	**0**
Total Available Finance	**(41,122)**	**(3,256)**	**(2,104)**	**(1,842)**	**(2,273)**	**0**

Appendix B

General fund reserves – calculation of Prudent Minimum Balance (PMB) and target level

Description	Level of risk	Amount at risk	Risk
		£	£
Employee costs	*Low*	30,252,130	60,504
Premises costs	*Low*	9,183,800	36,735
Transport costs	*Low*	868,050	3,472
Supplies and services	*Low*	18,549,960	27,825
Grants and transfers	*Low*	40,724,500	40,725
Grant income	*Low*	48,862,600	48,863
Other income	*High*	47,843,550	717,653
Miscellaneous	*Low*	696,190	1,044
Total one year operational risk			936,821
Allowing three years cover on operational risk			**2,810,464**

General and specific risks	Amount (£)	Probability (%)	
Unforeseen events	2,000,000	25%	500,000
Legal action - counsel's fees	100,000	50%	50,000
Data Protection breach	300,000	50%	150,000
Capital project overruns	100,000	50%	50,000
Project failure / delays to savings realisation	1,000,000	75%	750,000
Cover for lower level of earmarked and specific reserves	1,000,000	100%	1,000,000
General risks			**2,500,000**
Prudent Minimum Balance			**5,310,464**
Target (PMB + 20%)			**6,372,556**

Operational cost risk profiles

			Low	*Medium*	*High*
Employee costs		overspend	1.00%	2.00%	3.00%
	30,252,130	probability	20.0%	15.0%	10.0%
		amount at risk	**60,504**	**90,756**	**90,756**
Premises costs		overspend	2.00%	4.00%	6.00%
	9,183,800	probability	20.0%	15.0%	10.0%
		amount at risk	**36,735**	**55,103**	**55,103**
Transport costs		overspend	2.00%	4.00%	6.00%
	868,050	probability	20.0%	15.0%	10.0%
		amount at risk	**3,472**	**5,208**	**5,208**
Supplies and services		overspend	1.00%	2.00%	3.00%
	18,549,960	probability	15.0%	10.0%	5.0%
		amount at risk	**27,825**	**37,100**	**27,825**
Grants and transfers		overspend	1.00%	2.00%	3.00%
	40,724,500	probability	10.0%	7.5%	5.0%
		amount at risk	**40,725**	**61,087**	**61,087**
Grant income		overspend	1.00%	2.00%	3.00%
	48,862,600	probability	10.0%	7.5%	5.0%
		amount at risk	**48,863**	**73,294**	**73,294**
Other income		overspend	5.00%	10.00%	15.00%
	47,843,550	probability	15.0%	12.5%	10.0%
		amount at risk	**358,827**	**598,044**	**717,653**
Other		overspend	1.00%	2.00%	3.00%
	696,190	probability	15.0%	10.0%	5.0%
		amount at risk	**1,044**	**1,392**	**1,044**

Appendix C

Principal earmarked and specific funds

Fund	Balance at 1 April 2016 £000	Planned contributions £000	Planned Commitments £000	Uncommitted balance to end of 2021/22 £000
City Deal Investment and Delivery Fund [1]	(1,985)	(25,089)	27,074	0
Sharing Prosperity Fund [2]	(625)	(200)	825	0
Climate Change Fund	(347)	(120)	464	(3)
Asset Replacement Fund	(1,000)	(6,000)	6,027	(973)
Bereavement Services (Trading & Asset Replacement Fund) [3]	(551)	(1,346)	1,713	(184)
Council Tax Earmarked for Growth	(427)	0	427	0
Efficiency Fund	(217)	0	217	0
Development Plan Fund [4]	(255)	(252)	507	0
Office accommodation strategy fund	0	(3,896)	3,721	(175)
Property Strategy Fund	(21)	0	21	0
Invest for Income	(6,500)	(1,500)	8,000	0
Project Facilitation Fund	(73)	0	73	0
Total	**(12,001)**	**(38,403)**	**49,069**	**(1,335)**

[1] subject to future requirements (assumption is 100% committed)

[2] subject to any post budget approvals

[3] subject to retention of over performance against budget (assumption £nil)

[4] subject to final costs of current plan and estimate of Local Plan work commencing 2020

CIVIC AFFAIRS

27 September 2016
6.00 pm - 7.15pm

Present: Councillors McPherson (Chair), Adey, Gawthrope, Holt, Ratcliffe and Robertson

FOR ADOPTION BY THE COUNCIL

16/96/Civ: APPOINTING PERSON ARRANGEMENTS FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR

The committee received a report from the Head of Finance regarding the Appointing Person arrangements for the appointment of the External Auditor.

Resolved unanimously to recommend to the Council:

i. To adopt Public Sector Audit Appointment Ltd (PSAA) as the appointing person for the Council, subject to the receipt of a satisfactory invitation to opt into the PSAA's appointing person arrangements.

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CAMBRIDGE CITY COUNCIL

REPORT OF: Head of Finance

TO: Civic Affairs Committee 14/09/2016

WARDS: None directly affected

APPOINTING PERSON ARRANGMENTS FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR

1 INTRODUCTION

1.1 This report sets out the options available to the council regarding the adoption of an appointing person arrangement for the appointment of an external auditor for 2018/19 and later years.

2. RECOMMENDATIONS

2.1 To recommend to council the adoption of Public Sector Audit Appointments Ltd (PSAA) as the appointing person for the council, subject to receiving a satisfactory invitation to opt into the PSAA's appointing person arrangements.

2.2 To delegate acceptance of the invitation to the Head of Finance, as the council's Section 151 Officer.

3. BACKGROUND

3.1 The Audit Commission closed in March 2015. The council's current auditor appointment was made under audit contracts previously let by the Audit Commission and now managed by PSAA under transitional arrangements. These audit contracts will end with the completion of the 2017/18 audit.

3.2 A new appointing person arrangement is required, so that the appointment of an external auditor for the accounts of 2018/19 and later years can be made.

4. OPTIONS FOR THE APPOINTING PERSON ARRANGEMENT

4.1 New appointments for the 2018/19 accounts must be made under the provisions of the Local Audit and Accountability Act 2014 and confirmed by 31 December 2017. There are three options available to the council for appointing an auditor. These are:

- Option 1 - To undertake an individual auditor procurement and appointment exercise;
- Option 2 - To undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example; or
- Option 3 - To join a ‘sector led body’ arrangement where specified appointing person status has been achieved under the relevant Regulations.

4.2 For the first two options, the legislation requires an auditor panel to be established. Requirements include:

- At least three members, two of which must be independent
- A majority of independent members
- An independent chairperson

4.3 The council could set up its own auditor panel; set up a panel with one or more other authorities; use an existing committee or sub-committee, provided that the requirements above are met; or ask another authority’s panel carry out the functions of an auditor panel on its behalf.

4.4 Guidance on auditor panels has been issued by CIPFA for local government bodies. The guidance includes a table of advantages and disadvantages of the different ways an auditor panel could be set up. The table is reproduced at Appendix A for information.

4.5 Option 3 requires the Secretary of State for Communities and Local Government to specify a person to appoint a local auditor to opted-in authorities (also known as a sector-led body).

4.6 PSAA is an independent company limited by guarantee incorporated by the Local Government Association in August 2014. In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the

Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements.

4.7 More than 200 authorities have indicated their interest in the PSAA's scheme, which is currently being designed to reflect authorities' needs and views. The scheme will be an authorised national scheme which will take full responsibility for local auditor appointments and aim to ensure a high quality professional service and value for money.

4.8 The PSAA intends that the scheme will save time and resources for councils and avoid the necessity to establish an auditor panel and manage their own auditor procurement. Assuming a high level of participation, the scheme should be able to attract the best audit suppliers and command competitive prices.

4.9 Moreover, the scheme will aim to appoint the same auditors to bodies which are involved in formal collaborations and joint working initiatives. The council's shared service partners, South Cambridgeshire District Council and Huntingdonshire District Council have expressed interest in the scheme and are taking reports through their autumn committee cycles to enable them to accept the PSAA's opting-in invitation when received.

4.10 Based on the information presented, option 3 is recommended.

4.11 We expect that invitations to opt in will be issued before December 2016, with at least eight weeks being given in which to respond. The PSAA aim to award contracts to audit firms by June 2017, giving six months to consult on appointments with authorities before the 31 December 2017 deadline.

4.12 The Local Audit (Appointing Person) Regulations 2015 require that the council may only make the decision to opt into the appointing person arrangement by the members of the council meeting as a whole. This report therefore asks the Civic Affairs Committee to recommend to full Council that the PSAA's invitation is accepted.

5. IMPLICATIONS

(a) **Financial Implications** Included in the report above

(b) **Staffing Implications** None

(c) **Equality & Poverty Implications** None

(d) **Environmental Implications** None

(e) **Procurement**

Acceptance of the PSAA opt-in invitation will avoid the need to undertake a procurement exercise, while ensuring that the council's obligations are met.

(f) **Consultation and communication** None

(g) **Community Safety** None

BACKGROUND PAPERS: None

- ***Appendix A – Advantages and disadvantages of the different ways an auditor panel could be set up***

The author and contact officer for queries on the report is Caroline Ryba, on extension 8134.

APPENDIX A – ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT WAYS AN AUDITOR PANEL COULD BE SET UP

Option	Possible advantages	Possible disadvantages
Set up own separate and individual panel to oversee separate and individual procurement	• Full ownership of the process • Fully bespoke contract with the auditor • Tendering process more based on local circumstances (within EU procurement rules)	• May experience difficulties in appointing majority independent panel members and independent panel chair • Will need to ensure that panel members are suitably qualified to understand and participate in the panel's functions • Will have to cover panel expenses completely • May not be able to procure at a lower cost, eg depending on authority location, risk of limited provider choice and a single authority contract may be less attractive to some providers • Will not achieve economies of scale
Set up a panel jointly with other authority / authorities as part of a procurement exercise for joint contract covering more than one authority or multiple separate contracts	• Less administration than a sole auditor panel • Will be able to share administration expenses • May be easier to attract suitable panel members If procuring a joint audit contract: • May still be a relatively tailored process • May be able to achieve some economies of scale If procuring separate audit contracts: • An opportunity for fully bespoke contracts with the auditor if the group of authorities can agree	If procuring a joint audit contract: • May need to compromise on arrangements or auditor contract • May not end up with first choice of auditor, compared to an individual auditor panel. If a large group of authorities work together and decide to appoint one joint audit contract across all authorities, a joint panel may be more likely to advise appointment of an auditor it considers suitable for all authorities taken together • Need to agree appointment of members across multiple authorities and set up a joint decision-making process
Use existing committee or sub-committee	• Existing administrative structure in place • Existing (sub) committee should already have a better basic understanding of the authority's objectives and requirements	• Possible need to appoint new (sub) committee members to comply with independence regulations
Use another authority's panel	• Will not have to set up an auditor panel • Arguably most independent options for the authority using the host authority's panel	• The panel may not understand the specific needs of the authority • May need a formal arrangement with the other authority • May be difficult to find an authority willing to enter into such an arrangement • May be more difficult to ensure adequate liaison with authority's own audit committee

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2.7 Executive Councillor for Environmental Services and City Centre

2.7.1 The Executive Councillor shall be responsible for the exercise of Executive functions in the areas listed in this section.

Plans, policies and strategies

The development, implementation and monitoring of the Council's plans, policies and strategies relating to:

- Waste management and recycling
- Street services
- Environmental Health and licensing (excluding those functions which are the responsibility of the Executive Councillor for Housing or Licensing Committee).
- City strategies including on the city centre, economic development and training, tourism, and partnerships with the Universities

The Council's responsibilities for food and occupational safety i.e.

- Food hygiene and safety
- Health and safety
- Drinking water
- Sale of game
- Control of infectious diseases
- Acupuncture, tattooing, ear piercing and electrolysis.

Functions and Services

The exercise of the Council's functions and the delivery of services including

- Contaminated land; radioactive substances
- Refuse collection, waste disposal and recycling
- Monitoring and control of water, air and noise pollution
- Control of pests and nuisances
- Street trading, subject to compliance with the planning policy framework set by the Executive Councillor for Planning Policy and Transport
- Markets
- Tourism policy, including work with the Destination Management Organisation (DMO)
- City Centre Management and working with the Business Improvement District (BID)
- Hackney carriage and private hire vehicles
- Fleet management.
- Neighbourhood enterprise co-ordination

.

The relevant exercise of compulsory purchase powers.

2.10 Executive Councillor for Streets and Open Spaces

2.10.1 **Plans, policies and strategies**

The development, implementation and monitoring of the Council's plans, policies and strategies relating to:

- Improvement of accessibility of the public realm within Cambridge for people with disabilities
- Training, information, advice and other means to improve employment opportunities and access to employment
- Open spaces, nature reserves, parks, recreation grounds, commons and closed churchyards, allotments, rivers and other water recreation areas
- Cemeteries and crematoria.

Functions and Services

The exercise of the Council's functions and the delivery of services including

- play facilities
- recreation grounds including park paddling pools/splash pads
- allotments
- closed churchyards
- commons, nature reserves, parks and open spaces
- Streets and open space cleansing and maintenance
- Work with the County Council on street lighting and on shared responsibilities relating to the portfolio
- Public toilet provision
- Control of dogs and other animals and all matters concerned with animal welfare
- rivers and other water recreation areas, adopted watercourses and drainage, including work with the Cam Conservators and the Council's Conservator representatives
- Environmental improvement and protection partnerships, including in local shopping centres and communities
- cemeteries and crematoria
- events on public spaces
- nature conservation
- Environmental enforcement

Environmental Improvements programme management.

Capital expenditure on the public realm including s106 budgets

Public art delivery.

Tree management and planting (linked to tree strategy led by the Executive Councillor for Planning Policy and Transport, and except for those under housing management which are within the remit of the Executive Councillor for Housing).

Progressing the objectives set out in this section by:

- direct provision
- grant aid or other assistance to voluntary bodies and external organisations
- partnership delivery.

The relevant exercise of compulsory purchase powers.

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CAMBRIDGE CITY COUNCIL

Record of Executive Decision

Acquisition Of Land Adjacent To Huntingdon Road Crematorium

Decision of:	Councillor Robertson, Executive Councillor for Finance and Resources
Reference:	16/URGENCY/SR/10
Date of decision:	16/09/16 **Recorded on:** 23/09/16
Decision Type:	Non-Key Decisions
Matter for Decision:	Acquisition of land adjacent to Huntingdon Road Crematorium
Why the decision had to be made (and any alternative options):	As specified under Part 4C 6.1.1 and 6.1.2 of the Councils Constitution, It was not deemed practical to convene a quorate meeting of Council to take these decisions.
The Executive Councillor's decision(s):	Authorised the acquisition of land adjacent to Huntingdon Road Crematorium.
Reasons for the decision:	The Executive Councillor approved that: a) The land is acquired; and b) The acquisition is funded from the Bereavement Services Trading Account Reserve. Subject to: 1. planning permission being obtained to put a road across the land being purchased 2. agreement with Highways England for them to build the first part of the new access road and provide us with a right of way along that road from the new local distributor road 3. more information about the use to which the larger

	area of land coloured dark green on plan B (of the Officer's report which **NOT FOR PUBLICATION**) will be put by the Highways England ie we need assurance that it will be complementary to the access road to the crematorium and not detrimental. As stated in Part 4C section 6.1 of the Councils Constitution, individual members of the Executive 'may take a decision which is contrary or not wholly in accordance with the budget approved by the full Council if the decision is a matter of urgency'. The next available Full Council meeting is the 20 October 2016 therefore due to the time critical need to purchase the land it was deemed not practical to convene a quorate meeting of Council to take these decisions.
Scrutiny consideration:	The Vice-Chair (as Chair unavailable) and Spokesperson of the Strategy and Resources Scrutiny Committee were consulted prior to the action being authorised. The Executive Councillor for City Centre and Public Places was consulted on the use of funding for the purchase of the land from her portfolio. The Vice-Chair of the Strategy and Resources Scrutiny Committee agreed the decision was a matter of urgency as required under paragraph 6, Part 4C Budget and Policy Framework Procedure Rules.
Report:	A report detailing the background and financial considerations is not attached as this is confidential by virtue of Schedule 12A Part 3. (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) **of the Local Government Act 1972**
Conflicts of interest:	None
Comments:	This urgent decision will be reported back to the next Full Council meeting on 20 October 2016.