



Cambridge City Council The Executive

Date: Thursday, 25 January 2018

Time: 6.00 pm

Venue: Committee Room 1 & 2, The Guildhall, Market Square, Cambridge, CB2 3QJ

Contact: democratic.services@cambridge.gov.uk, tel:01223 457013

Agenda

This meeting is open to any member of the Council who wishes to ask questions of the Executive on items included on this agenda. Could members please notify the Committee Manager if they wish to attend and speak.

- 1 Apologies
- 2 Declarations of Interest
- 3 Minutes (Pages 3 - 10)
- 4 Public Questions
- 5 Budget Setting Report 2017/18 (Pages 11 - 20)

The Budget Setting Report is published on the agenda for the Strategy and Resources Scrutiny Committee (which is meeting prior to the Executive) on Monday 22 January. See that agenda from Page 77 (item 7). Link to the report is:

<https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=159&MId=3292&Ver=4>

The Executive Members: Herbert (Chair), Price (Vice-Chair), Blencowe, Johnson, R. Moore, Robertson and Smith

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THE EXECUTIVE

26 January 2017

6.00 - 6.55 pm

Present: Councillors Herbert (Chair), Price (Vice-Chair), Blencowe, Johnson, Roberts, Robertson and Smith

Officers Present:

Chief Executive: Antoinette Jackson

Strategic Director: David Edwards

Head of Corporate Strategy: Andrew Limb

Head of Environmental Services: Joel Carre

Head of Finance: Caroline Ryba

Committee Manager: James Goddard

Other Councillors in attendance:

Councillor Bick

Councillor Cantrill

FOR THE INFORMATION OF THE COUNCIL

17/1/Exec Apologies for Absence

No apologies were received.

17/2/Exec Declarations of Interest

No declarations of interest were made.

17/3/Exec Minutes of the Previous Meeting

The minutes of the meeting held on 21 January 2016 were approved as a correct record and signed by the Chair.

17/4/Exec Public Questions

There were no public questions.

17/5/Exec Budget Setting Report 2017/18

Matter for Decision

At this stage in the 2017/18 budget process the range of assumptions on which the Medium-Term Financial Strategy (MTFS) was based needed to be reviewed, in light of the latest information available, to determine whether any aspects of the strategy needed to be revised. This then provided the basis for the budget considerations.

The Budget-Setting Report (BSR) included the detailed revenue bids and savings and capital proposals and set out the key parameters for the detailed recommendations and budget finalisation being considered at this meeting. The BSR report reflected The Executive's final budget recommendations to Council, for consideration at its meeting on 23 February 2017.

The recommendations that follow refer to the strategy outlined in the BSR and all references to Appendices, pages and sections related to the Budget-Setting Report 2017/18 (Version 1 – Strategy & Resources) as reported to Strategy & Resources Scrutiny Committee on 23 January 2017.

Decision of The Executive

The Executive **unanimously resolved** to recommend the Budget Setting Report 2017/18 to Council on 23 February 2017, subject to any amendments from the Strategy & Resources Scrutiny Committee meeting on 23 January 2017, namely:

General Fund Revenue Budgets: [Section 5, page 28 refers]

- i. Agreed to recommend to Council:
 - Revenue Pressures shown in Appendix C (a) and Savings shown in Appendix C (b).
 - Bids to be funded from External or Earmarked Funds as shown in Appendix C (c).
 - Non-Cash Limit items as shown in Appendix C (d).
- ii. Recommended to Council formally confirming delegation to the Chief Financial Officer (Head of Finance) of the calculation and determination of the Council Tax taxbase (including submission of the National Non-Domestic Rates Forecast Form, NNDR1, for each financial year) which will be set out in Appendix B (a).
- iii. Recommended to Council the level of Council Tax for 2017/18 as set out in Section 4 [page 25 refers].

Other Revenue:

- iv. Recommended to Council delegation to the Head of Finance authority to finalise changes related to any corporate and/or departmental restructuring and any reallocation of support service and central costs, in accordance with the CIPFA Service Reporting Code of Practice for Local Authorities (SeRCOP).
- v. Recommend to Council delegation to the Head of Finance, as Section 151 Officer, to make the necessary detailed budgetary adjustments in the GF, to reflect the impact of the triennial valuation of the Cambridgeshire Local Government Pension Scheme.
- vi. Recommend to Council approval of a temporary earmarked fund to be set up to accumulate surplus NHB contributions to meet the requirement for funding of projects to mitigate the impacts in Cambridge of the A14 upgrade – the “A14 Mitigation Fund” [page 25 refers].

Capital: [Section 7, page 33 refers] Capital Plan:

- vii. Recommend to Council the proposals outlined in Appendix E (a) for inclusion in the Capital Plan, or put on the Projects Under Development List, including any additional use of revenue resources required.
- viii. Recommend to Council the revised Capital Plan for the General Fund as set out in Appendix E (d), the Funding as set out in Section 7, page 36 and note the Projects Under Development list set out in Appendix E (e).

General Fund Reserves:

- ix. Note the impact of revenue and capital budget approvals and approve the resulting level of reserves to be used to support the budget proposals as set out in the table [Section 8, page 38 refers].

Reason for the Decision

As set out in the Officer’s report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Head of Finance. She updated her report with an amendment sheet published on-line and tabled at committee. This referred to:

- i. New Homes Bonus.
- ii. Rough Sleeping Programme.
- iii. Section 25 Report (Robustness of Estimates and Adequacy of Reserves).

The Executive was recommended to approve the amendments outlined above, namely:

- i. NHB and rough sleeping programme: amend the BSR for the revised NHB and rough sleeping programme items.
- ii. Section 25 Report: insert the report into the BSR as per the Executive - Section 25 Report.
- iii. Also to authorise the Section 151 officer to make necessary changes to the Budget-Setting Report 2017/18, to be considered by Council at the meeting on 23 February 2017, to reflect the impact of changes for the above.
- iv. To note that further changes are expected before Council, which will be notified and then incorporated into the BSR, in respect of:
 - Council Tax Base 2017/18 and Council Tax Setting 2017/18 [Appendices B (a) and B (b), insert after page 55], following notifications from precepting authorities.
 - Any other minor typographical amendments.

In response to Opposition Councillors' questions officers said the following:

- i. Head of Finance: The impact of the BSR was cost neutral as money in/out balanced expenditure.
- ii. The Chief Executive undertook to send update to all councillors after the meeting to supplement BSR details on how funding was spent. The BSR set out headline information, but not a detailed breakdown on funding spent.

Opposition Councillors questioned Executive Councillors regarding Budget Setting Report information under their portfolios. Executive Councillors answered as set out below.

The Leader / Executive Councillor for Planning Policy and Transport

- i. Funding was allocated to the A14 mitigation fund so it was ready for use when required. This was expected to be 2019/20 onwards.
- ii. £1.5M of funding was pledged by the City Council to the Department of Transport's localised A14 fund. Additional funding would also be contributed to this fund by many other local authorities. However the City Council would decide how it's contribution would be spent.
- iii. A written agreement was in place between the City Council and Department for Transport.
- iv. Car parking charge amendments were proposed to encourage a change in demand to even out use/demand across all days of the week (lower fees on low demand days and higher fees on peak demand days). It was

hoped a change to fees would also lead to a change in travel patterns and encourage a modal shift from cars to public transport in respect of long stay visitors to the city. The changes to charges should also maintain income levels from car parks and pay for maintenance.

Executive Councillor for Communities

- v. The Sharing Prosperity Fund had a specific purpose, (like the Climate Change Fund) to address inequality/poverty in the City.
- vi. Summarised the process on how funding was allocated. Proposals were sent to the Project Board on a quarterly basis, recommendations were then made to Councillor Johnson for approval.
- vii. Fund reports were made to Community Services in June on an annual basis since he became Executive Councillor. These set out project progress and future proposals for the Anti-Poverty Strategy.
- viii. Opposition Councillors could liaise with the Executive Councillor on his reasons for decisions. He did not expect the fund to change how it operated.
- ix. There had been no project bids for funding over £75,000 so there was no need to bring any to committee for scrutiny.

The Head of Corporate Strategy added:

- He had delegated authority to approve projects up to £15,000 in value.
 - The Executive Councillor could approve projects £15,000 - £75,000.
 - Projects over £75,000 would be brought to scrutiny committee for approval.
- x. Undertook to ask Officers to provide a report on funding spent since 2014 by Councillor and Officer delegated authority decisions.

Executive Councillor for Finance and Resources

- xi. No decisions have been made on mooring fees and charges as the consultation was on-going.
- xii. PUD UD561 was on the budget with no figures allocated as there were no proposals to deliver through it until the moorings consultation was complete.

The Head of Finance added that £70,000 had previously been allocated, but the money had been reallocated as there were no plans in place to deliver through PUD UD561. The project was referenced in the Officer's report (Projects Under Development) as an aide memoir to take action in future.

- xiii. The Council apprentice scheme started with 6 apprentices in 2015. 2 have completed their apprenticeship (but not been taken on by the Council) and 4 were on-going. There had been a low take up of apprenticeships as the city had high employment. The Council would review the situation in future as the national situation was changing with an apprenticeship levy in April 2017. A paper would come to Strategy & Resources Committee in March setting out future proposals.
- xiv. The office accommodation strategy was a wide ranging project. Mandela House was being refurbished to bring Hobson House and Depot staff into one place. A building was also being leased on Cowley Road for 15 years. Unused lease could be sold by the Council to generate income.

Executive Councillor for Environmental Services and City Centre

- xv. A number of green space bins had been replaced on a like for like basis since Labour took control of the council. Responsibility for bins had been held by various Executive Councillors over time and funding came from an amalgamation of sources.

The Head of Environmental Services undertook to confirm with Councillors Roberts and Cantrill that all bins that needed replacing in open areas were replaced on a like for like basis.
- xvi. Savings generated from the shared waste service came from changes to senior management and efficiency changes from the service re-organisation.
- xvii. A performance review was underway in the Waste Team. The Executive Councillor would also see the South Cambs internal audit report (the City Council would not produce one).
- xviii. Some bins had been missed in collections as a result to changes to bin collection days/routes as a result of the shared service. This was something like 1/10,000. There had been a material increase in the service for residents.
- xix. There had been 3 peaks in complaints about the waste service, but it was not always the City Council's fault that bins had been missed. Mitigation measures were put in place to compensate for missed bins.

The Chief Executive added that the waste service received higher numbers of comments than other services. The Council had a proactive social media presence to notify residents about bin collection issues.

The meeting ended at 6.55 pm

CHAIR

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Item

Budget-Setting Report (BSR) 2018/19

To:

The Executive

Committee:

25 January 2018, The Executive

Report by:

Caroline Ryba, Head of Finance

Tel: 01223 - 458134 Email: caroline.ryba@cambridge.gov.uk

Wards affected:

(All) Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

Key Decision

1. Executive Summary

Overview of Budget-Setting Report

- 1.1 At this stage in the 2018/19 budget process the range of assumptions on which the Medium-Term Financial Strategy (MTFS) 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 the budget considerations.
- 1.2 The Budget-Setting Report (BSR), which is attached, includes the detailed revenue bids and savings and capital proposals and sets out the key parameters for the detailed recommendations and budget finalisation being considered at this meeting. This report reflects recommendations that are being made to The Executive on 25 January 2018 and then to Council, for consideration at its meeting on 22 February 2018.
- 1.3 The recommendations that follow refer to the strategy outlined in the BSR and all references to Appendices, pages and sections relate to the Budget-Setting Report 2018/19 (Version 1 – Strategy & Resources) as also reported to and seeking recommendations at Strategy & Resources Scrutiny Committee on 22 January 2018.

2. Recommendations

The Executive is recommended to:

General Fund Revenue Budgets: [Section 5, page 31 refers]

- a) Agree any recommendations for submission to Council in respect of:
 - Revenue Pressures shown in Appendix C (a) and Savings shown in Appendix C (b).
 - Bids to be funded from External or Earmarked Funds as shown in Appendix C (c).
 - Non-Cash Limit items as shown in Appendix C (d).
- b) Recommend to Council formally confirming delegation to the Chief Financial Officer (Head of Finance) of the calculation and determination of the Council Tax taxbase (including submission of the National Non-Domestic Rates Forecast Form, NNDR1, for each financial year) which will be set out in Appendix A (a).
- c) Recommend to Council the level of Council Tax for 2018/19 as set out in Section 4 [page 28 refers].

Note that the Cambridgeshire Police and Crime Panel will meet on 31 January 2018 to consider the precept proposed by the Police and Crime Commissioner, Cambridgeshire & Peterborough Fire Authority will meet on 8 February 2018 and Cambridgeshire County Council will meet on 9 February 2018 to consider the amounts in precepts to be issued to the City Council for the year 2018/19.

Other Revenue:

- d) Recommend to Council delegation to the Head of Finance authority to finalise changes relating to any corporate and/or departmental restructuring and any reallocation of support service and central costs, in accordance with the CIPFA Service Reporting Code of Practice for Local Authorities (SeRCOP).
- e) Recommend to Council approval of setting up an earmarked fund - the "GF development fund" [with the remit as page 27 refers]. The council will provide loans to Cambridge Investment Partnership (CIP), of which it is a member, to support the development of the former council depot on Mill Road. The proposals and resulting interest income are covered in more detail in Section 5. It is proposed to retain income from this and other CIP developments in an earmarked reserve reflecting uncertainty in both timings and quantum, and to provide a contingency fund reflecting the potential risks in this scheme and future schemes under development.

Capital: [Section 7, page 37 refers]

Capital Plan:

- f) Recommend to Council the proposals outlined in Appendix E (a) for inclusion in the Capital Plan, including any additional use of revenue resources required.
- g) Recommend to Council the revised Capital Plan for the General Fund as set out in Appendix E (d), the Funding as set out in Section 7, page 40 and note the Projects Under Development list set out in Appendix E (e).

General Fund Reserves:

- h) Note the impact of revenue and capital budget approvals and approve the resulting level of reserves to be used to support the budget proposals as set out in the table [Section 8, page 45 refers].

3. Background

- 3.1 At its meeting on 19 October 2017, Council gave initial consideration to the budget prospects for the General Fund for 2018/19 and future years in the Medium-Term Financial Strategy (MTFS) 2017.
- 3.2 The overall BSR to Strategy & Resources Scrutiny Committee on 22 January 2018 and to the Executive includes a review of all the factors relating to the overall financial strategy that were included in the MTFS.
- 3.3 The report to The Executive on 25 January 2018 may include an update of details of the Government's Final Settlement for 2018/19, if this is available. The announcement is likely to be made shortly after the conclusion of the consultation period in January 2018.
- 3.4 Further work may be required on detailed budgets, so delegation to the Head of Finance will be sought from Council for authority to finalise changes relating for example, to the reallocation of departmental administration, support service and central costs, in accordance with the CIPFA Service Reporting Code of Practice for Local Authorities (SeRCOP).

4. Implications

All budget proposals have a number of implications. A decision not to approve a revenue bid will impact on managers' ability to deliver the service or scheme in question and could have financial, staffing, equality and poverty, environmental, procurement or community safety implications. A decision not to approve a capital or external bid will impact on managers' ability to deliver the developments desired in the service areas.

(a) Financial Implications

Financial implications of budget proposals are summarised in the General Fund Budget Setting Report 2018/19.

(b) Staffing Implications

Staffing implications of budget proposals are also summarised in the General Fund Budget Setting Report 2018/19.

(c) Equality and Poverty Implications

A consolidated Equality Impact Assessment for the budget proposals is included in the BSR, reporting separately on this agenda. Individual Equality Impact Assessments have been conducted to support this and will be available on the Council's website.

A local poverty rating (using the classifications outlined in the BSR (Appendix B of the BSR) has been included in each budget proposal to assist with assessment.

(d) Environmental Implications

Where relevant, officers have considered the environmental impact of budget proposals which are annotated as follows:

- +H / +M / +L: to indicate that the proposal has a high, medium or low positive impact.
- Nil: to indicate that the proposal has no climate change impact.
- -H / -M / -L: to indicate that the proposal has a high, medium or low negative impact.

(e) Procurement Implications

Any procurement implications will be outlined in the BSR 2018/19.

(f) Community Safety Implications

Any Community Safety Implications will be outlined in the BSR 2018/19.

5. Consultation and communication considerations

Budget proposals are based on the requirements of statutory and discretionary service provision. Public consultations are undertaken throughout the year and can be seen at: cambridge.gov.uk/current-consultations

6. Background papers

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

- Budget Setting Report 2018/19
- Medium-Term Financial Strategy (MTFS) October 2017
- Individual Equality Impact Assessments

7. Appendices

The following item is included in this report:

- Executive amendment to section 25 report: Section 10 of the BSR pg 51.
- Budget-Setting Report 2018/19 Version 1, February 2018 (covering 2017/18 to 2022/23)

8. Inspection of papers

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

Authors' Names: Caroline Ryba
Authors' Phone Numbers: 01223 - 458134
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The Executive - Meeting 25 January 2018

Budget-Setting Report (BSR) 2018/19

EXECUTIVE AMENDMENT TO SECTION 25 REPORT: SECTION 10 OF THE BSR pg 51.

Background

This report details amendments to the Budget-Setting Report 2018/19 that the Executive, at its meeting on 25 January 2018, will be recommending to Council.

Unless otherwise stated, any references in the recommendations to sections, pages and appendices relate to Version 1 of the Budget-Setting Report (BSR) 2018/19.

New or updated information:

- **Section 25 Report (Robustness of Estimates and Adequacy of Reserves):**

This report is made under the Local Government Act 2003, which requires that the Chief Financial Officer reports to the authority, when it is making the statutory calculations required to determine its Council Tax or precept, on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves [Section 10, page 51 refers].

Attached as Appendix (1).

Information awaited:

- **Final Local Government Finance Settlement:**

As yet, the proposals in the provisional 2018/19 settlement have not been confirmed. Further changes may be necessary once the relevant report has been laid before the House of Commons.

Recommendations:

The Executive is recommended to approve the amendments outlined above, namely:

- (a) **Section 25 Report:** insert the report into the BSR as per the attached EXECUTIVE - Section 25 Report.

and to authorise the Section 151 officer to make necessary changes to the Budget-Setting Report 2018/19, to be considered by Council at the meeting on 22 February 2018, to reflect the impact of changes for the above.

Note that further changes are expected before Council, which will be notified and then incorporated into the BSR, in respect of:

- Council Tax Base 2018/19 and Council Tax Setting 2018/19 [Appendices A (a) and B (b)], following notifications from precepting authorities.
- Any other minor typographical amendments.

Section 25 of the Local Government Act 2003 requires the Council's S151 officer to report to the council when it is considering its budget requirement and consequent council tax. The report must deal with the robustness of the estimates made for the purposes of the calculations and the adequacy of the reserves allowed for in the budget proposals.

The rationale is to ensure that the estimates are sufficient to cover regular recurring costs plus any reasonable risks and uncertainties and, in the event of unexpected expenditure, there are adequate reserves to draw on. The calculations relate to the budget for the forthcoming year and the legal requirement may, therefore, be interpreted as reporting only on the 2018/19 estimates and reserves up to 31 March 2019.

Robustness of estimates

The council has well established and robust budget processes. These have been followed when compiling the 2018/19 budget and medium-term projections.

Estimates and assumptions were reviewed during the preparation of the MFR in October 2017, and confirmed during the development of this BSR. Appendix D reviews these estimates and assumptions and indicates the sensitivity of each in financial terms.

The key driving factor through the process has been the requirement to identify savings to address projected decreases in core funding. The savings requirement has been addressed in two principal ways:-

- By continuing the transformation programme, sharing services with other local councils and working to reduce the number of council buildings ; and
- Using cash balances and earmarked reserves released to generate additional income.

These actions require substantial change to be delivered within the organisation to demanding timescales and in a controlled way. The transformation programme includes savings resulting from sharing services with other local authorities, and the modernisation and upgrade of administrative buildings and ICT. There are, therefore, significant levels of risk around the estimation of potential income and savings and the timing of their delivery. These risks are mitigated, to a certain extent, by management review and challenge of the proposals, regular budget monitoring and management, and the implementation of governance processes for the transformation programme.

The council has also embarked on an ambitious development programme with a private sector

partner. Whilst designed to use council land assets to provide housing and generate income and capital surpluses, it represents a significant change in approach, to the scale of developments undertaken, and therefore increased financial risk to the council. However, at this stage neither projected income nor projected surpluses from the programme have been used to support the delivery of council services or assumed as funding for future developments.

Adequacy of reserves

The requirement for financial reserves is acknowledged in statute. Section 32 of the Local Government Finance Act 1992 requires billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

It is the responsibility of the S151 officer to advise local authorities on the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.

The council holds two types of general fund reserves:

- The general fund is a working balance to cushion the impact of uneven cash flows. The reserve also acts as a contingency that can be used in year if there are unexpected emergencies, unforeseen spending or uncertain developments and pressures where the exact timing and value is not yet known and/or within the council's control. The reserve also provides cover for grant and income risk.
- Earmarked reserves are set aside for specific and designated purposes or to meet known or predicted liabilities, e.g. insurance claims.

Earmarked reserves remain legally part of the general fund, although they are accounted for separately.

A key mitigation for financial risk is the S151 officer's estimate of a prudent level of reserves. A risk assessment was undertaken in MFR 2017 to determine the level of non-earmarked general reserves required by the council. Section 8 of this report recommends no changes to the assessment at this time. In making the recommendation for the level of reserves, the S151 officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on Local Authorities Reserves and Balances. The risk analysis shows that a prudent minimum level of reserves for 2018/19 will be of the order of £5.35m.

The final table in Section 8 shows that the anticipated level of the general fund reserves will

remain above the prudent minimum level for the duration of the medium term planning period.

I therefore consider that the estimates for the financial year 2018/19 to be sufficiently robust and the financial reserves up to 31 March 2019 to be adequate.

Caroline Ryba

Head of Finance and S151 Officer