Public Document Pack

Cambridge City Council

Strategy and Resources Scrutiny Committee

Date: Monday, 8 October 2018

Time: 5.00 pm

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

Contact: democratic.services@cambridge.gov.uk, tel:01223 457000

Agenda

Appendices 3 and 4 to this report contains exempt information during which the public is likely to be excluded from the meeting subject to determination by the Scrutiny Committee following consideration of a public interest test. This exclusion would be made under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Report to follow.

11 Combined Authority Update (Pages 119 - 128)

Strategy and Resources Scrutiny Committee Members: Barnett (Chair), Baigent (Vice-Chair), Bick, Dalzell, Green and Sargeant

Alternates: Cantrill, Massey and McQueen

Executive Councillors: Herbert (Executive Councillor for Strategy and External Partnerships) and Robertson (Executive Councillor for Finance and Resources)

Information for the public

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- Website: http://democracy.cambridge.gov.uk
- Email: democratic.services@cambridge.gov.uk
- Phone: 01223 457000

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CAMBRIDGE CITY COUNCIL

Record of Executive Decision

FREE HOLD TRANSFER OF 27 WARKWORTH STREET CAMBRIDGE

Decision of:	**Councillor Robertson,** Executive Councillor for Finance and Resources	
Reference:	18/URGENCY/SR/3	
Date of decision:	19.6.18	**Recorded on:** 19.6.18
Decision Type:	Key Decision	
Matter for Decision:	Freehold transfer of 27 Warkworth Street, Cambridge.	
Why the decision had to be made (and any alternative options):	The reasons for the decision are contained in an officer's report which is considered to be exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006.	
The Executive Councillor's decision(s):	Approved the freehold transfer of 27 Warkworth Street. Delegated authority to Head of Property Services to approve the final terms of disposal in accordance with this report.	
Reasons for the decision:	As detailed in the Officers report.	
Scrutiny consideration:	The Chair and Spokesperson of Strategy and Resources Scrutiny Committee were consulted prior to the action being authorised.	
Report:	A report detailing the background and financial considerations is considered to be exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006..	
Conflicts of interest:	None	
Comments:	The decision will be reported back to the Strategy and Resources Scrutiny Committee on 8 October 2018.	

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CAMBRIDGE CITY COUNCIL

Record of Officer Urgent Decision

BUSINESS RATES PILOT

Decision of:	Caroline Ryba, Head of Finance and s151 Officer
Reference:	18/HoF/Urg/01
Date of decision:	24/9/18 **Recorded on:** 24/9/18
Decision Type:	Non-Key Decision
Matter for Decision:	To give consent to the City Council submitting a joint bid with the Cambridgeshire and Peterborough Combined Authority and all its constituent authorities for a Business Rates Pilot for 2019/20. The s.151 Officer also signed the bid to evidence that all parts of the application have been fully endorsed by the Council.
Why the decision had to be made (and any alternative options):	The decision could not wait until the meeting of the S&R Scrutiny Committee on 8 October as the deadline for submission of the completed application to MHCLG is 25 September 2018 and s151 Officers are required to sign the application form to confirm that their authority has endorsed all parts of the application. The briefing paper sets out why it was the officer recommendation to join the pilot.
The Officer decision(s):	To agree that the city council takes part in the business rates pilot as set out in the briefing paper attached.
Reasons for the decision:	This is set out in the briefing paper.
Scrutiny consideration:	The Executive Councillor for Strategy and External Partnerships was consulted prior to the decision being taken as advised under the Urgency Action Rules under the Scheme of Delegation to Officers (City Council Constitution Part 3-Discharge of Council Functions, section 9, paragraph 2). The Executive Cllr, Chair and spokes were sent a copy of the decision on 24.9.18.
Report:	A briefing note explains the reasons for the decision.
Conflicts of interest:	None
Comments:	This decision will be reported back to the Strategy and Resources Scrutiny Committee on 8 October 2018.

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Briefing Paper

To: Cllr Lewis Herbert, Leader

Prepared by: Caroline Ryba, Head of Finance and s, 151 Officer

Purpose

To present the final Business Rates Pilot application for approval and authorise the s.151 Officer to sign it as required by MHCLG.

Recommendation

To approve the application, as presented.

Considerations

The application form and covering report to the CPCA is attached.

The covering report sets out the background to the pilot and details of the proposal to be submitted. If successful, the pilot is expected to increase the business rates growth retained in the CPCA area by approximately £20m. The paper sets out how this will be distributed amongst the participating authorities.

The application has to be submitted to MHCLG on 25 September. If it is not agreed and signed on behalf of all participating authorities by that date, the opportunity to gain £20m of additional funding will be lost. Alternative distribution mechanisms could be proposed, but would need to be agreed be all authorities before the deadline.

The CPCA will present the covering report and application document to its meeting on 26 September for endorsement, which will be after the application has been submitted.

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CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	**AGENDA ITEM No: 2.5**
26 SEPTEMBER 2018	**PUBLIC REPORT**

BUSINESS RATE PILOT

1.0 PURPOSE

1.1 This report seeks ratification of the 1 year business rates retention pilot bid submitted to MHCLG on 25 September.

1.2 It confirms the position that all councils will be compensated for their expected business rates for the year i.e. no council will suffer detriment as a result of this pilot and how any additionally retained growth above this level will be distributed.

<table>
<tr><td colspan="2" align="center"><u>DECISION REQUIRED</u></td></tr>
<tr><td>Lead Member:</td><td>James Palmer - Mayor</td></tr>
<tr><td>Lead Officer:</td><td>Karl Fenlon, Interim Chief Finance Director</td></tr>
<tr><td>Forward Plan Ref: 2018/031</td><td>Key Decision: Yes</td></tr>
<tr><td>The Combined Authority Board is recommended to:

(a) Ratify the Cambridgeshire and Peterborough 2019-20 Business Rates pilot bid submitted to MHCLG on the 25th September 2018.</td><td>Voting arrangements

Simple majority of all Members</td></tr>
</table>

2.0 BACKGROUND

2.1. In July 2018, the Government published an invitation to local authorities to pilot 75% business rates retention in 2019 to 2020.

2.2. Proposals have to be submitted by 25th September 2018. It is expected that the announcement of successful pilots will be made at the time of the local government finance settlement.

2.3. Due to the timeframes set out by MHCLG the Cambridgeshire and Peterborough bid has been submitted prior to Board approval, if the Board does not agree to ratify the submitted bid it will be withdrawn.

The 75% Business Rates Retention Pilots

2.4. Over the last two years, the Government launched 15 pilots of 100% business rates retention. The first wave were granted to five areas with ratified devolution deals, the second wave were awareded to 10 groups of local authorities (and the greater london area) and were awarded based on a competative process.

2.5. These pilots retain 100% of business rates income and forego some existing grants. Over the pilot period they will retain all of their growth in business rates income.

2.6. The Government is now looking to create a third wave of pilot schemes, this time with 75% local growth retention to reflect the level of local growth retention in the planned national reform of the business rates system in 2020-21. The Government sees an opportunity for local authorities to work together as pools covering functional economic areas to make coherent strategic decisions about the wider area and to jointly manage risk and reward.

2.7. The pilots are also expected to test authorities' administration, technical planning for implementation, and to look at how the accounting, data collection and IT systems will work. The Government expects to learn from the pilots' experiences to inform the design of the national system of business rates retention.

2.8. Arrangements would also need to reflect the position of precepting authorities, such as Fire and Rescue authorities.

2.9. The Government has asked for pooled areas to propose a split for sharing additional growth and to see additional growth being used to either boost further growth, promote the financial stability of the pooled area or a combination of both.

2.10. Unlike the previous two waves the Government has not agreed a ‘no detriment’ clause for the 2019/20 pilots. While this presents the possibility of a Constituent Council being worse off, for this to occur in practice Busness Rates income would have to be c. £55m lower than forecast: this would represent a drop of over 20% of the total rates income across the Combined Authority area and thus is considered a minimal risk; it is nonethelss dealt with in the proposal.

2.11. Authorities selected as pilots for 2019/20 will be expected to forego Revenue Support Grant (RSG) and Rural Services Grant. The value of the grant foregone will be taken into account in setting revised tariffs and top-ups, which will be used to ensure that the changes are cost neutral, except for the value of any additional growth retained and the removal of the levy on growth.

2.12. It is expected that successful applications will be announced before or alongside the publication of the draft local government finance settlement.

2.13. The 2019/20 pilot programmes will last for one year only at which point they will be replaced with the new national scheme

Additional Business rates share calculations

2.14. Independent modelling of the financial benefits, carried out by Pixel, predict that the benefits of a pilot to the Combined Authority area would be an additional £20m being retained locally.

The Cambridgeshire and Peterborough area submission

2.15. The submission for our area included the seven constituent councils to the Cambridgeshire and Peterborough Combined Authority (CPCA) with Cambridgeshrie County Council being the lead authority. The Lead Authority would be responsible for adminsitering the scheme

2.16. The principles already set out in the pilot submission are that additional funds retained by the local area will be apportioned as follows:

- If any individual authority is worse off as a result of being in the pilot, they will receive funding to put them back to the level they would have been in had they not participated in the pilot including any forgone grant from central govenrment (an internal no-detriment clause) underwritten by the Combined Authority.
- Costs related to the running of the pilot will be retained by the lead authority.
- 10% (c. £2m) of the remaining funds will be ringfenced to create a Business Growth Fund, held by the Combined Authority to promote further growth across the area.
- 10% (c. £2m) will be split between the two Social Care Authorities (Cambridgeshire County Council and Peterborough City Council) in

recognition that the costs of growth fall disproportionately on these authorities.

- The remaining 80% will be distributed per capita across all constituent authorities as set out below, using a 50:50 split between Districts and County in Cambridgeshire:

80% of additionally retained growth	£15.989m
Total population of CA area	849,035
Retained growth per capita	£18.83
50% of per capita for 2 tier areas	£9.42

Local Authority	**Population**	**Lower Tier Allocation to Authority (£'000)**	**Upper Tier Allocation# (£'000)**
Cambridge City	131,799	1,241	1,241
East Cambridgeshire	87,825	827	827
Fenland	100,182	943	943
Huntingdonshire	175,666	1,654	1,654
South Cambridgeshire	156,468	1,473	1,473
Peterborough City*	197,095	3,712	

* Peterborough CC uses the full per capita allocation as it is a unitary

For the 5 Cambridgeshire Districts the upper tier allocation is paid to Cambridgeshire County, totalling £6.14m

2.17. Given the strategic role of the Combined Authority, which covers the whole of the pilot geography, and the close alignment between the Business Growth Fund's aims and those of the Combined Authority and its Business Board this fund will be held and administered by the Combined Authority with projects seeking funding following the assurance and governance frameworks already in place within the Combined Authority.

2.18. As part of the bid it is required to set out what, if any, pooling arrangements are desired were a pilot not awarded. Based on modelling of the area's business rates top-ups and tariffs there is no benefit to creating a whole area business rates pool thus there will be no business rates pool created if the bid is not successful in securing a pilot.

3.0 FINANCIAL IMPLICATIONS

3.1. There are no matters to bring to the Board's attention other than those highlighted in the report.

4.0 LEGAL IMPLICATIONS

4.1. In designating a pool for 2019/20, the Ministry for Housing, Communities and Local Government (MHCLG) will attach conditions to the designation in accordance with paragraph 35(1) of Schedule 7B to the Local Government Finance Act 1988 by appointing a lead authority and requiring the authority to take the steps set out in its application in the event that the pool is dissolved.

4.2. MHCLG also reserves the right to attach such other conditions as it sees fit, in accordance with paragraph 35(2) of Schedule 7B.

5.0 SIGNIFICATE IMPLICATIONS

5.1. There are no other significant implications.

6.0 APPENDICES

6.1. Appendix 1 – The Cambridgeshire and Peterborough 75% business rates pilot bid.

Source Documents	**Location**
List background papers:	
MHCLG invitation to bid	***https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf***
Cambridgeshire and Peterborough 75% Business Rates Pilot Bid	**To Follow**

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Ministry of Housing,
Communities &
Local Government

Business Rates Pilot Scheme 2019/20

Application Form

This application form will be used to assess your application to pilot 75% business rates retention in 2019/20. Where relevant, further evidence to support points raised in this form may be included as an annex. Please note that authorities cannot apply to pilot 75% business rates retention as part of more than one application.

Information provided in response to this application may be published or disclosed in accordance with the access to information regimes – these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the EU General Data Protection Regulation, and the Environmental Information Regulations 2004).

The personal data you provide as part of this application will be held on a secure government system in line with the department's personal data charter. Contact details will only be used for contacting you about your application or to update you on our work relating to local government finance reforms.

For any questions relating to the application process, please email: Businessratespilots@communities.gsi.gov.uk.

FAQs relating to applications will be published on the Government publications website at https://www.gov.uk/government/publications/75-business-rates-retention-pilots-2019-to-2020-prospectus

1. Application Contact Details

Please include details of the lead pilot authority and lead official responsible for responding to any departmental queries relating to the pilot application.

a. Name of lead pilot authority	Cambridgeshire County Council
b. Name of lead official	Tom Kelly
c. Lead official job title	Head of Finance
d. Lead official email address	Tom.kelly@cambridgeshire.gov.uk
e. Lead official contact phone number	01223 703599

2. Membership of the Proposed Pool

Please list all authorities belonging to the proposed pilot pool below. The application cannot be considered valid unless all of the listed members have endorsed all parts of the application (see Annex A). You can insert/delete lines as needed.

For the authority type box, please write down one of the following options for each participating authority: (1) Fire; (2) London Borough; (3) Metropolitan district; (4) County; (5) Shire District; (6) Greater London Authority; (7) Unitary Authority.

Authority name	**Authority Type**
Cambridge City Council	Shire District
Cambridgeshire County Council	County
Cambridgeshire and Peterborough Combined Authority	Mayoral Combined Authority
East Cambridgeshire District Council	Shire District
Fenland District Council	Shire District
Huntingdonshire District Council	Shire District
Peterborough City Council	Unitary Authority
South Cambridgeshire District Council	Shire District

3. Membership details and pooling arrangements

Please answer all of the questions below using short and concise answers. Section 4 will allow you to outline your pilot proposal in more detail.

a. Have all members included in the pilot area endorsed all parts of this application? *(Please ensure that Annex A is signed by s.151 officer of each area and returned as part of the application to evidence this.)*	*Select one:* *(1) Yes;* ~~*(2) No*~~
b. Do any members of the proposed pool belong to any other current pool? *(If 'no', please move to question 3.d.)*	*Select one:* ~~*(1) Yes*~~ *(2) No*
c. If any members of the proposed pool belong to any other current pool, have other members of such pool been informed that the authority is applying to become a pilot as part of a different pool?	*Select one:* ~~*(1) Yes*~~ ~~*(2) No*~~ *(3) N/A*
d. Are there any precepting authorities that are not part of the proposed pilot area? *(If 'yes', please move to question 3.e.)*	*Select one:* *(1) Yes (The Cambridgeshire Fire and Rescue Service)* ~~*(2) No*~~
e. If there are any precepting authorities that are not part of the proposed pilot area, are these precepting authorities aware of this proposal?	*Select one:* *(1) Yes* ~~*(2) No*~~ ~~*(3) N/A*~~
f. Are all members of the proposed pilot area willing to collaborate with MHCLG officials on system design of the new business rates retention system, sharing additional data and information, as required?	*Select one:* *(1) Yes* ~~*(2) No*~~

g. How does the pilot pool propose to split non-domestic rating income in two-tier areas?* *(F.ex. the pilot pool could propose to split the shares as in the current 50% business rates retention, or propose to test different kinds of tier split arrangements as part of the pilot.)* *(*The department will use this information in regulations to designate a tier split for the pooled pilot area. In practice, the pilot pool will be given one overall tariff or top-up, and the members of the pool can agree to change the headline tier split.)*	In the two-tier section of the area (Cambridgeshire) a 50:50 tier split will be used. This tier split only applies to the 80% of additionally retained rates which are shared between all the constituent authorities. This 80% is allocated on a per-capita basis across the area. This per-person allocation this is shared 50% to upper tier and 50% to lower tier (Peterborough City Council is a unitary and thus retains the full amount) – this is shown in detail in section 4b.
h. Do you propose to retain any of the additional 25% of retained business rates in an investment pot or similar and distribute this after 2019/20? *(If 'no', please move to question 3.j.)*	*Select one:* *(1) Yes* ~~*(2) No*~~
i. If any of the additional 25% of retained business rates are kept in an investment pot or similar, how will this be distributed after 2019/20?	10% of additional growth will be allocated to a business growth fund. This fund will be held by the Combined Authority; project sponsors will propose bids for funding to the Cambridgeshire and Peterborough Business Board (the area's LEP). These proposals must have clear benefits to local businesses and contribute to the growth of GVA and business rates in the area. Using the existing Business Board ensures that funds will be allocated with appropriate oversight in accordance with the local and national LEP assurance frameworks.
j. What is the anticipated income above baseline funding level for the pilot pool over 2019/20 (in £)?	Independent modelling based on NNDR1s suggest the income above baseline for the pool would be £36.059m in 2019/20.

k. What is the business rates base of the proposed pilot area like and what is its relevance to the economic geography of the area? *(F.ex. you could describe the size and types of hereditaments in the area, business sectors relevant to the area, or the size of your business rates base in relation to baseline funding levels.)*	The area has recently commissioned an independent review of the Cambridgeshire and Peterborough economy which is published at www.cpier.org.uk. This analysis finds that recent employment growth is 3.3% per annum, rather than the 2.4% suggested by ONS calculations. The review finds evidence of sector strengths and specialisms in; • Manufacturing, Advanced Manufacturing and Materials • Life Sciences • IT and Digital • Logistics and Distribution • Education • Professional Services • Agri-tech
l. What pooling arrangements would the members of the pilot like to see if their application to become a pilot is unsuccessful?	If the application to become a pilot is unsuccessful we would not like to see any pooling arrangements. A whole area pool would retain a large net tariff and a 41% levy rate thus there is no financial benefit to entering into a pool outside of a pilot. While there are potentially beneficial pools including a subset of the Authorities this approach is not considered compatible with the joint working ethos prized in the area.
m. How would the pilot area deal with residual benefits/liabilities once the pilot ends?	All residual benefits or liabilities will be distributed in line with the sharing of additional growth during the pilot period i.e. Cambridge City – 6.2% Cambridgeshire – 38.4% Cambridgeshire and Peterborough CA (Business growth fund) – 10.0% East Cambridgeshire – 4.1% Fenland – 4.7% Huntingdonshire – 8.3% Peterborough City – 20.9% South Cambridgeshire – 7.4%

4. Details of the pilot proposal

Please explain how your proposal fulfills each of the below criteria for becoming a 75% business rates retention pilot in 2019/20 (as outlined in 3.2 of the 'Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20'). If relevant, you may reference answers provided *in section 3 of this application form and use this section to provide more detail on the responses. Although there is no formal word limit for answers provided in this section, please be as concise as possible.*

a. How does the proposed pilot operate across a functional economic area?

The Independent Economic Review referenced in box k concludes that there are three functional economic areas within Cambridgeshire and Peterborough. These three economies have unique characteristics and features, as well as important connectivity between one another. They are; Greater Cambridge, Greater Peterborough and the Fens. There are parts of Cambridgeshire and Peterborough (such as East Cambridgeshire and Huntingdonshire) which look to more than one of these economies.

The review draws data from commuting patterns, housing markets and supply chains to define these functional economic areas, which were then published in an interim report and tested through stakeholder consultation. This engagement found local recognition of the three-economy depiction, and value in terms of developing policy responses tailored to the unique needs of each.

As would be expected, these functional economic areas do not stop at the Cambridgeshire and Peterborough border. They extend out to surrounding communities and along strategic corridors to the North, South, East and West of the area.

Crucially, the review finds that the future of these three economies will and should involve them becoming closer and closer over time. For example, with the northern parts of the Fen economy establishing stronger links with Peterborough, and the southern parts becoming more connected to the Cambridge economy.

b. How does the pilot area propose to distribute and use the additional 25% of retained business rates growth across the pilot area?

The first call on the pooled rates income will be to ensure all authorities are in the same financial position that they would have been in had they still been in the 50% scheme (an internal no-detriment clause) underwritten by the Combined Authority.

The costs incurred by the Lead Authority in administering the scheme will then be reimbursed.

10% of the retained growth above this will be split between Cambridgeshire County Council and Peterborough City Council based on a per-capita allocation in recognition that the costs of growth fall disproportionately on upper tier authorities in the form of increased Social Care and Highways maintenance costs.

10% is to be allocated to the creation of a Business Growth Fund. As described above, this will be held by the Combined Authority, ringfenced to projects which promote economic growth in the area and all decisions on the use of this funding will require recommendation from the Business Board (the area's Local Enterprise Partnership).
Examples of projects which have been awarded funding by the LEP to promote economic growth to date include grant funding for the Cambridge Biomedical Innovation Centre and the provision of financing the purchase and refurbishment of Ashwell Business Park which, as of December 2017, had 104 tenants creating employment for 239 people.

The remaining 80% will be split between the constituent authorities based on population, using a 50:50 tier split in Cambridgeshire as shown below:

80% of total additionally retained growth = £15.989m
Total population of Combined Authority Area = 849,035
Retained growth per capita allocation = £18.83

50% of per-capita for 2 tier areas = £9.42

Local Authority	Population (ONS)	Lower Tier Allocation to Authority (£'000)	Upper Tier Allocation[#] (£'000)
Cambridge City	131,799	1,241	1,241
East Cambridgeshire	87,825	827	827
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South Cambridgeshire	156,468	1,473	1,473
Peterborough City*	197,095	3,712	

* Peterborough CC uses the full per capita allocation as it is a unitary
[#] For the 5 Cambridgeshire Districts the upper tier allocation is paid to Cambridgeshire County, totaling £6.14m

The funding allocated directly to constituent authorities will be utilised to promote financial sustainability, below are examples of how one of the Districts (Fenland) and one Upper Tier authority (Cambridgeshire) will do this:

<u>Fenland</u>
Fenland District Council covers approximately 200 square miles within the County of Cambridgeshire. It is a rural and sparsely populated district with many diverse communities, each with very different needs.

The Cambridgeshire and Peterborough Independent Economic Review (CPIER) report identifies three different economies in the Cambridgeshire and Peterborough Combined Authority Area.

These are;
- The "Greater Cambridge" area – Cambridge, South Cambridgeshire, and parts of Huntingdonshire and East Cambridgeshire.
- The "Greater Peterborough" Area
- The Fens: mainly agricultural and rural Market Towns.

The Fens are considered the most challenged economically of the three, particularly in respect of the socio-economic makeup of the market towns and the specific pressures on the agricultural sector with steep reductions in price of agricultural output and high reliance on low cost labour which has been met by migrants, leaving the sector with a challenge as Brexit approaches.

The Council's Medium Term Financial Plan sets out savings totaling £3.1million between 2016 and 2020. This creates a challenging financial climate to continue to provide a high standard of service to the residents and businesses in the district especially with the uncertainty in respect of the outcome of the Fair Funding Review and the future Local Government Finance system from 2020/21. Due to the rurality and geography of the Fens the cost of providing statutory services such as refuse collection, environmental health, parks and recreational services, is proportionally higher than those experienced in compact areas.

Fenland District Council does face challenges. The Council recognises that deprivation (80th out of 326 most deprived areas in the country) brings unique challenges, particularly around education and health. With the extra funding and working with partners, the Council will be able to continue to deliver projects that improve the quality of life for local people.

The share of additional retained business rates from the pilot will allow the Council to fund some of the 'invest to save' projects on its transformation journey and also to be able to work with partners to support the work on the Market Towns and linking it up with the Local Industrial Strategy.

The additional funding to the council from the retained 75% business rates pilot will provide it with the means to create the medium term financial stability for continued provision of the high quality services and also put it in a position to work with the Cambridgeshire and Peterborough Combined Authority and Cambridgeshire County Council, on the growth and infrastructure plans and implementation in the Fens.

<u>Cambridgeshire</u>

The financial challenges facing local authorities with care responsibilities are well documented nationally. However those within Cambridgeshire are exacerbated by a set of circumstances that is unique to this County. Without any changes to RSG the County Council will be in a negative RSG position of £7m in 2019/20 and until recently was in receipt of the worst funding for its schools in the country. Whilst areas of the county have less deprivation than many other parts of the country this does hide the issues of rural isolation and deprivation seen in the Fens. We also have one of the most challenged health economies in the country and this places significant pressures on the relationship between the health and care sectors.

This position is exacerbated by the fact that Cambridgeshire is one of the fastest growing counties in the country. Whilst the county undoubtedly benefits economically from this growth it does place a significant burden on all local authorities in general but significantly more so on the county council. Be it highway infrastructure, to ensure that the growing workforce is able to move around the county; or the provision of new schools, to help educate the children of the inward migration of families; or simply managing the growth in demand for care services the County Council can no longer deliver all of these services. It is therefore faced with some very stark options if no other support mechanisms are put in place. To put this in to context only a few years ago the County Council received £114m of RSG but in 2019 this becomes negative RSG of £7m.

This reduction of £121m funding is during a period where the demand for services has significantly increased and has therefore had a serious impact on service delivery. We have done all we can to minimize this impact. We have delivered significant transformation of services, we have developed a commercial approach and strategy and we have implemented many alternative service delivery vehicles. However we are reaching the end of the road and now we must turn to serious service cuts. We are currently facing an unfunded budget gap of in excess of £20m for next year in addition to all the savings that have already been built in to the base budget. Without help the current service delivery levels are unsustainable and we will have to cut some key services to our communities. Things like early intervention, household recycling centres, winter gritting are all being considered.

As a net contributor to national GVA our residents deserve better. To ensure that Cambridgeshire continues to support the Governments growth agenda it is imperative that basic public sector services are retained. Without our ability to provide these services the ‘offer’ that has attracted so much commercial inward investment in to Cambridgeshire will naturally chose other more favorable international option.

c. How does the pilot area propose to arrange its governance for strategic decision-making around the management of risk and reward? How do the governance arrangements support proposed pooling arrangements?

Cambridgeshire County Council will handle the day to day administration of the pool.

There is a pre-existing quarterly meeting of the region’s CFOs, including all the authorities involved in this bid, as well as the Fire Authority. A standing item regarding the pool’s finances will be added to the agenda at which the County Council will present an update on the pool’s financial position and the required transfers between LAs will be agreed. This will also be the forum for highlighting any emerging changes to the risks and rewards within the pilot.

The Business Growth Fund will be held by the Combined Authority as Accountable Body for the Business Board and accounted for separately to their own funds. This fund will be ringfenced for projects which accelerate or increase the growth of business rates in the area and proposals for funding will follow the Business Board’s pre-existing assurance framework, ensuring that value for money and transparency are achieved and maintained.

As the area is a Mayoral Combined Authority, the Combined Authority Board is perfectly positioned to provide public scrutiny, and political oversight, of the pilot. The Board is made up of the Leaders of all the authorities involved in the bids as well as the Chair of the Business Board thus it provides representation for all the key stakeholders in the pool. The quarterly report on pilot finances from the CFOs meeting and recommendations for project funding from the Business Board will be presented to the CPCA Board.

5. Submitting your application

Please return this form and Annex A with signatures of all s.151 officers from proposed pilot pool's member areas by the deadline of 25 September 2018. Where relevant, further evidence of points raised in this form may be included as an annex.

Please submit your completed application to:

businessratespilots@communities.gsi.gov.uk

or

Business Rates Reform; Local Government Finance; Fry Building, 2 Marsham St, Westminster, London SW1P 4DF.

Ministry of Housing, Communities & Local Government

Annex A – Evidence of authorisation

a. Name of lead pilot authority	Cambridgeshire County Council
b. Name of lead official	Tom Kelly
c. Lead official job title	Head of Finance
d. Lead official email address	Tom.kelly@cambridgeshire.gov.uk
e. Lead official contact phone number	01223 703599

Please include the signatures of each member area's s.151 officer to evidence that all parts of your application have been fully endorsed by authorities listed in section 2 of the pilot application form. You can insert/delete lines as needed.

Authority name	**Name of s.151 officer**	**Signature**
Cambridge City Council	Caroline Ryba	
Cambridgeshire County Council	Chris Malyon	
Cambridgeshire and Peterborough Combined Authority	Karl Fenlon	
East Cambridgeshire District Council	Ian Smith	
Fenland District Council	Kamal Mehta	
Huntingdonshire District Council	Clive Mason	
Peterborough City Council	Peter Carpenter	
South Cambridgeshire District Council	Alex Colyer	

Item

IMPLICATIONS AROUND APPLYING A MINIMUM OF £10 PER HOUR TO STAFF ON COUNCIL CONTRACTS

To:
Councillor Richard Robertson, Executive Councillor for Finance and Resources

Strategy & Resources Scrutiny Committee 08/10/2018

Report by:
Helen Crowther, Helen Crowther
Tel: 01223 - 457046 Email: helen.crowther@cambridge.gov.uk

Wards affected:
All

Key Decision

1. Executive Summary

1.1 The Council currently pays all its directly employed staff and agency workers a minimum of £10 per hour. The Council currently requires contractors to pay the real living wage of £8.75 per hour to qualifying staff, in line with the Living Wage Foundation's requirements.

1.2 At Council on 24th May 2018, it was agreed to "ask officers to bring a report to Strategy and Resources Scrutiny Committee on the feasibility of the Council extending its minimum payable wage rate to all its contracted and subcontracted staff."

1.3 This report provides an assessment of the implications of requiring the Council’s contractors to pay those staff that qualify for the Living Wage an increased rate of £10 per hour. The report is presented for information and the Executive Councillor is not asked to make a decision at the Strategy and Resources Committee meeting on 8 October 2018. Any decision would need to be considered as part of the Council’s budget process.

2. Recommendations

The Executive Councillor is recommended to:

2.1 Note the findings of the report regarding the implications of requiring contractors to pay qualifying staff a minimum of £10 per hour when working on Council contracts

3. Background

3.1. In November 2014, Cambridge City Council received official accreditation from the Living Wage Foundation. Since then we have been working to encourage and support other businesses in Cambridge to become accredited Living Wage employers, as a key component of our work to tackle poverty in Cambridge. The Real Living Wage enables a person to have a minimum acceptable standard of living with less reliance on benefits, and is calculated annually according to the cost of living in the UK.

3.2 The Council currently requires all contractors to pay the real Living Wage rate (currently £8.75 per hour) to all qualifying staff. Qualifying staff work for 2 or more hours on any given day of the week for 8 consecutive weeks or more on our premises or premises upon which we require them to work. This is a requirement of the Council’s accreditation with the Living Wage Foundation.

3.3 With effect from April 2018, the Council applied a “Cambridge Weighting” to the pay of directly-employed Council staff and agency workers to bring the minimum pay rate to £10 per hour. The £10 per hour rate for staff and agency workers is in recognition of especially high living costs in Cambridge compared to other areas in the UK.

3.4 For directly employed staff, the real Living Wage and the Cambridge Weighting are applied as supplements, and this has enabled us to maintain our pay scales.

3.5 The real Living Wage supplement is applied in line with requirements of the Living Wage Foundation for accredited employers. However, we apply the real Living Wage earlier on in a member of staff's employment with the Council than is required by the Living Wage. For directly-employed Council staff, the Living Wage rate applies from day one where staff are required to work on our own premises (or premises upon which we require them to work) for 2 or more hours on any given day of the week. For agency workers it is applied following 4 consecutive weeks. The Living Wage Foundation's minimum is 8 consecutive weeks for the real Living Wage. The same payment arrangements apply to the local Cambridge Weighting to pay a minimum pay rate of £10 per hour.

3.6 In order to research the impacts of applying the £10 per hour minimum pay rate, we used the Council's Due North contract register to identify contracts where the real Living Wage currently is likely to apply. For the 14 affected contracts, suppliers were asked to provide an indicative assessment of the impact of applying the £10 per hour rate to their contracts.

3.7 Of these 14 affected contracts that are now live, there were 5 where implementing the minimum of £10 per hour could have an impact. For the remaining contracts, there were no qualifying employees that were paid below the £10 per hour minimum.

3.8 Details of the 5 contracts where applying the £10 per hour minimum rate is likely to have an impact are provided at Appendix A. 4 of these 5 contracts only involve one supplier, so they have been able to provide an assessment of the impact.

3.9 The fifth contract is a framework contract involving 7 suppliers. We do not have complete information for this contract, as not all the suppliers responded within the time available. Only one of the 7 suppliers provided information on indicative costs, and three more said there was no impact because they paid £10 or above as a minimum already. A fifth supplier did share that 4 staff members would be impacted but did not provide a cost for this. However, there is likely to be a low impact overall for the contract due to the majority of jobs needing to be highly skilled, which would mean they are at higher pay grades.

3.10 There is an additional sixth contract that starts in October where there is likely to be a significant impact, but it has not been possible to assess the level of impact as the contract has only very recently been signed with the contractor. This contract is due for review in 2023.

3.11 Of the 5 contracts identified, employees and workers with lower pay rates were working in roles such as administrative assistants, receptionists, security officers, and teaching positions. There were also staff at lower pay bands who were undergoing costly training to help them progress in an industry with very specific skills.

4. Implications

(a) Financial Implications

As shown in Appendix A, the total indicative annual cost of applying the £10 per hour minimum rate to the 4 contracts identified is likely to be around £316,000, based on the information provided by current contractors.
Over the remaining duration of the four contracts, which will run from 21 months to 7 years, including periods of extension, the total indicative cost is around £1,640,000.

It is important to note that these costs are calculated based on a flat rate of £10 per hour applying over the next few years. The costings also assume that the current £8.75 rate for the real Living Wage (that suppliers are already required to pay) will remain constant over the next few years. In reality, the real Living Wage rises in November each year (and suppliers have 6 months in which to implement it). As contractors are already required to increase pay rates in line with the annual increases to the real Living Wage year-on-year, the Council's costs of implementing the £10 per hour rate would effectively reduce year-on-year.

However, we were unable to use figures provided by suppliers to calculate the likely reduction in costs to the Council each year. This is because suppliers did not provide us with information as to how they reached their calculations, and we do not know in advance by how much the real Living Wage rate will rise each year.

All of the affected suppliers unanimously said that they would be unable to meet the costs of uprating of wages to £10 per hour within the existing terms of their contracts. The Council would therefore need to meet any additional costs.

It should be noted that the total estimated annual costs are based on best estimates suppliers have been able to supply on costs at the time of being asked (August 2018).

Uplifting wages of the lowest paid could, in many instances, have an impact on pay differentials suppliers have put in place (such as the gap between lowest rate and supervisor salaries). The gap between the Living Wage wage of £8.75 and the £10 rate would mean a high percentage of supervisor rates (and potentially pay scales up the chain) would need to increase as well, with the additional consequent costs. Some, but not all, of the figures provided by contractors in Appendix A also include the potential costs of uprating wages of staff paid over £10 per hour in order to keep pay differentials for roles with different levels of responsibility.

The usual process would be for the Council to negotiate the implementation of the £10 minimum wage per hour when an affected contract is up for review. However, for 4 of the 5 contracts, the suppliers stated that they would be able to implement the change straight away if the Council paid the additional costs for the implementation. In these cases we could undertake a Variation of the contract, with the suppliers' agreement, in order to change the conditions to allow for this change. (For the fifth contract (E), not all suppliers provided information on costs or when any change could be implemented.)

(b) Staffing Implications

If we were to apply the uprate to contracted and subcontracted staff, council staff members who manage relevant contracts would need to be made aware of the changes in order to implement them.

If the Council decided to require its contractors to pay qualifying staff a minimum of £10 per hour for work on Council contracts, this could have a positive impact on employees through increasing their pay rates. This could help employees who live in Cambridge, or have to travel into Cambridge for work, to meet high costs of housing and transport for staff in the city on low pay .

If the Council were to implement the proposed change to suppliers' minimum rates of pay to £10 per hour, the positive impact this will have on staff will decrease over time, as the national living wage and the real Living Wage rate increases.

We were unable to obtain information on numbers of contractors/ subcontractor employees currently earning under £10 per hour who would be affected under current contracts because suppliers did not provide this information in all cases. For two of the contracts out of the five, the impact could be quite large – Contract A's supplier said all roles would be affected apart from a few supervisory roles, and Contract C's supplier said 22 contracted staff members would be affected and over 100 casual workers.

Two of the five suppliers also felt that paying the £10 rate would help with the recruitment and retention of staff.

One potential negative impact for staff could be the likely effect on pay differentials for roles with different levels of responsibility. This is explored in section a) above.

(c) Equality and Poverty Implications

An Equality Impact Assessment has been carried out and is presented at Appendix A. Evidence suggests that people with protected characteristics under the Equality Act 2010, including BAME people, disabled people and women, are more likely to be on low incomes. Requiring contractors to apply the proposed £10 per hour minimum pay rate could therefore have a positive impact in helping reduce poverty for these groups.

(d) Environmental Implications

Nil rating

(e) Procurement Implications

Procurement implications identified are as follows:

- Exception relating to Public Contract Regulations 2015 – The minimum rate of pay as £10 per hour for contracted and subcontracted staff would apply on the same terms to which we currently apply the real Living Wage. In our Pay Policy, the real Living Wage is not applied to "contracts where, following evaluation, it is considered inappropriate to impose the requirement". This would apply where all tenders had come in over budget and we have two options:
    - Re-pricing: The removal of this requirement to make the contract come within budget and thus be deliverable. We would issue a revised invite to all of the suppliers whereby we removed the requirement from the tender and allowed everyone to resubmit using their own wage rates.
    - Retendering: And not stipulate the requirement in the terms and conditions.

  The ability to apply these options and our choice of option related to the contract in question would be driven by the Public Contract Regulations 2015 requirement to treat all suppliers fairly and that provides guidance on how to manage when a tender comes in over budget.

- Anti-competitiveness when going out to tender – Employers who do not pay the minimum of £10 per hour might be dissuaded from putting in bids for contractual work. This could limit the pool of suppliers we could choose from to award a contract to, which would reduce the level of competition. However, experience suggests since the Living Wage rate was implemented to all new Council contracts in 2014, anti-competitiveness has not proved to be an issue.

- Framework contracts - The fifth contract is a framework contract (E). This means whenever we need work undertaken in a particular area, we run a mini-competition amongst suppliers in an already prepared framework and call off suppliers who can meet our needs at the best price. Currently the suppliers' charges on Contract E are similar, so each supplier tends to get a share of the work that needs to be undertaken for us. However, if the £10 per hour rate were applied, this would impact on some, but not all of the contractors. This might make the suppliers that currently pay under £10 per hour uncompetitive in price, so we would call off their services less.

(f) Community Safety Implications

There are no community safety implications.

5. Consultation and communication considerations

We consulted with our current suppliers who would be affected by the changes. The findings of this consultation are presented in Appendix A.

If the wages of contracted and subcontracted staff were to be uprated, we would communicate this through a news release, on our website and on social media. If the change was to be implemented, our procurement templates would also need to be updated to reflect the new rate.

6. Background papers

- Draft Pay Policy Statement 2018/19 presented to the 14/02/2018 Civic Affairs Committee[1].

7. Appendices

Appendix A – Breakdown of costs per contract associated with implementing £10 per hour as a minimum rate of pay for contracted and subcontracted staff
Appendix B – Equality Impact Assessment

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Helen Crowther, Equality and Anti-Poverty Officer, tel: 01223 - 457046, email: helen.crowther@cambridge.gov.uk.

[1] See: https://democracy.cambridge.gov.uk/ieDecisionDetails.aspx?ID=4619

Appendix A – Breakdown of costs per contract associated with implementing £10 per hour as a minimum rate of pay for contracted and subcontracted staff

Contract	Annual cost to uprate wages to £10 per hour	Length of contract left and cost of uprating wages to £10 per hour over duration of contract
A	£84,538	£147,941 (based on 21 months remaining of contract)
B	£26,812.80	£174,283.20 (contract is for 5 years and option to extend two more years included in this figure)
C	£195,869*	£783,476 (contract is for 4 years)*
D	£0[2]	£294,505.96 (for the period of the contract that is another 4 years) This will be a further £230,482.92 (if we took the option to extend the contract for a further 36 months, so 3 years, after 2022).
E	We do not hold this information as not all suppliers on the contract provided this information	We do not hold this information as not all suppliers on the contract provided this information
Total	The total estimated annual cost for 2019 would be: £316,000	The total estimated annual cost over the duration of the contracts above (so for the next 7 years, including the periods of extension, is £1,630,689.08

[2] No staff members are currently receiving under £10 per hour

The calculation of these costs does not take into account the likelihood that the real Living Wage will rise each year, which would mean that there will be a reduced cost for us where an estimated rise in the real Living Wage has been factored into the budget for contracts.

Notes on Contract A costs

Contract A's indicative costs reflect costs for increasing the lowest rates across the contract to £10 an hour. This also includes an increase to supervisory roles. For example, for staff currently paid £8.75, this will increase to £10 and for supervisors of those staff currently paid £9.50, this will increase to £10.75. The costs do not include enhanced entitlements for historic council staff members that TUPE transferred to the supplier. If there are any wages paid above £10 currently that would need to be uprated in order to keep pay differentials, the supplier did not provide costs for this.

Notes on Contract B costs

The supplier did not clarify in time for report publication whether costs were for:

a) Uprating wages to a minimum of £10 per hour for staff not already receiving this amount

Or

b) Uprating wages to a minimum of £10 per hour for staff not already receiving this amount AND for uprating wages of staff earning higher than £10 per hour if and where need to in order to keep pay differentials for people with different levels of responsibility

Notes on Contract C costs

For contract C, the supplier provided figures for uprating wages to a minimum of £10.20 per hour instead of £10 per hour, which is the London Living Wage. The supplier did not want to provide figures for the £10 rate. The supplier is a London-based company and applying the £10.20 per hour would be in line with what their employees and workers are earning in London. They argued that to pay the £10 rate would have a negative impact on their pay structures and payment processes. The amount provided above for contract C also includes costs of uprating supervisors' pay, even where they are already paid £10 per hour or above, in order to keep pay differentials for roles with different levels of responsibility.

Notes on Contract D costs

The costs provided by the supplier include the costs of uprating wages to a minimum of £10 per hour for staff not already receiving this amount. It would not include uprating wages of other staff to keep pay differentials by the supplier did not indicate that there would be a need for this.

Notes on Contract E costs

Only one supplier out of the 7 provided information on costs. Another supplier shared that 4 roles would be affected – two currently paid at £8.75 per hour, and two paid an amount in between £8.75 and £10 per hour – but did not provide the cost for this (although they confirmed we would need to meet the costs of the uprated wages). Two suppliers already pay £10 per hour or above as a minimum rate of pay. Two suppliers did not respond to our survey.

Appendix B

Cambridge City Council Equality Impact Assessment (EqIA)

This tool helps the Council ensure that we fulfil legal obligations of the Public Sector Equality Duty to have due regard to the need to –
(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

1. Title of strategy, policy, plan, project, contract or major change to your service:
Implications around applying a minimum of £10 per hour to staff on Council contracts
2. Webpage link to full details of the strategy, policy, plan, project, contract or major change to your service (if available)
The report will be available here from Wednesday, 26th September, 2018: https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=159&MId=3422&Ver=4
3. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?
At Council on 24th May 2018, it was agreed to "ask officers to bring a report to Strategy and Resources Scrutiny Committee on the feasibility of the Council extending its minimum payable wage rate to all its contracted and subcontracted staff". The Council currently pays all its directly employed staff a minimum of £10 per hour. The Council currently requires contractors to pay the real living wage of £8.75 per hour to qualifying staff, in line with the Living Wage Foundation's requirements.
4. Responsible Service
Corporate Strategy

5. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)
☐ Residents of Cambridge City ☐ Visitors to Cambridge City ☒ Staff
Please state any specific client group or groups (e.g. City Council tenants, tourists, people who work in the city but do not live here): Contracted and subcontracted staff only, as our directly employed staff and agency workers are already paid £10 as a minimum
6. What type of strategy, policy, plan, project, contract or major change to your service is this? (Please tick)
☐ New ☒ Major change ☐ Minor change
7. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service? (Please tick)
☐ No ☒ Yes (Please provide details): If the changes were taken forward, all Services that have contracts impacted upon by current real Living Wage requirements would be expected to amend contracts to require contractors to pay qualifying staff £10 per hour as a minimum
8. Has the report on your strategy, policy, plan, project, contract or major change to your service gone to Committee? If so, which one?
This report will go to the Strategy and Resources Scrutiny Committee on Monday, 8th October, 2018
9. What research methods/ evidence have you used in order to identify equality impacts of your strategy, policy, plan, project, contract or major change to your service?
We consulted with our current suppliers who would be affected by the changes, working through Council Officers who manage the contracts in question. Sometimes the Council Officers had additional insights based on their experience of managing the contracts. However, in the time available we were unable to seek information related to equalities monitoring in terms of which equality groups would be impacted. Research around low pay in relation to protected characteristics has informed this EqIA.

10. Potential impacts For each category below, please explain if the strategy, policy, plan, project, contract or major change to your service could have a positive/ negative impact or no impact. Where an impact has been identified, please explain what it is. Consider impacts on service users, visitors and staff members separately.

(a) Age **Note that this refers to any group of people of a particular age (e.g. 32 year-olds) , or within a particular age range (e.g. 16-24 year-olds) – in particular, please consider any safeguarding issues for children and vulnerable adults**
No impacts have been identified specific to this equality group. The proposal has a potentially positive impact on any person who would be in receipt of an increase in pay to £10 per hour.

(b) Disability **Note that a person has a disability if they have a physical or mental impairment which has a substantial and long-term adverse effect on that person's ability to carry out normal day-to-day activities.**
We do not have any data regarding the number of disabled people employed by Council contractors. However, any increase to wages of those on the lowest incomes is more likely to have a positive impact on disabled people. Disabled people are especially likely to have low-incomes or to experience poverty as, in the UK, 30% of people living in a family with a disabled member live in poverty, compared to 19% of those who do not[3]. Also, as a result of physical barriers to social participation, disabled people face extra living costs on average of £550 per month[4].

(c) Gender reassignment
No impacts have been identified specific to this equality group. The proposal has a potentially positive impact on any person who would be in receipt of an increase in pay to £10 per hour.

[3] Joseph Rowntree Foundation (2017) https://www.jrf.org.uk/report/uk-poverty-2017
[4] Scope (2014) http://www.scope.org.uk/Scope/media/Images/Publication%20Directory/Priced-out.pdf?ext=.pdf

(d) Marriage and civil partnership
No specific impacts have been identified for this equality group. The proposal has a potentially positive impact on any person who would be in receipt of an increase in pay to £10 per hour.

(e) Pregnancy and maternity
See ‘sex’ – We do not have any data regarding the number of women employed by Council contractors. However, in general women are more likely to experience low pay, partly due to more often being primary child carers than men. It is likely therefore that the proposals to require contractors to uprate the minimum pay to £10 per hour would benefit people in this group.

(f) Race Note that the protected characteristic ‘race’ refers to a group of people defined by their race, colour, and nationality (including citizenship) ethnic or national origins.
We do not have any data regarding the number of BAME employed by Council contractors. However, in general an increase to wages of those on the lowest incomes is more likely to have a positive impact on Black Asian Minority Ethnic (BAME) people. The UK poverty rate is twice as high for Black and Minority Ethnic (BME) groups as for white groups[5]. In the BAME community needs assessment we carried out in 2015, respondents felt that poor opportunities related to employment were one of the worst things about living in Cambridge, which partly related to low pay experienced by these groups.

(g) Religion or belief
No impacts have been identified specific to this equality group. The proposal has a potentially positive impact on any person who would be in receipt of an increase in pay to £10 per hour.

[5] Joseph Rowntree Foundation (2017) https://www.jrf.org.uk/report/poverty-ethnicity-labour-market

(h) Sex
We do not have any data regarding the number of women employed by Council contractors. However, it is likely that requiring contractors to uprate their minimum pay rates to £10 per hour is likely to benefit women. Women in Cambridge earn less than men, particularly those on low incomes[6]. The average earnings for women in Cambridge with the lowest 25% of earnings is £214.50 per week or less, compared with £419 or less for men with the lowest 25% of earnings. The Fawcett Society, a group which campaigns for equality, says caring responsibilities can play a big part in the gender pay gap. Women often care for young children or elderly relatives. This means women are more likely to work in part-time roles, which are often lower paid or have fewer opportunities for progression.[7]

(i) Sexual orientation
No impacts have been identified specific to this equality group. The proposal has a potentially positive impact on any person who would be in receipt of an increase in pay to £10 per hour.

(j) Other factors that may lead to inequality – <u>in particular</u> – please consider the impact of any changes on low income groups or those experiencing the impacts of poverty
The proposal has a potentially positive impact on any person who would be in receipt of an increase in pay to £10 per hour. The £10 amount is a higher rate of pay than that identified by the Living Wage Foundation as the minimum needed to meet Living costs across the UK (outside of London) that is currently set at £8.75 per hour. This is in recognition that housing costs and transport costs for people travelling into Cambridge to work are especially high.

11. Action plan – New equality impacts will be identified in different stages throughout the planning and implementation stages of changes to your strategy, policy, plan, project, contract or major change to your service. How will you monitor these going forward? Also, how will you ensure that any potential negative impacts of the changes will be mitigated? (Please include dates where possible for when you will update this EqIA accordingly.)
No action required to address the equality impacts identified above

[6] NOMIS (2017), Labour Market Profile – Cambridge https://www.nomisweb.co.uk/reports/lmp/la/1946157205/report.aspx?town=cambridge

[7] https://www.fawcettsociety.org.uk/close-gender-pay-gap

12. Do you have any additional comments?
N/a
13. Sign off
Name and job title of lead officer for this equality impact assessment: Helen Crowther, Equality and Anti-Poverty Officer Names and job titles of other assessment team members and people consulted: David Kidston, Strategy and Partnerships Manager Date of EqIA sign off: Friday, 21st September, 2018 Date of next review of the equalities impact assessment: N/a Date to be published on Cambridge City Council website: Wednesday, 26th September, 2018

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Item

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2018/19

To:
The Executive Councillor for Finance & Resources: Councillor Richard Robertson

Strategy & Resources Scrutiny Committee 8th October 2018

Report by:
Caroline Ryba – Head of Finance & S151 Officer
Tel: 01223 458134 Email: caroline.ryba@cambridge.gov.uk

Wards affected:
All Wards

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 2017).

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 2018/19;
- A review of the Council's borrowing strategy for 2018/19;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

- A review of the Council's investment portfolio for 2018/19; and;
- An update on interest rate forecasts following economic news in the first half of the 2018/19 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

The Executive Councillor is asked to:

2.1 Recommend this report to Council, which includes the Council's estimated Prudential and Treasury Indicators 2018/19 to 2021/22;

2.2 Recommend to Council the approval of a £5m limit on secured bonds with local businesses subject to due diligence as highlighted in paragraph 8;

2.3 Recommend to Council that the Minimum Revenue Provision (MRP) Policy will be updated to state that no MRP will be required if this bond is secured, but to be reviewed at least annually;

2.4 Recommend to Council to agree the principle of investing up to £5m in a bond issued by Allia Limited, and delegate to the Head of Finance the final decision on the appropriateness of this investment, once detailed due diligence has been completed as set out in paragraph 8.9;

2.5 Recommend to Council that the counterparty limit for Barclays Bank Plc be increased by £10m to £35m; and;

2.6 Recommend to Council that the Money Market Fund (MMF) counterparty limit be reduced by £10m to £5m for each fund, with a total MMF limit of £20m (and to continue using MMFs that are rated AAA).

3. Background

3.1. The Council is required to comply with the CIPFA Prudential Code (December 2017 edition) and the CIPFA Treasury Management Code of Practice (Revised December 2017). 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 Link Asset Services. Link'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 2018/19 to 2021/22

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 2018/19 and is in line with the agreed Capital Plan.

	2018/19 Estimate £'000	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**
General Fund Capital Expenditure	49,123	12,410	4,111	806
HRA Capital Expenditure	38,232	51,211	62,372	28,475
Total Capital Expenditure	**87,355**	**63,621**	**66,483**	**29,281**
Resourced by:				
• Capital receipts	-8,356	-9,876	-12,416	-5,413
• Other contributions	-43,946	-43,545	-51,567	-23,868
Total resources available for financing capital expenditure	**-52,302**	**-53,421**	**-63,983**	**-29,281**
Financed from cash balances	**35,053**	**10,200**	**2,500**	**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	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**
General Fund Capital Financing Requirement	60,625	70,125	71,925	71,225
HRA Capital Financing Requirement	214,321	214,321	214,321	214,321
Total Capital Financing Requirement	**274,946**	**284,446**	**286,246**	**285,546**
Movement in the Capital Financing Requirement	**34,353**	**9,500**	**1,800**	**-700**
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	240,593	240,593	240,593	240,593

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	NIL
2017/18 Borrowing	NIL
2018/19 Borrowing up to 31st August 2018	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's current capital plan does not require any new external borrowing for the period 2018/19 to 2021/22, inclusive. However, this will be kept under review as part of the development of the capital plan.

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. This policy was agreed by Council on 22nd February 2018.

6.5 The Medium Term Financial Strategy now includes capital expenditure of £28.6 million in 2018/19 (Cromwell Road site) and up to £18.0 million in

2019/20 (Cambridge Investment Partnership). £11.4 million of this total is HRA expenditure funded from devolution grant and right to buy receipts. The General Fund element is currently internally funded from cash balances. This is reflected in the increase in the Council's Capital Financing Requirement.

6.6 In relation to the Cromwell Road site purchase, various withdrawals were made from the Money Market Funds a day before, to cover the total payment due of £34m including VAT. In order to make this purchase run smoothly, the Head of Finance agreed that on a temporary basis, the investment limit with Barclays Bank Plc of £25m would be broken. The Leader of the Council was formerly notified of this breach by email, by the Head of Finance, on 14th June 2018.

6.7 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 2019, at least (with the date agreed annually).

7. Investment Portfolio

7.1 The Council takes a cautious approach within its Treasury Management Strategy, and the detailed counterparty list with limits is shown within Appendix B. The limit for Barclays Bank was breached in 2018/19 as referred to in paragraph 6.6.

7.2 The average rate of return for all deposits to 31st August 2018 is 1.23%, compared to an actual of 1.06% for 2017/18. The current quoted return on the CCLA Local Authorities Property Fund is an annual return of 4.49%. The Council will under-achieve its interest receipts budget of £641,000 to the end of August 2018 by approximately £91,000. This is due to a larger than anticipated credit interest recharge to the HRA (debit to the General Fund).

7.3 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 AS AT 31st MARCH	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Short Term – 40%*	49,500	36,000	29,500	26,900
Medium Term - 30%*	37,100	27,000	22,100	20,100
Long Term – 30%*	37,100	27,000	22,100	20,100
TOTAL PREDICTED CASH DEPOSITS:-	**123,700**	**90,000**	**73,700**	**67,100**

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

7.4 The Council's balances reduce in line with the cash requirements of the Cambridge Investment Partnership redevelopments of Mill Road and Cromwell Road during 2019/20 and 2020/21 .

7.5 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 2018 is shown at Appendix C.

8. Potential Investment in Allia Limited

8.1 The Council has been approached by Allia Ltd (formerly CityLife) to gauge interest in buying bonds they propose to issue to fund the organisation.

8.2 Allia's main work is providing start-up office accommodation (and some manufacturing facilities) for new businesses with emphasis on eco entrepreneurs. Allia have four centres including the Future Business Centre in King's Hedges Road , Norfolk Street and others in Peterborough and East London.

8.3 Allia needs to refinance an existing £4.2m of 5 year Bonds which come to the end in November 2018. Existing Bond Holders have been approached and some have confirmed an interest in repurchasing. Returns would be better than bank deposits by about 1-2%, with the bond secured on the business centre building.

8.4 Allia are also working on proposals to extend the existing building on Kings Hedges Road and are looking to issue a new bond to finance this of approximately £5m. This would also be secured against the extension.

8.5 The Council may wish to invest in Allia to support the development of local businesses and jobs. Government investment guidance states that:-

"A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:
• Total financial exposure to these type of loans is proportionate;
• They have used an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9

Financial Instruments as adopted by proper practices to measure the credit risk of their loan portfolio;
• They have appropriate credit control arrangements to recover overdue repayments in place; and
• The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit."

8.6 If the Council chooses to invest in the bond being used to finance the extension to the Future Business Centre this would meet the statutory definition of capital expenditure. This would increase the Council's overall Capital Financing Requirement (CFR) but a modest investment could still be financed from current cash balances rather than requiring funding from a PWLB loan or other funding stream. The Council must consider whether it needs to make a prudent Minimum Revenue Provision (MRP) from General Fund resources where the CFR increases. In Allia's proposals the bond would be secured, so as long as the value of the security was deemed appropriate it would be prudent to make no additional MRP.

8.7 An investment in the refinancing bond would not be deemed to be capital expenditure.

8.8 Allia are still developing their proposals and finalising their funding requirements. It is therefore proposed that the current Treasury Management Strategy is amended to set a maximum exposure to secured bonds with local businesses of up to £5m. It is also proposed that the current MRP policy is amended to reflect that no MRP is required on bond investments which are required to be treated as capital expenditure under regulation where those bonds are appropriately secured and that this security should be reviewed at least annually.

8.9 It is further proposed that the Head of Finance & Section 151 Officer has delegated authority to negotiate with Allia and approve the investment in the bonds subject to appropriate due diligence. This will include:-

- Completing financial due diligence on Allia and the security offered;
- Checking state aid issues;
- Looking at the legal documents relating to the bond and its security; and;
- Reviewing the associated risks to the Council, with this venture, with due consideration of any mitigating factors.

9. Brexit Update

9.1 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.

9.2 Rates dropped following Brexit and the triggering of Article 50. The UK will leave the EU on 29 March 2019. It is still not clear whether a deal will be negotiated with the EU. A 'no deal' Brexit is therefore still a possibility and it is likely that this could cause instability within the Financial Markets and affect interest rates further.

10. Financial Market Reforms Update

10.1 Money Market Fund (MMF) Reforms

10.2 The Money Market Fund Regulation came into force on 21st July 2018 which impacts immediately on any new funds created. Existing funds will have to be compliant by no later than 21st January 2019.

10.3 The above Regulation provides investors with a new way of categorising a MMF depending on the level of risk.

10.4 MMFs will be re-classified as either a Short-term MMF or a Standard MMF.

- **Short-term MMFs** are funds that maintain the existing prudent investment restrictions i.e having a maximum Weighted Average Maturity (WAM) of 60 days and a maximum Weighted Average Life (WAL) of 120 days; and;
- **Standard MMFs** having a maximum WAM of 6 months and a maximum WAL of 1 year.

10.5 Other changes will include the structure of MMFs which will include Public Debt Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) or Variable Net Asset Value (VNAV).

- **CNAV MMFS** must invest 99.50% of their assets into government debt instruments;
- **LVNAV MMFs** are permitted to maintain a constant dealing NAV provided the market NAV does not deviate by more than 20 basis points; and;
- **VNAV MMFs** price their assets using market pricing and therefore offer a fluctuating dealing NAV.

10.6 The Council does not currently know how its existing MMFs will be categorised although they are likely to be short term MMFs. It is unlikely that they will be CNAV as they don't invest overwhelmingly in government securities. It is unclear when exactly each fund will change to the new classification. However, MMFs are an important tool to manage the Council's short term operational cash requirements in line with security, liquidity and yield (SLY) considerations.

10.7 To manage the potential risks associated with MMF reform it is therefore proposed to limit the exposure to a single MMF to £5m (down from the current £15m) and total exposure of £20m (this is currently unlimited). In order to ensure that the Council has sufficient scope for short term investment it is also proposed to increase the total limit for Barclays Bank plc to £35m (offering 0.65% overnight). The Council will continue to only invest in MMFs with a AAA rating.

10.8 The Treasury Management Team monitor investments and this will be especially important for MMFs during this transition. However, as the funds are only placed overnight they are still considered to be relatively low risk.

10.9 The approach to MMFs will be reviewed again as part of the development of the 2019/20 Treasury Management Strategy.

11. Interest Rates

11.1 Link 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. Link's opinion on interest rates is presented at Appendix D.

12. Implications

(a) Financial Implications

The prudential and treasury indicators have been amended to take account of known financial activities.

(b) Staffing Implications

None.

(c) Equality and Poverty Implications

None.

(d) Environmental Implications

None.

(e) Procurement Implications

None.

(f) Community Safety Implications

No community safety implications.

13. Consultation and communication considerations

None required.

14. Background papers

No background papers were used in the preparation of this report.

15. Appendices

15.1 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 – Link's opinion on UK Forecast Interest Rates
Appendix E – Glossary of Terms and Abbreviations

16. Inspection of papers

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

Author's Name:	Stephen Bevis
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PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- General Fund	49,123	12,410	4,111	806
- HRA	38,232	51,211	62,372	28,475
Total	**87,355**	**63,621**	**66,483**	**29,281**
Capital Financing Requirement (CFR) as at 31 March				
- General Fund	60,625	70,125	71,925	71,225
- HRA	214,321	214,321	214,321	214,321
Total	**274,946**	**284,446**	**286,246**	**285,546**
Change in the CFR	34,353	9,500	1,800	-700
Deposits at 31 March (Average cash balances annualised)	102,700	78,800	55,300	55,200
External Gross Debt	213,572	213,572	213,572	213,572
Ratio of financing costs to net revenue stream				
-General Fund	-620	-507	-291	-273
-HRA	6,716	6,703	6,787	6,869
Total	**6,096**	**6,196**	**6,496**	**6,596**
% of net revenue expenditure				
-General Fund	-2.66%	-2.72%	-1.48%	-1.35%
-HRA	16.28%	16.62%	16.26%	15.74%
Total (%)	**13.62%**	**13.90%**	**14.78%**	**14.39%**

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'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	240,593	240,593	240,593	240,593
for other long term liabilities	0	0	0	0
Total	**240,593**	**240,593**	**240,593**	**240,593**
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	6,094	6,194	6,494	6,594
Net interest on variable rate borrowing/deposits	-15	-15	-15	-15
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit	
10 years and above (PWLB borrowing for HRA Reform)		100%	100%	

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 (*references have now been made to RFB & NRFB for UK Banks, with explanations within the Glossary at Appendix E). **Recommendations are shown in bold text**:-

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 – NRFB*	**Using Link's Credit Criteria**	**UK Bank**	**35m**
HSBC Bank Plc – NRFB*	Using Link's Credit Criteria	UK Bank	20m
HSBC UK Bank Plc – RFB*	Using Link's Credit Criteria	UK Bank	20m
Standard Chartered Bank	Using Link's Credit Criteria	UK Bank	20m
Bank of Scotland Plc (BoS) – RFB*	Using Link's Credit Criteria	UK Bank	20m
Lloyds Bank Plc – RFB*	Using Link's Credit Criteria	UK Bank	20m
National Westminster Bank Plc (NWB) – RFB*	Using Link's Credit Criteria	UK Nationalised Bank	20m
Santander UK Plc	Using Link's Credit Criteria	UK Bank	5m
The Royal Bank of Scotland Plc (RBS) – RFB*	Using Link's Credit Criteria	UK Nationalised Bank	20m
Other UK Banks	Using Link's Credit Criteria	UK Banks	20m

Name	Council's Current Deposit Period	Category	Limit (£)
Members of a Banking Group (BoS Group includes Lloyds, RBS Group includes NWB)	Using Link's Credit Criteria	UK Banks and UK Nationalised Banks	30m
Svenska Handelsbanken	Using Link'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 (MMFs) – AAA rated only	**Liquid Rolling Balance**	**Financial Instrument**	**5m (per fund) & not exceeding £20m in total for all MMFs**
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 9th August 2018**	**Limit (£)**
Nationwide Building Society	1 month or in line with Link's Credit Criteria, if longer	227,303	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		49,063	
Coventry Building Society		41,910	
Skipton Building Society		19,567	
Leeds Building Society		18,937	
Principality Building Society		9,060	
West Bromwich Building Society		5,794	
Non-Specified Investments:-			
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	Up to 35m (in total)
Cambridge City Council Housing Working Capital Loan Facility	Up to 1 year	Loan	200,000
CCLA Local Authorities' Property Fund	Minimum of 5 years	Pooled UK Property Fund	Up to 15m

Name	Council's Current Deposit Period	Category	Limit (£)
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)
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/S1)	Over 1 year and up to 5 years	Financial Instrument	10m (per single counterparty)
Commercial Property Investments funded from cash balances	Over 1 year	Commercial Property	20m (in total)
Municipal Bonds Agency	N/A	Pooled Financial Instrument Facility	50,000
Secured Local Bond in Local Businesses – Using Allia Limited	**N/A**	**Local Business Bond**	**Up to 5m in total**
Supranational Bonds – AAA	Using Link's Credit Criteria	Multi-lateral Development Bank Bond	15m
UK Government Gilts	Over 1 year & up to 30 Years	Financial Instrument	15m

Note: In addition to the limits above, the total non-specified items over 1 year will not exceed £50m.

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 £1.3m each year based on current deposit and interest rate levels.

At 1st April 2018, the Council had deposits of £106.510m. The table below provides a sources breakdown of the funds deposited at that date:-

Funds Deposited as at 1 April 2018	**£'000**	**£'000**
Working Capital		21,355
General Fund:		
General Reserve	13,380	
Asset Renewal Reserves	2,963	
Other Earmarked Reserves	21,629	37,972
Housing Revenue Account (HRA):-		
General Reserve	9,018	
Asset Renewal Reserves	8,671	
Major Repairs Reserve	8,155	
Other Earmarked Reserves	2,456	
Capital Financing Requirement (Including HRA Reform)	-240,593	
PWLB Borrowing for HRA Reform	213,572	1,279
Capital:		
Capital Contributions Unapplied	5,417	
Usable Capital Receipts	40,487	45,904
Total Deposited		**106,510**

The HRA accounts for around 60% of reserves deposited.

Link'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 (Link) on UK Interest Rates as currently predicted.

Interest rates

Members of the Bank of England Monetary Policy Committee (MPC) increased the bank rate to 0.75% (previously 0.50%) and kept Quantitative Easing (QE) at £435bn, on 2nd August 2018. Going-forward, the Council's treasury advisor, Link, has provided the following interest rate forecasts, issued on 7th August 2018:-

	Now	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank rate	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 month LIBID	0.75%	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 month LIBID	0.85%	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 month LIBID	1.00%	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB rate	2.00%	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB rate	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%
25yr PWLB rate	2.80%	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB rate	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The actual vote by the MPC on 2nd August 2018 was unanimous at 9-0 in favour.

Appendix E

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
Corporate Bonds	Financial instruments issued by corporations
Counterparties	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
MHCLG	Ministry for Housing, Communities & Local Government (formerly the Department for Communities & Local Government, DCLG)
Enhanced Cash Funds	Higher yielding funds typically for investments exceeding 3 months
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

Term	Definition
Government CNAV	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
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
Low Volatility Net asset Value (LVNAV)	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
Non Ring Fenced Bank (NRFB)	Government & Bank of England rules will apply to all UK Banks which have to split their business into ‘core’ retail and investment units known as Ring and Non Ring Fenced Banks for the 1st January 2019 deadline
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
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

Term	Definition
Ring Fenced Bank (RFB)	Government & Bank of England rules will apply to all UK Banks which have to split their business into ‘core’ retail and investment units known as Ring and Non Ring Fenced Banks for the 1st January 2019 deadline
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
Variable Net Asset Value (VNAV)	MMFs values based on daily market fluctuations to 2 decimal places known as mark-to-market prices
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
Weighted Average Life (WAL)	Weighted average length of time of unpaid principal
Weighted Average Maturity (WAM)	Weighted average amount of time to maturity
Yield	Interest, or rate of return, on an investment

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Item

Medium-Term Financial Strategy (MTFS) October 2018

To:
Councillor Richard Robertson, Executive Councillor for Finance & Resources

Report by:
Caroline Ryba, Head of Finance
Tel: 01223 - 458134 Email: caroline.ryba@cambridge.gov.uk

Wards affected:
All

Key Decision

1. Executive Summary

1.1 This report presents and recommends the budget strategy for the 2019/20 budget cycle and specific implications, as outlined in the Medium-Term Financial Strategy (MTFS) October 2018 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 2019/20 budget process the range of assumptions on which the Budget-Setting Report (BSR) published in February 2018 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 2019/20 to 2023/24. 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 3 refer] of the MTFS document.

2.2 To agree the incorporation of changed assumptions and indicative net unavoidable budget pressures identified in Section 4 [pages 15 to 18 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 [pages 19 to 20 refer] of the MTFS document.

Capital

2.3 To note the changes to the Capital Plan as set out in Section 6 [pages 21 to 27 refer] and Appendix A [pages 35 to 40 refer] of the MTFS document and agree the new proposals:

Ref.	Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	Proposals							-
SC676	Jesus Green public conveniences	25	-	-	-	-	-	25
SC680	CCTV equipment upgrade	30	-	-	-	-	-	30
SC633	Grass reinforcement at Parker's Piece	140	-	-	-	-	-	140
SC678	Crematorium - additional car park	25	325	-	-	-	-	350
SC679	Crematorium - cafe facilities	20	310	-	-	-	-	330
Misc	Local bond investment	5,000	-	-	-	-	-	5,000
	Total Proposals	**5,240**	**635**	-	-	-	-	**5,875**

Earmarked Reserve

2.4 A new Fund was approved at Council on 19 July 2018 for a Cambridge Live Development Plan and this report includes a recommendation to approve the following remit:

Earmarked Fund - Cambridge Live Development Fund **Approved Timescale:** **1 April 2018 to 31 March 2020** **Lead Officer:** **D Kaye**
Remit : To support the transformation and ongoing development of Cambridge Live over the next two years subject to a maximum spend of £500,000 with full delegation for management of the Fund assigned to the Chief Executive.

Reserves

2.5 To agree changes to General Fund Reserve levels, with the Prudent Minimum Balance being set at £5.504m and the target level at £6.605m as detailed in Section 7 [pages 28 to 31 refer] and Appendix B [pages 41 to 42 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 2019/20 budget process within the context of projections over the medium-term. The detailed analysis undertaken to fulfil this is presented in the MTFS October 2018 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 2023/24, 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 capital costs, as identified, are included.

3.6 The analysis undertaken leads to a recommended integrated financial strategy for the 2019/20 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. Consultation and communication considerations

Budget Consultation is outlined in the MTFS document [pages 2 to 3 refer].

6. Background papers

Background papers used in the preparation of this report:

MTFS Working Papers on the 2018/19 and 2019/20 files

7. Appendices

MTFS October 2018: 2018/19 to 2023/24 Document

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Caroline Ryba, telephone: 01223 - 458134, email: caroline.ryba@cambridge.gov.uk.

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Version 1
Strategy & Resources

General Fund
Medium-Term Financial Strategy

October 2018

2018/19 to 2023/24

Cambridge City Council

CAMBRIDGE CITY COUNCIL

Contents

Appendices

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

The annual Medium Term Financial Strategy (MTFS) sets out to predict the finances of Cambridge City Council for the next five years. Assumptions and forecasts are thoroughly reviewed and applied to the years ahead so that we can create and share a good guide to the Council's future finances. This provides a context within which we can then take appropriate decisions to manage our finances and meet our objectives for Cambridge. These are:

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

These objectives need strong finances to be capable of being delivered. To do so we need to provide high quality services including a level of non-statutory services most councils get nowhere near matching. Yet to fund these services we are faced with the possibility of increased costs and reduced income.

Major uncertainty on future income

The Government continues to emphasise austerity in their policies, and a major impact for Cambridge is that our Revenue Support Grant has been reducing year by year and we will receive nothing at all from April 2019. Only five years ago in 2013/14 we received £5,639,000. There has been cumulative damage caused by the Government's austerity programme over the past 8 years. It has hindered the ability of local authorities to provide services and at the same time brought hardship to those who are less well-off, leading to more work being needed from us to assist them.

The Government has a series of overlapping and slow moving local government financial reviews underway, including on Fair Funding, on the future of New Homes Bonus, and on Business Rates. This means we face extensive uncertainty as to our funding from these sources.

Leaving the EU will doubtless put pressure on the UK economy but how seriously is not known. Even a place like Cambridge, with a robust economy, may well suffer a downturn. This may in turn lead to a reduction in important income streams to the city council such as rents from our commercial property and charges in our car parks.

We can anticipate growth in Council Tax with the continued construction of new homes in the city, but this also brings with it increased costs in providing services to those homes, such as refuse bins and collection. The strong growth in provision of student housing is particularly burdensome as we get no Council Tax income from students yet we are required to provide them with services such as taking their rubbish away.

With these pressures on us to provide quality services to more people and businesses and share the prosperity of the city, it has been essential to develop strategy so that it is possible to set balanced budgets each year.

The Challenge

Given the economic and financial uncertainties facing us, this year's assessment of the council's finances into the future, has been especially rigorous in identifying pressures we may encounter. We need to understand the difficulties we may face and plan our response in an organised way rather than have decisions taken out of our control.

For the past few years we have been very effective in saving on costs such as by:

- Sharing services with other councils has enabled have enabled savings to be found.
- The Office Accommodation Strategy has concentrated staff into fewer buildings and improved the facilities for staff.
- The energy efficiency of those premises has been greatly improved cutting down on heat and light bills.
- Our digital strategy involves investing in IT equipment and software to enable procedures and systems to run far more efficiently.

And at the same time we have found ways to develop income, notably:

- Releasing underused bank balances for investment to achieve much better returns
- Developing commercial services, such as the vehicle workshop at Waterbeach

In preparing the financial tables and projections in this MTFS, Heads of Service were asked to plan ahead more rigorously than ever, to identify pressures on the cost of providing services into the future, and seek opportunities to develop income. They were also asked to identify capital expenditure requirements up to 10 years ahead so that we can plan to have the funds available to meet those needs.

This exercise added to the review of key assumptions such as on expected levels of general and pay inflation. The resultant overall forecast indicates that the scale of the pressures for the next five years has grown. In responding to this challenge officers will be carrying out further reviews of service budgets. We have also had the officers bring together a long list of possible ways to reduce costs and develop new income streams. These are being assessed for their viability and to ascertain that they fit in with our overall objectives for serving Cambridge.

While we need to find more ways to be less reliant on Government funding, we also hope to benefit from the government's proposal for some form of business rates retention by local councils. While this is primarily geared to retention of only the growth in business rates, it could still be an important source of funds into the future. We are actively working with the other local authorities of the county and Peterborough to apply to be a pilot project for business rates retention next year. Work to release land in the north-east of Cambridge for development of business properties as well as housing could well lead to strong growth in rates so the development of a retention scheme is important to us.

Capital Investment

Through investment in the distant and recent past the council has built up a sizeable portfolio of commercial properties and we have commissioned an external review of this. The review will consider all factors relating to the property not least whether we need to diversify more given the pressures on some sectors, notably retail.

Our investment in commercial property outside of our city has provided a better rate of return than has been possible from buying property in Cambridge, and also enabled us to diversify away from a single area. However we also want to find ways to invest to help develop jobs and the overall economy of Cambridge. The proposed investment in the Allia, Future Business Centre, is a good example of how we can do that. We also want to develop some of the council's existing land holdings in the city where they are suitable for new schemes, and help businesses develop here as well as improving returns.

The project to build 500 council homes will add significantly to the stock of genuinely affordable accommodation in Cambridge. However our strategy is also for the project to help develop other homes in the city with different forms of tenure. The way we have embarked on the 500 home venture means that we are also enabling several hundred additional homes to be constructed. Most of these will be sold on the open market but we are planning for some to be bought by our Housing Company for letting at sub-market rents.

Summary

This Medium Term Financial Strategy identifies the pressures we face in the years ahead. It will enable us to plan finding savings, increase income streams and invest both for the future support of our budget and to help the economic development of Cambridge. The analysis will be used to help draw together the Budget Setting Report for 2019/20 which will be published in January.

By then we cannot expect anything more than marginal change in the uncertainties we will face but the MTFS will help us maintain the core financial objectives of this Council: sound and prudent financial management, the minimisation of the need for cuts to services, investment in more affordable housing, and a fairer and more equal city, a city we are so proud to serve.

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) 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 when 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 has incorporates a review of the current year's budget position and updated projections for five years. However, we have extended the period of the projections underlying this document to ten years (from 2019/20 to 2028/29) to provide a longer term view to allow planning in response to increasing pressures on local government finance. The later years of the projection are not presented, primarily due to the wide range of possible outcomes and the considerable levels of uncertainty in those years. The projections demonstrate the effects of changes in assumptions made and their impact in terms of savings requirements.

The current funding climate is uncertain and in March 2018, the National Audit Office concluded:

The sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since our last study [2014]. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially; so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams. The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium- term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

"Financial sustainability of local authorities" March 2018

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 budget process:
    - The level of spending reductions required, if any
    - Resources to be made available for funding the capital plan
    - The level of GF general reserves

Context and approach

The council has carried out a budget consultation exercise annually since 2002, using a variety of quantitative and qualitative methods.

In October 2018 the council will host events for local businesses and community representatives. The Leader will set out the vision and priorities for the Council within the context of the challenges we are facing. Subsequent questions, comments and discussions will be used to inform members of the nature of the debate and the feelings of the audience, so that these considerations can be taken into account as the council's budget is developed.

There is still a statutory requirement to consult local businesses on the Council's financial expenditure. The nature of this consultation is not specified in the legislation and the current Leader's briefings with business representatives could satisfy this requirement. There is also a requirement to consult under Section 3 of the Local Government Act 1999 (Best Value), which relates to fulfilling the duty of providing best practice. This has generally been interpreted as a requirement to consult with local people when there is a substantial change to local services, both those affected directly and non-directly.

Timetable

Key dates and decision points are set out below. However, the committee process and dates are currently under review and may change:

Date	Task
2018	
8 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
16 October	Council considers both GF and HRA MTFS reports
2019	
4 January	Budget Setting Report (BSR) published
21 January	BSR considered by Strategy & Resources Scrutiny Committee
24 January	The Executive consider and recommend the BSR and Council Tax level to Council
11 February	Special Strategy & Resources Scrutiny Committee to consider any budget amendment proposals
21 February	Council approves Budget Setting Report and sets the level of Council Tax for 2019/20

Section 2
Policy context, priorities and external factors

Local policy context and priorities

Corporate Plan

The council's Corporate Plan was approved in February 2018 at the same time as the Budget for 2018/19. It sets out the aims and objectives of the council and how these will be achieved. The Leader's Foreword to this MTFS supplements the 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 to bring additional benefits to the people who live, work and study in our area, especially through pooling of resources and skills to achieve a common aim.

The Greater Cambridge Partnership

The City Council is working with Cambridgeshire County Council, South Cambridgeshire District Council, the University of Cambridge and the Cambridgeshire and Peterborough Combined Authority – Business Board (formerly 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 £500m, to be released over a 15 to 20 year period, expected to be matched by up to another £500m from local sources, including through the proceeds of growth.

The City Deal will help Greater Cambridge to maintain and grow its status as a prosperous economic area. The Partnership is working to:

- Accelerate the delivery of 33,500 planned homes
- Enable delivery of 1,000 extra affordable new homes on rural exception sites
- Deliver over 420 new Apprenticeships for young people

- Provide £1bn of local and national public sector investment, enabling an estimated
- £4bn of private sector investment in the Greater Cambridge area
- Create 44,000 new jobs
- Provide a governance arrangement for joint decision making between local councils

The Partnership is currently developing proposals for transport improvements to enable people, goods and ideas to move more quickly, reliably and sustainably between centres of research, innovation and enterprise, and between places of residence, work and study.

One aspect of this is likely to be proposals to tackle congestion, and this may require ways of managing the number of vehicles on the most congested routes at the most congested times of the day. Whatever proposals are ultimately implemented may have impacts on City Council services, including potentially budgetary implications. The service and financial impact of such measures will be factored into the council's financial planning in more detail as the impacts become clearer.
The Partnership is also supporting delivery of affordable housing and a skills system that equips more young, local people with the skills they need to engage in the knowledge-based industries that comprise the Cambridge Cluster.

The Partnership is also bringing together public, private and academic experts to develop and exploit "smart city" technologies to help identify and address the challenges that Greater Cambridge faces.

The council, with the other local authority partners, have agreed to create an investment and delivery fund from a proportion of New Homes Bonus (NHB). As a result of this, the BSR considers the application of funds from NHB, earmarking part of future uncommitted funding in line with the expected levels of contribution to the fund.

Cambridgeshire and Peterborough Combined Authority

In November 2016, eight organisations[1] in Cambridgeshire, including Cambridge City Council, agreed a devolution deal with the government to form the Cambridgeshire and Peterborough Combined Authority (CPCA). The deal gives delegated powers to the Combined Authority and a new elected Mayor and brings funding to the region. Following elections on 5 May 2017, James Palmer

[1] Cambridge City Council; Cambridgeshire County Council; East Cambridgeshire District Council; Fenland District Council; Huntingdonshire District Council; Peterborough City Council; South Cambridgeshire District Council; Greater Cambridge Greater Peterborough Local Enterprise Partnership

was elected as Mayor for the Combined Authority. Councillor Lewis Herbert represents the council on the CPCA.

The CPCA will receive funding and powers from Central Government in a number of areas including:

- £100 million to deliver new homes over a five-year period in Peterborough and Cambridgeshire which includes affordable, rented and shared ownership housing, plus £70m for Cambridge City Council to deliver at least 500 new council homes.
- £20 million a year funding over 30 years to support infrastructure and boost economic growth in the region

The key ambitions for the CA include:

- doubling the size of the local economy
- accelerating house building rates
- improving transport and digital infrastructure.

It has been agreed that the Combined Authority costs will be funded from the gain share grant and therefore there will be no charge to the City Council for this. The Mayor has the power to raise a precept (i.e. a separate additional element of council tax to fund the running costs of the Mayoral office). The earliest this could take effect is from 2019/20.

The Combined Authority (but not the Mayor) can levy constituent councils to make a contribution towards its functions but this would need to be unanimously agreed by those authorities through the budget making process for the CPCA. Each Council could also decide voluntarily to make a financial contribution to the CPCA.

The city's economy should benefit from the additional investment and improved infrastructure in the local area that the CPCA brings. The delivery of the £70m council building programme will bring an income stream to the Housing Revenue account as those houses come on stream.

Shared services

The council shares some services with neighbouring councils and is working to develop other shared services. Benefits include improvements in service delivery, efficiencies and greater resilience. True savings arising from shared working will not be realised until all back office and support functions have been reduced to the same proportionate level as prior to a service being shared.

The following services are delivered in two or three way partnerships with South Cambridgeshire District Council (SCDC) and Huntingdonshire District Council (HDC):

With SCDC and HDC:

- 3C Building Control
- 3C ICT
- 3C Legal
- Home Improvement Agency

With SCDC:

- Greater Cambridge Shared Waste Service
- Greater Cambridge Shared Internal Audit
- Greater Cambridge Shared Planning
- Payroll

With HDC:

- CCTV

External factors

The European Union (EU)

There is still a considerable amount of uncertainty as to the effect of the United Kingdom (UK) leaving the EU with regard to interest rates, inflation and business investment combined with associated business rates generation and retention. Some of the current issues may be clarified following the summit on 18 October 2018, when the 28 leaders of EU countries are expected to agree the outline of future relations between the EU and the UK. As presently understood, the UK will leave the EU on 29 March 2019, with a transition period lasting until midnight on 31 December 2020.

Inflation rates

Inflation used to drive expenditure assumptions in the GF financial planning has been based on the Bank of England and Office of Budget Responsibility (OBR) forecasts. The percentage currently applied in the MTFS is 2.2% reducing to 2% by mid-2021. Previously the base level of inflation included within forecasts was 2% reflecting the Government target for CPI. The Bank of England's

August 2018 forecast shows a return to that rate by late 2020. Rates used will be reviewed again for the BSR in February 2019.

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. Members of the Bank of England Monetary Policy Committee (MPC) unanimously increased the bank rate to 0.75% (previously 0.50%) on 1st August 2018, the previous increase was on 2nd November 2017, when the Committee voted to increase the Bank Rate to 0.50%.

Rates available to investors continue to be exceptionally low. However, through the use of a variety of investments as permitted by our investment strategy, we are maintaining our rates of return above 1%, expected to rise to 1.3% in 2020/21. As a result, our assumption relating to the rates at which we can lend out our cash balances have been maintained, as noted in Section 3.

Interest rates on external borrowing

The council has no GF borrowing or existing plans to borrow. However, the council uses its cash balances to fund capital spending and to lend to the Cambridge City Housing Company (CCHC) and the Cambridge Investment Partnership (CIP). The council has a substantial interest in both these organisations, which provide financial returns to the council and enable the delivery of policy priorities. Use of cash balances in this way is known as 'internal borrowing' and may indicate a need to borrow externally in due course. The council keeps this situation under regular review and seeks advice from its treasury advisors (Link Asset Services) in this regard.

National policy context

Government spending announcements

In his Spring 2018 statement, the Chancellor revised the government's pledge to eliminate the budget deficit from 2025 to "mid-2020s". A budget deficit revision could have considerable impact on the medium-term outlook for local government funding.

Two fiscal reports in July, from the OBR and Treasury, highlighted the pressures on public finances. Pressures on health, pensions and social care dominate long-term projections. When recent public sector pay awards are factored in, the future course of local government funding becomes very challenging.

Whilst reduced contributions to the EU will fund some additional demand, much will be used to maintain existing agricultural, scientific research and infrastructure support, with additional funding for Health also expected from this source.

Despite a fall in median incomes, higher levels of employment which are largely determined by the pace of economic growth, should translate into improvements in income tax revenues.

Local government finance

2019/20 and future years

On 24 July 2018, the Government published a technical consultation on "The 2019/20 Local Government Finance Settlement". The consultation covers proposals for the 2019/20 Local Government Finance Settlement in the context of the overall Spending Review package announced in 2015.

The Government proposes to allocate funding in 2019/20 in accordance with the agreed methodology announced by the Secretary of State in 2016/17, which ensures that local councils delivering similar services receive a similar percentage change in settlement core funding for those services. The consultation ends on 18 September 2018 and also covers, *inter alia,* the fourth year of the multi-year settlement offer, proposals for the New Homes Bonus threshold, council tax increase caps and dealing with the issue known as 'Negative Revenue Support Grant'.

The 2016/17 settlement offered councils a four-year settlement, giving greater certainty of funding until the end of the spending period. For the City Council, this settlement gives certainty over Revenue Support Grant (RSG) and Business rates tariff and top-up payments. Effectively, RSG is to be phased out over the 4-year timeframe, with a proposal for negative RSG to be eliminated through the mechanism of the overall business rates settlement.

A further Business Rates pilot has been announced with participants being offered 75% retention of local business rates subject to tariffs and top-ups. The Council is expected to put forward a bid for inclusion in the pilot with partners in the CPCA. As the outcome is uncertain, no additional business rates income as a result of the pilot has been assumed in this MTFS.

The 2019 Spending Review will confirm overall local government resourcing from 2020/21. Therefore, uncertainty remains for that year and beyond.

This MTFS therefore assumes that the level of Settlement Funding Assessment (SFA) will be as indicated in the 2018/19 settlement for 2019/20, as included in the February 2018 BSR. There is considerable uncertainty relating to the SFA for 2020/21 and beyond, as there will be a Spending Review in 2019, which will address local government funding levels. The impacts of the government's Fair Funding Review and the expected implementation of 75% business rates retention are also unknown at this time. Therefore this MTFS uses a funding trajectory derived from a model provided by the council's advisers to provide a view of possible future funding levels, as shown in the table below.

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Revenue Support Grant (RSG)	-	-	-	-	-
Business rates baseline	4,240	3,951	3,925	3,897	3,867
Total SFA - per 2018/19 finance settlement and as modelled	**4,240**	**3,951**	**3,925**	**3,897**	**3,867**

New Homes Bonus

The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. The eligible amount, calculated from housing growth in the year, was then paid each year for a period of 6 years. In December 2016 the scheme was changed so that payments were reduced from 6 to 5 years in 2017/18 and to 4 years from 2018/19 together with the introduction of a national baseline for housing growth of 0.4% of council tax base from 2017/18, below which the Bonus is not paid.

The government has retained the right to adjust the baseline, principally to remain within spending limits each year. In 2018/19 the baseline remained at 0.4%, however, due to the continued upward trend for house building, the government expects to increase the baseline in 2019/20 following a review of housing data when published in November. Any changes intended for the baseline in 2019/20 will be detailed at the time of the provisional settlement.

2019/20 represents the final year of funding agreed through the Spending Review 2015. In light of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. It is considered possible, indeed likely, that NHB will be replaced at that point, although the underlying funding is expected to be redistributed within the local government sector in some way. Government has committed to consult widely on any changes prior to enactment. As the impact of these changes cannot be foreseen, this MTFS continues to include the consideration of NHB funding and how it will be used, based on future growth predictions and a 0.4% baseline.

NHB is currently used to fund both revenue and capital spending related principally to growth and place. Along with partners, the Council has committed 40% of NHB funding each year to a GCP Investment and Delivery Fund, with remaining amounts reserved for schemes to mitigate the impacts of the A14 upgrade. As the geographical area of Cambridge City becomes increasingly developed, growth is expected to slow, giving rise to smaller NHB receipts. However, the council's revenue and capital expenditure and the A14 mitigation take priority over the contribution to the GCP Investment and Delivery Fund. It can be seen that from 2022/23 onwards it is no longer possible to set aside 40% to the GCP Fund without creating an unacceptable deficit in this revenue stream. However, as this funding stream is expected to undergo significant change in the next two or three years, a fundamental review of the expenditure funded from it and possible alternative funding sources, will be required.

NHB receipt estimates, based on projections of future growth, are shown below, along with current commitments.

Description / (£'000s)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Confirmed NHB funding at February 2018 BSR	**(4,108)**	**(2,522)**	**(1,161)**	**-**	**-**	**-**
Add	-	-	-	-	-	-
Confirmed NHB receipts for 2018/19	(1,487)	(1,487)	(1,487)	(1,487)	-	-
Estimated NHB receipts for 2019/20	-	(1,106)	(1,106)	(1,106)	(1,106)	-
Estimated NHB receipts for 2020/21	-	-	(1,133)	(1,133)	(1,133)	(1,133)
Estimated NHB receipts for 2021/22	-	-	-	(1,161)	(1,161)	(1,161)
Estimated NHB receipts for 2022/23	-	-	-	-	(482)	(482)
Estimated NHB receipts for 2023/24	-	-	-	-	-	(494)
Potential New Homes Bonus Total	**(5,595)**	**(5,115)**	**(4,887)**	**(4,887)**	**(3,882)**	**(3,271)**
Commitments against NHB						
Funding for officers supporting growth e.g. within planning	785	785	785	785	785	785

Description / (£'000s)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564	564
Public Realm Officer - Growth X3782	35	-	-	-	-	-
Direct revenue funding of capital	1,075	1,075	1,075	1,075	1,075	1,075
Contribution to Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	2,238	2,046	1,955	1,955	1,458	847
A14 mitigation contribution funded from reserved amounts	-	(1,500)	-	-	-	-
Spend from A14 mitigation Fund	-	1,500	-	-	-	-
Contribution to GCP Investment and Delivery Fund	-	-	-	-	-	-
Total commitments against NHB	**4,697**	**4,470**	**4,379**	**4,379**	**3,882**	**3,270**
NHB reserved for A14 mitigation	**782**	**-**	-	-	-	-
Cumulative amounts reserved for A14 mitigation	**(1,500)**	**-**	**-**	**-**	**-**	**-**
NHB (uncommitted) / overcommitted	**(116)**	**(645)**	**(508)**	**(508)**	**(0)**	**(0)**

Section 3
Review of key assumptions

Budget forecasts presented in the February 2018 BSR 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 sets out where assumptions have been retained and where changes have been made **(shown in bold)** 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: **2019/20 - 2.0%** **2020/21 - 2.0%** and 2.0% thereafter (no change)	Latest agreed pay award is 2% with no reduction currently anticipated.
Employee turnover	3%	In general, employee budgets assume an employee turnover saving of 3.0% of gross pay budget. Specific vacancy factors are applied where experience indicates that a different vacancy factor is more applicable.

Key area	Assumption	Comment / Sensitivity
General inflation (OBR/BoE)	**2019/20 - 2.2%** **2020/21 - 2.1%** **2021/22 - 2.0%** **thereafter – 2%** (previously 2.6%, 2.2%, 2.3%)	Provisions have been updated in accordance with the Office of Budget Responsibility and Bank of England's latest forecasts. 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.
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.
Investment interest rate assumption	**2019/20 – 1.25%** **2020/21 – 1.30%** **thereafter – 1.30%** (previously 1.0%)	Based on current projections
Capital funding contributions	£1.8m	Capital funding contributions at base level of £1.8m per annum with feasibility budget of £75,000. £1.075m is funded from New Homes Bonus so is contingent on the continuity and level of that funding stream
Council Tax increase	2019/20 onwards 2.99%	Council Tax for a Band D property in 2019/20 and subsequent years of 2.99%.
Government grant (SFA)	Indicative levels of grant as notified through the final local government finance settlement in early 2019.	Government funding beyond 2019/20 is as yet unknown as the Revenue Support Grant is being phased out to be replaced by Business Rates Retention less a tariff in line with the Fair Funding Review, which is currently on-going.

Section 4
Review of budgets and savings targets

2017/18 outturn

A favourable variance of £642k *(2016/17: £1,116k)* after approved carry forward requests of £1,330k *(2016/17: £914k)* was recorded on net service spending in the GF for 2017/18. 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 £992k *(2016/17: £1,848k)*

The variance on net service spending was spread widely across the council and various categories of income and expenditure. As in previous years, there was an overachievement of some income targets, particularly commercial rental income which overachieved by £668k, although this was offset by an underachievement in planning income of £551k. The largest single variance was for staff and agency workers underspent by £1.4m (5% of budget) *[2016/17: £0.9m; 3% of budget]*. Other variances were generally small, full details are shown in the outturn overview report to Strategy & Resources scrutiny committee.

2018/19 budgets

Departmental budgets are regularly monitored and reported to the Senior Management Team and the Executive to ensure that the Council and its services spend only what is necessary to deliver its aims and objectives. Where variances are identified, either positive or negative, investigations are undertaken to ensure that there is a reasonable justification and whether the variance has a short or long-term impact.

In-year revenue proposals

There are no new revenue proposals for 2018/19.

Head of Service Engagement

In June and July, Heads of Service were asked to review their medium-term budget pressures and savings opportunities for the ten year period to 2028/29, to provide a basis for longer term financial planning. The resulting total of net budget pressures includes items that are considered to be unavoidable, e.g. as a result of population growth or required to meet legislative requirements, and other items which are subject to policy choices and prioritisation. This MTFS allows for unavoidable net pressures only in calculating the council's savings requirement. Future decisions to include further discretionary items will give rise to compensating savings requirements.

Similarly, a number of indicative capital projects were identified. Whilst all capital schemes require proper planning, prioritisation and approval prior to the assignment of funding and inclusion in the capital programme, visibility of potential capital spending at this time allows the council to assess options and make financial plans. In general, the council funds its capital expenditure from revenue resources, setting aside £1.8m of revenue funding each year for capital purposes. This amount may need to be reduced in future year in response to budgetary pressures. However, the council expects to receive a number of capital receipts that will be available as an alternative for funding capital projects. A small number of possible multi-million pound schemes were identified which will require considerable work to determine their viability and for which specific funding will need to be sought if these are considered to be priorities and this judgement will need to be made alongside all other competing requirements.

Budget pressures

The following table sets out the modelling assumptions selected from a number considered during the development of the MTFS. Together with the indicative net pressures identified from the Head of Service engagement exercise, these provide a working total estimated net budget pressures from which savings requirements can be calculated.

Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24
Eliminate contributions from reserves	220	440	660	883	883
Modelled reduction in Settlement Funding Assessment (SFA)	61	289	315	343	373
Modelled increases in council tax income	(176)	(329)	(368)	(710)	(1,106)
Allowance for risk to income streams due to reductions in economic activity	250	500	750	1,000	1,250
Subtotal modelling assumptions	**355**	**900**	**1,357**	**1,516**	**1,400**
Indicative unavoidable net revenue pressures identified by Heads of Service	720	763	926	905	757
Total estimated net budget pressures	**1,075**	**1,663**	**2,283**	**2,421**	**2,157**

Savings requirements

Applying these changes to budget assumptions and indicative pressures gives an indication of the minimum net savings requirements by year for the next 5 years, assuming that savings are delivered in the year that the requirement is identified. In previous years, the net savings requirement has been adjusted using GF reserves to create a consistent profile across the period. However, the adjustment has not been made in this MTFS for the following reasons:-

- the financial modelling includes indicative pressures, which may or may not crystallise into budget proposals, so any adjustment of the savings profile could be misleading
- significant uncertainty in relation to funding from government (settlement funding assessment) would similarly impact the saving profile;
- the longer planning trajectory allows use of reserves to be phased out, so that the council no longer relies on the use of reserves.

Following these changes, the net savings requirements considering unavoidable indicative pressures total around £3m for the 5 year period.

Description	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Net savings requirement (BSR Feb 2018)	**85**	**85**	**85**	**85**	**598**	**938**
Assumptions, pressures and savings - unavoidable	1,075	588	620	138	(264)	2,157
Revised (MTFS) net savings requirement	**1,160**	**673**	**705**	**223**	**334**	**3,095**

The level of net savings requirement identified by this MTFS provides a baseline for detailed budget setting work. It is likely that some of the indicative spending pressures will not need to come forward as budget proposals and that others may come forward but will not be supported. Any additional spending pressures that emerge through the BSR process will increase savings requirements accordingly, whilst reductions in overall spending pressures will reduce the savings required.

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 / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Expenditure						
Net service budgets	21,289	19,525	21,324	22,220	21,850	21,667
Pressures and Savings (net of items allocated to relevant lines)	**-**	**970**	**188**	**13**	**(378)**	**(601)**
Capital accounting adjustments	(6,155)	(6,155)	(6,155)	(6,155)	(6,155)	(6,155)
Capital expenditure financed from revenue	3,211	1,786	1,786	1,786	1,786	1,786
Contributions to earmarked funds	4,970	3,691	3,140	3,014	2,424	1,813
Revised net savings requirement	**-**	**(1,160)**	**(673)**	**(705)**	**(223)**	**(334)**
Net spending requirement	**23,315**	**18,657**	**19,610**	**20,173**	**19,305**	**18,176**

Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Funded by:						
Settlement Funding Assessment (SFA)	(4,680)	(4,179)	(3,951)	(3,925)	(3,897)	(3,867)
Locally Retained Business Rates – Growth Element	(800)	(800)	(800)	(800)	(800)	(800)
Other grants from central government	-	-	-	-	-	-
New Homes Bonus (NHB)	(5,595)	(5,115)	(4,887)	(4,887)	(3,882)	(3,271)
Appropriations from earmarked funds	-	-	-	-	-	-
Council Tax	(8,227)	(8,659)	(9,096)	(9,462)	(9,842)	(10,238)
Contributions to / (from) reserves	(4,013)	96	(876)	(1,099)	(883)	-
Total funding	**(23,315)**	**(18,657)**	**(19,610)**	**(20,173)**	**(19,305)**	**(18,175)**

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

Section 6
Capital plan

Capital Strategy

The council is required to publish a capital strategy that outlines the principles and framework that shape the council's capital investment proposals. The principal aim is to deliver an affordable programme of capital investment consistent with the council's financial strategy and that contributes to the achievement of the council's priorities and objectives as set out in the corporate plan. The strategy defines at the highest level how the capital programme is to be formulated and designed; it identifies the issues and options that influence capital spending, and sets out how the resources and capital programme will be managed.

As well as detailing the approved capital investment programme over the forthcoming five years, the document also sets out the Councils ambitions over the medium to longer term.

The Strategy will incorporate, *inter alia,*

- A direct relationship to the Corporate Plan
- A framework for the review and management of existing and future assets
- An investment programme expressed over the medium-term
- A document that indicates the opportunities for partnership working
- A framework that prioritises the use of capital resources
- A consideration of the need to pursue external financing (grants, contributions etc.)
- A direct relationship with the Treasury Management Strategy

The council's capital strategy will be published in February 2019 as part of the Budget Setting Report 2019/20.

Approved capital plan

The capital plan was approved by council in February 2018. Since then the plan has been updated for projects carried forward or rephased from 2017/18 and for S106-funded projects totalling £1,146k.

Approved since BSR / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Approved at BSR Feb 2018:							
Programmes	1,864	-	-	-	-	-	1,864
Projects	11,735	10,831	2,550	-	-	-	25,116
Sub-total	**13,599**	**10,831**	**2,550**	**-**	**-**	**-**	**26,980**
Provisions	262	96	816	61	-	-	1,235
Total	**13,861**	**10,927**	**3,366**	**61**	**-**	**-**	**28,215**
Changes approved and adjustments made in year:							
Programmes	4,217	-	-	-	-	-	4,217
Projects	6,885	-	-	-	-	-	6,885
Sub-total	**11,102**	**-**	**-**	**-**	**-**	**-**	**11,102**
Provisions	780	-	-	-	-	-	780
Total	**11,882**	**-**	**-**	**-**	**-**	**-**	**11,882**
Current approved plan:							
Programmes	6,081	-	-	-	-	-	6,081
Projects	18,620	10,831	2,550	-	-	-	32,001
Sub-total	**24,701**	**10,831**	**2,550**	**-**	**-**	**-**	**38,082**
Provisions	1,042	96	816	61	-	-	2,015
Total	**25,743**	**10,927**	**3,366**	**61**	**-**	**-**	**40,097**

Mid-year capital spending proposals

The tables below list projects that have been approved exceptionally since BSR 2018 and proposals that have been endorsed by the Capital Programme Board. The latter are now put forward for funding approval.

Ref.	Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	Approved since BSR Feb 2018:							
SC662	Shared planning software and implementation	90	-	-	-	-	-	90
SC675	Bateman Street Tree replacement (EIP – Environmental Improvements Programme))	30	-	-	-	-	-	30
	Total Approved since BSR Feb 2018	**120**	**-**	**-**	**-**	**-**	**-**	**120**

Ref.	Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	Proposals							**-**
SC676	Jesus Green public conveniences	25	-	-	-	-	-	25
SC680	CCTV equipment upgrade	30	-	-	-	-	-	30
SC633	Grass reinforcement at Parker's Piece (net of existing EIP)	140	-	-	-	-	-	140
SC678	Crematorium - additional car park	25	325	-	-	-	-	350
SC679	Crematorium - cafe facilities	20	310	-	-	-	-	330
Misc	Local bond investment	5,000	-	-	-	-	-	5,000
	Total Proposals	**5,240**	**635**	**-**	**-**	**-**	**-**	**5,875**

Proposals

Jesus Green public conveniences (£25k): The project will replace and renew all wiring, plumbing, toilet pans, floor tiles, wall tiles and doors internally. The old block is not fit for purpose and requires basic refurbishment. The scheme will be an interim measure, expected to be required for the next four years, pending wider redevelopment plans. It is proposed that the project be funded from revenue underspend within the service which has been carried forward to 2018/19.

CCTV equipment upgrade (£30k): This proposal is to seek funding for an upgrade to the Council's six redeployable cameras which were installed earlier this year. Currently the cameras use a SIM card system which requires manual data download. This upgrade would replace the SIM system and enable remote and instant access to footage stored on cameras. It is proposed that funding is allocated from available capital funding transferred from 2019/20.

Grass reinforcement at Parker's Piece (£140k): The aim of this project is to reinforce the edges of the grass that runs adjacent to the southwest and westernmost footpaths on Parker's Piece by using a plastic geo cell set on a suitable sub base and covered with turf or grass seed. The works will include resurfacing the adjacent pathways which are within the County Council remit. However, to ensure a consistent appearance of this prominent Cambridge green space, it has been agreed with the County Council that the City team will deliver both parts of project and the County Council will make a financial contribution towards it (£10k). It is proposed that the scheme be partly funded (£50k) from the income received from the University Arms Hotel for their use of a section Parker's Piece during construction work with the balance coming from S106 and existing EIP budgets.

Crematorium – additional car park (£350k) and café (£330k): These projects will improve services at the crematorium. The site has an estimated 300,000 visitors each year, but has insufficient car parking to meet the needs of visitors. Additional car parking space for 100 cars is proposed between the access road and the grounds of the crematorium. The café will provide a suitable area for funeral attendees to meet before and after a service without the need to leave the site. Other crematoria, such as West Suffolk, run their own cafés, therefore this investment will allow the council to offer a competitive level of service as well as create an additional revenue stream with an expected return of 5%. Both projects will be delivered concurrently and will be funded from the Bereavement Investment Fund (earmarked reserve / trading account balance).

Local bond investment: the council's investment strategy, to be considered alongside this MTFS, proposes investment of up to £5m in a local bond from the council's cash resources, subject to appropriate due diligence. The investment will support the development of local businesses and jobs, and provide a higher return to the council than a typical cash deposit. It is likely that this investment will fall to be considered as capital in line with investment guidance, so is presented here for inclusion in the capital programme.

The prioritisation scores for the proposed schemes that require allocation of funding are set out below:

Prioritisation category	**SC676 - Jesus Green public conveniences**	**SC680 - CCTV upgrade**	**SC633 - Parker's Piece grass reinforcement**
Statutory requirement or business critical	Y	Y	Y
Alignment with council objectives (averaged over 7 objectives)	1.7 out of 5	1.9 out of 5	1 out of 5
- delivering sustainable prosperity for Cambridge and fair shares for all - tackling the housing crisis - Making Cambridge safer and more equal - Investing in improving transport - Protecting our city's unique quality of life - Tackling climate change and making Cambridge cleaner and greener - Protecting essential services and transforming delivery			
Financial impact	0	0	0
Delivery risk – project planning	3	4	0
Delivery risk – project complexity	0	1	3

Key – scoring of alignment with council objectives

0 Scheme does not support this objective in any way
1 Scheme provides minimal support for this objective
2 Scheme provides some support and/or indirect support for this objective
3 Scheme aligned to this objective, either directly or provides necessary facilitation (e.g. a computer system)
4 Scheme directly aligned to this objective, with some additional benefits for the council
5 Scheme will deliver this objective in a value added / innovative way with additional benefits for the council

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.

Approved since BSR including proposals / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
BSR Feb 2018:							
Funding available from revenue and unapplied	**-**	**(1,382)**	**(1,761)**	**(1,786)**	**(1,786)**	**(1,786)**	**(8,501)**
Changes approved and adjustments made in year:							
Spend:							
Approved	120	-	-	-	-	-	120
Proposed	5,240	635	-	-	-	-	5,875
Funding:							
S106 and EIP	(110)	-	-	-	-	-	(110)
Capital receipts	(60)	-	-	-	-	-	(60)
Internal borrowing	(5,000)	-	-	-	-	-	(5,000)
Earmarked reserves	(45)	(635)	-	-	-	-	(680)
Existing revenue budgets	(105)	-	-	-	-	-	(105)
External funding	(10)	-	-	-	-	-	(10)
Remaining to be funded from capital funding available from revenue	**30**	**-**	**-**	**-**	**-**	**-**	**30**
Transfer of available funding between years	(30)	30	-	-	-	-	-
Revised capital funding availability	**-**	**(1,352)**	**(1,761)**	**(1,786)**	**(1,786)**	**(1,786)**	**(8,471)**
Memo: 5% top-slice of 'BSR 2015 funding available' for feasibility budget (revenue)	**82**	**94**	**94**	**94**	**94**	**94**	**634**

Specific funding has been identified for the majority of the schemes proposed, as shown above. However £30k is required to be funded from revenue resources, or DRF (Direct Revenue Financing). As the allocation of DRF for 2018/19 has been fully allocated, it is proposed to bring forward £30k of this funding from 2019/20. This will limit the capital funding available for allocation in 2019/20.

Revised plan

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

MTFS Proposals / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Current approved plan – as above:							
Total	**25,743**	**10,927**	**3,366**	**61**	**-**	**-**	**40,097**
Changes proposed:							
Programmes	30	-	-	-	-	-	30
Projects	175	635	-	-	-	-	810
Sub-total	**205**	**635**	**-**	**-**	**-**	**-**	**840**
Provisions	5,000	-	-	-	-	-	5,000
Total	**5,205**	**635**	**-**	**-**	**-**	**-**	**5,840**
Proposed plan:							
Programmes	6,076	-	-	-	-	-	6,076
Projects	18,831	11,466	2,550	0	-	-	32,847
Sub-total	**24,907**	**11,466**	**2,550**	**0**	**-**	**-**	**38,923**
Provisions	6,042	96	816	61	-	-	7,015
Total	**30,949**	**11,562**	**3,366**	**61**	**-**	**-**	**45,938**

Work continues to develop a number of larger schemes to be brought forward for funding approval through the BSR in February 2019 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.

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 (Settlement Funding Assessment, including the outcome of the Fair Funding Review, New Homes Bonus 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 impact of 75% 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 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;
- 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; and
- The council may be impacted by spending cuts implemented by other agencies.

Reserves

General Fund reserve

The GF reserve is held as a buffer against crystallising risks and to deal with timing issues and uneven cash flows. 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 2018 BSR	
- Target level	6.42
- Minimum level	5.35
September 2018 MTFS – Recommended levels	
- Target level	6.60
- PMB	5.50

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

Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Balance as at 1 April (b/fwd)	**(13,380)**	**(9,367)**	**(9,463)**	**(8,587)**	**(7,488)**	**(6,605)**
Contribution (to) / from reserves	**4,013**	**(96)**	**876**	**1,099**	**883**	**-**
Balance as at 31 March (c/fwd)	**(9,367)**	**(9,463)**	**(8,587)**	**(7,488)**	**(6,605)**	**(6,605)**

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 new Fund was approved at Council on 19 July 2018 for a Cambridge Live Development Plan and this report includes a recommendation to approve the following remit:

Earmarked Fund - Cambridge Live Development Fund **Approved Timescale:** **1 April 2018 to 31 March 2020** **Lead Officer:** **D Kaye**
Remit : To support the transformation and ongoing development of Cambridge Live over the next two years subject to a maximum spend of £500,000 with full delegation for management of the Fund assigned to the Chief Executive.

These funds are subject to annual review as part of the MTFS to ensure that agreed principles are applied:-

- Major policy-led funds, such as the Climate Change Fund, are ongoing
- Selected Repairs and Renewals (R&R) Funds – for vehicles and Bereavement Services are ongoing
- Any other reserves will only be held as required for statutory or accounting purposes, to record balances held by the council for other organisations or partnerships or to reflect ring-fenced appropriations.
- 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 2018 £000
Major policy-led funds	11,287
R&R funds	1,213
Statutory and accounting reserves	4,444
Shared / partnership funds	5,805
Other – to be closed once committed balances are spent	386
Total	**23,135**

Section 8
Budget strategy

General Fund savings requirements

Description	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Net savings requirement (BSR Feb 2018)	**85**	**85**	**85**	**85**	**598**	**938**
Assumptions, pressures and savings - excluding policy	1,075	588	620	138	(264)	2,157
Revised (MTFS) net savings requirement excluding policy	**1,160**	**673**	**705**	**223**	**334**	**3,095**

General Fund budget strategy

The budget process

The GF budget process for 2019/20 will remain broadly similar to that for previous years, working within an overall cash limit designed to meet known financial pressures. The base model used to prepare this report has driven the recommendations in respect of the 2019/20 budget process and provided indications of the level of savings required to meet both current and anticipated spending needs.

The GF MTFS has highlighted:

- Further economic uncertainty as departure from the European Union approaches;
- A lack of clarity in the future direction of local government funding
- Pressure on payroll costs, due to the city's vibrant and diverse economy

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. However, as in 2018/19, it is expected that the value of new savings found will decrease over time as services become leaner and more cost effective.

As set out in the efficiency plan in Section 8 of the MTFS 2016, the council is continuing with a long term programme of transformation to bring about fundamental changes to the way the council delivers services and interacts with residents, tenants and other parties.

Efficiency plan 2016 to 2020

MTFS 2016 presented the council's efficiency plan in line with government requirements. As a result a guarantee covering certain funding streams from government was received covering the four year period commencing in 2016/17. One year of this guarantee remains.

The efficiency plan took the seven aims or objectives which form the basis of the Corporate Plan and identified 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 efficiency plan continues to guide the work of the council and provides the structure and mechanisms to deliver on our savings requirements. As such, BSR 2019 will present budget proposals for savings and increased income, and bids for implementation costs arising from efficiency plan initiatives.

Achieving financial sustainability and resilience

Despite continuing pressures and uncertainties, the council's finances remain healthy. However, there is no foreseeable end to scarce funding for local authorities and economic conditions remain challenging. It is important, therefore, to ensure that the council is prepared to manage financial challenges as they arise.

To ensure financial resilience the council must:-

- Maintain healthy levels of reserves
- Implement a ten year financial planning horizon
- Plan and deliver savings in a controlled and sustainable way
- Ensure savings and income plans are firm and robust and that gaps / savings still to be found are minimised, particularly in the next two or three financial years
- Minimise unplanned overspends and/or carrying forward undelivered savings into the following year.

The council maintains a sound system of financial management and control. However, it is continues to enhance its planning and monitoring with a view to ensuring that circumstances that might lead to financial stress are identified and acted upon in a timely manner. To this end, all Heads of Service now review financial and performance monitoring reports council-wide, ensuring greater challenge, visibility and ownership. This has been supported by the implementation of a new financial management system which has:-

- Provided better tools for budget holders to monitor their income and expenditure.
- Reinforced the financial management responsibilities of budget holders and their support teams through training on the new system
- Enforced financial procedures and limits through automated workflow processes

Further on-going enhancements include:-

- Improving project management processes and skills, including:-
    - Revising the council's project management toolkit
    - Providing project management training for project managers and sponsors
    - Improving programme and project monitoring by reviewing and enhancing key boards, including the Business Transformation Programme Board.
- Enabling greater financial input and challenge to projects and new ventures, particularly at the business case stage, through increasing the resource and skills in the finance team.
- Undertaking more detailed cash flow and funding projections for large and complex projects to support decision-making at the project, programme and whole council levels.

Appendix A(a): Capital Plan 2018/19 to 2023/24

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
Capital-GF Projects								
PR030e	Cavendish Rd (Mill Rd end) improvements: seating & paving (S	J Richards	13	0	0	0	0	0
PR030h	Romsey 'town square' public realm improvements (S10	J Richards	130	0	0	0	0	0
PR030j	The Mill Road Railway Legacy (S106)	A Wilson	21	0	0	0	0	0
PR030o	Coldham's Lane play area improvements for older childrenldren	A Wilson	80	0	0	0	0	0
PR030p	Lichfield Rd play area improvements (S106)	A Wilson	45	0	0	0	0	0
PR030r	Brothers' Place landscaping & natural play improvements (S106)	A Wilson	8	0	0	0	0	0
PR031g	Milton Rd Library Community Meeting Space (S106)	J Hanson	100	0	0	0	0	0
PR031n	Grant for 4 tennis courts at North Cambridge Academy (S106)	I Ross	125	0	0	0	0	0
PR031q	Bramblefields nature reserve: improve biodiversity & access	A Wilson	12	0	0	0	0	0
PR031r	Chesterton Rec Ground skate and scooter park (S106)	A Wilson	50	0	0	0	0	0
PR031s	Nun's Way Rec Ground - mini climbing dome (S106)	A Wilson	27	0	0	0	0	0
PR032p	Reilly Way play area improvements (S106)	A Wilson	5	0	0	0	0	0
PR032q	Upgrade Nightingale Avenue play area (S106)	A Wilson	24	0	0	0	0	0
PR032t	Fulbourn Road open space improvements (S106)	A Wilson	10	0	0	0	0	0
PR032u	Tenby Close play area improvements (S106)	A Wilson	50	0	0	0	0	0
PR032v	Gunhild Close play area improvements (S106)	A Wilson	50	0	0	0	0	0
PR032w	Accordia open space improvements (S106)	A Wilson	10	0	0	0	0	0
PR032y	Trumpington Rec Ground skate park (S106)	A Wilson	80	0	0	0	0	0
PR032z	Trumpington Rec Ground trim trail and climbing frame (S106)	A Wilson	70	0	0	0	0	0
PR033m	Benches on Carisbrooke Road green and next to Coton footpath	A Wilson	1	0	0	0	0	0
PR033q	Additional play equipment, benches and landscaping at Christ	A Wilson	1	0	0	0	0	0
PR033r	Improvements to Histon Road Rec Ground football area (S106)	I Ross	31	0	0	0	0	0
PR033s	Histon Rd Rec play area: paths, surfacing & landscaping (S10	A Wilson	12	0	0	0	0	0
PR033t	St Clement's churchyard open space on Bridge Street (S106)	A Wilson	10	0	0	0	0	0
PR034d	Public Art - 150th and 400th Anniversary (Cambridge Rules) (	N Black	12	0	0	0	0	0
PR034n	Cambridge Gymnastics Academy: grant for warehouse conversion	I Ross	65	0	0	0	0	0
PR040i	Public art grant - History Trails (S106)	N Black	5	0	0	0	0	0

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
PR040o	Public art grant - 'The place where we stand' (S106)	N Black	3	0	0	0	0	0
PR040s	Public art grant for Kettle's Yard - Antony Gormley Performa	N Black	10	0	0	0	0	0
PR040t	Public Art Grant for Cambridge Live - Colours in our Communi	N Black	8	0	0	0	0	0
PR040u	Public art grant for University of Cambridge Primary School	N Black	15	0	0	0	0	0
PR040v	Public Art Grant for Pink Festival Group - showcase of queer	N Black	(3)	0	0	0	0	0
PR040w	Public Art Grant for Menagerie Theatre Company - Trumpington	N Black	11	0	0	0	0	0
PR040x	Public Art Grant for Oblique Arts - Mitcham's Moving (s106)	N Black	3	0	0	0	0	0
PR040y	Public Art Grant - Rhyme, Rhythm & Railways (s106)	N Black	5	0	0	0	0	0
PR040z	Public art grant for Historyworks - Michael Rosen Walking Tr	N Black	15	0	0	0	0	0
PR041a	Grant for refurbishment of Memorial Hall and church Hall (S106)	J Hanson	150	0	0	0	0	0
PR041b	Grant to Cambridge Gymnastics Academy for trampoline and Foa	I Ross	75	0	0	0	0	0
PR041g	Netherhall School: supplementary grant for gym andfitness suite facilities (S106)	I Ross	236	0	0	0	0	0
PR042b	Mill Road cemetery access and main footpath improve	A Wilson	175	0	0	0	0	0
PR042g	To the River - artist in residence	N Black	117	0	0	0	0	0
PR050a	Relocation of services to 130 Cowley Road (OAS)	W Barfield	374	0	0	0	0	0
PR050b	Mandela House refurbishment (OAS)	W Barfield	869	0	0	0	0	0
PR050d	Mobile working (OAS)	W Barfield	99	0	0	0	0	0
PR050e	Cowley Road Compound ex-Park and Ride site (OAS)	W Barfield	428	0	0	0	0	0
PR050f	Guildhall Welfare Improvements (OAS)	W Barfield	209	0	0	0	0	0
PR050g	Office optimisation (OAS)	W Barfield	275	0	0	0	0	0
SC548	Southern Connections Public Art Commission (S106)	A Wilson	17	0	0	0	0	0
SC571	Procurement of IT System to Manage Community Infrastructure	S Saunders	20	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Queen Anne	S Cleary	208	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	34	0	0	0	0	0
SC604	Replacement Financial Management System	C Ryba	50	0	0	0	0	0
SC605	Replacement Building Access Control System	W Barfield	33	0	0	0	0	0
SC611	Grafton East car park essential roof repair	S Cleary	37	0	0	0	0	0

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
SC614	Redeployable CCTV camera stock	J Carre	13	0	0	0	0	0
SC615	Cherry Hinton Grounds Improvements Phase 2 (S106)	A Wilson	160	0	0	0	0	0
SC621	20 Newmarket Road - commercial property	D Prinsep	3	0	0	0	0	0
SC623	Environment and cycling improvements in Water Street and Fen	A Wilson	35	0	0	0	0	0
SC627	Guildhall Large Hall Windows refurbishment	A Muggeridge	101	0	0	0	0	0
SC633	Reinforcing grass edges along paths across Parker's	D Peebles	140	0	0	0	0	0
SC634	Grand Arcade and Queen Anne Terrace car parks sprinkler Syst	S Cleary	382	0	0	0	0	0
SC635	Grand Arcade car park deck coating and drainage	S Cleary	117	0	0	0	0	0
SC636	Management of waste compound - vehicle	D Blair	165	0	0	0	0	0
SC639	Re-roofing the Guildhall	W Barfield	164	0	0	0	0	0
SC644	Acquisition of land adjacent to Huntingdon Road Crematorium	G Theobald	58	0	0	0	0	0
SC645	Electric vehicle charging points	J Dicks	376	176	50	0	0	0
SC648	Local Centres Improvement Programme - Arbury Court	J Richards	138	0	0	0	0	0
SC651	Shared ICT waste management software	J Carre	453	0	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	315	283	0	0	0	0
SC655	Resealing the roof at Robert Davies Court	A Muggeridge	177	0	0	0	0	0
SC656	Barnwell Business Park remedial works to the roofs	A Muggeridge	90	0	0	0	0	0
SC658	Cambridge City CCTV infrastructure	J Carre	601	0	0	0	0	0
SC659	My Cambridge City online customer portal	J Richards	160	76	0	0	0	0
SC660	Council Anywhere - desktop transformation	F Bryant	400	96	0	0	0	0
SC661	Adaptions to Riverside Railings	A Wilson	100	0	0	0	0	0
SC662	Shared Planning Service Software and Implementation	S Kelly	90	0	0	0	0	0
SC670	Lammas Land Car Parking Infrastructure	A French	27	0	0	0	0	0
SC671	Mill Road depot development - capital contribution	F Bryant	5,760	0	0	0	0	0
SC672	Mill Road Redevelopment - Development Loan to CIP	F Bryant	1,550	9,200	0	0	0	0
SC673	Roller Brake Tester for Waterbeach Garage	D Cox	26	0	0	0	0	0
SC674	Mill Road Redevelopment - Equity Loan to CIP	F Bryant	2,200	1,000	2,500	0	0	0
SC675	Bateman St Tree Replacement	A Wilson	30	0	0	0	0	0

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
SC676	Refurbishment of Jesus Green Public Convenience	A Wilson	25	0	0	0	0	0
SC678	Crematorium - additional car park	G Theobald	25	325	0	0	0	0
SC679	Crematorium - cafe facilities	G Theobald	20	310	0	0	0	0
SC680	CCTV equipment upgrade	J Carre	30	0	0	0	0	0
SC681	Abbey astroturf floodlighting (S106)	I Ross	66	0	0	0	0	0
tbc	Public art grant - NIE Theatre, tales from the Edge of Town	N Black	14	0	0	0	0	0
tbc	Public art grant - Cambridge Junction: News News News	N Black	15	0	0	0	0	0
tbc	Public art grant - In your way festival: TAAT KHOR II	N Black	15	0	0	0	0	0
tbc	Public art grant - Rowan Humberstone: Ecology sculpture S106	N Black	15	0	0	0	0	0
tbc	Public art grant - Chesterton village sign (S106)	N Black	10	0	0	0	0	0
tbc	Public art grant - HistoryWorks: Travellers and Outsiders	N Black	15	0	0	0	0	0
tbc	Public art grant - Faith and Hope (S106)	N Black	30	0	0	0	0	0
Capital-GF Projects			**18,831**	**11,466**	**2,550**	**0**	**0**	**0**
Capital-Programmes								
PR010a	Environmental Improvements Programme - North Area	J Richards	140	0	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	126	0	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	147	0	0	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	169	0	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	1,781	0	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (S106)	T Nicoll	284	0	0	0	0	0
PR037	Local Centres Improvement Programme	J Richards	7	0	0	0	0	0
PR038	Investment in commercial property portfolio	D Prinsep	2,427	0	0	0	0	0
PR039	Minor Highway Improvement Programme	J Richards	85	0	0	0	0	0
PR050	Office Accommodation Strategy Phase 2	W Barfield	473	0	0	0	0	0
PR051	Building works at the Guildhall to reduce carbon emissions a	W Barfield	437	0	0	0	0	0
Capital-Programmes			**6,076**	**0**	**0**	**0**	**0**	**0**
Capital-GF Provisions								
PV007	Cycleways	J Richards	408	0	0	0	0	0
PV018	Bus Shelters	J Richards	5	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	2	0	0	61	0	0

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
PV549	City Centre Cycle Parking	J Richards	23	0	0	0	0	0
PV554	Development Of land at Clay Farm	D Prinsep	537	96	816	0	0	0
PV583	Clay Farm Commercial Property Construction Costs	D Prinsep	67	0	0	0	0	0
PV682	Local investment bond	C Ryba	5,000	0	0	0	0	0
Capital-GF Provisions			**6,042**	**96**	**816**	**61**	**0**	**0**

Total GF Capital Plan	**30,949**	**11,562**	**3,366**	**61**	**0**	**0**

Appendix A(b): Capital Funding 2018/19 to 2023/24

Description	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
External Support						
Developer Contributions	(2,553)	0	0	0	0	0
Other Sources	(3,209)	(579)	0	0	0	0
Total - External Support	**(5,762)**	**(579)**	**0**	**0**	**0**	**0**
City Council						
Direct Revenue Financing (DRF) - GF Services	(105)	0	0	0	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(3,211)	(1,786)	(1,786)	(1,786)	(1,786)	(1,786)
Earmarked Reserve - Capital Contributions	(495)	(151)	(25)	0	0	0
Earmarked Reserve - Climate Change Fund	(300)	0	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(2,156)	0	0	0	0	0
Internal Borrowing - Temporary Use of Balances	(17,149)	(10,296)	(3,316)	0	0	0
Usable Capital Receipts	(1,771)	(102)	0	0	0	0
Total - City Council	**(25,187)**	**(12,335)**	**(5,127)**	**(1,786)**	**(1,786)**	**(1,786)**
Total Available Finance	**(30,949)**	**(12,914)**	**(5,127)**	**(1,786)**	**(1,786)**	**(1,786)**
Capital Plan	**30,949**	**11,562**	**3,366**	**61**	**0**	**0**
Net Funding Available	**0**	**(1,352)**	**(1,761)**	**(1,725)**	**(1,786)**	**(1,786)**

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*	27,885,130	55,770
Premises costs	*Low*	6,425,010	12,850
Transport costs	*Low*	650,510	2,602
Supplies and services	*Low*	17,830,540	8,915
Grants and transfers	*Low*	19,442,700	19,443
Grant income	*Low*	20,873,870	20,874
Other income	*Medium*	52,217,680	783,265
Miscellaneous	*Low*	580,420	871
Total one year operational risk			**904,590**
Three years operation risk			**2,715,000**

General and specific risks	Amount (£)	Probability (%)	Risk
Unforeseen events	2,000,000	*33%*	660,000
Legal action - counsel's fees	100,000	*50%*	50,000
Data Protection breach	500,000	*50%*	250,000
Capital project overruns	1,000,000	*50%*	500,000
Project failure / delays to savings realisation	2,000,000	*50%*	1,000,000
Cover for lower level of earmarked and specific reserves	1,000,000	*33%*	330,000
General risks			**2,790,000**
Prudent Minimum Balance (PMB) *[Three years operational plus general risks)*			**5,504,000**
Target (PMB + 20%)			**6,605,000**

Operational cost risk profiles (£)

		Low	Medium	High
Employee costs	overspend	1.00%	3.00%	5.00%
27,885,130	probability	20.0%	15.0%	10.0%
	amount at risk	**55,770**	**125,483**	**139,426**
Premises costs	overspend	1.00%	3.00%	5.00%
6,425,010	probability	20.0%	15.0%	10.0%
	amount at risk	**12,850**	**28,913**	**32,125**
Transport costs	overspend	2.00%	4.00%	6.00%
650,510	probability	20.0%	15.0%	10.0%
	amount at risk	**2,602**	**3,903**	**3,903**
Supplies and services	overspend	1.00%	3.00%	5.00%
17,830,540	probability	5.0%	10.0%	15.0%
	amount at risk	**8,915**	**53,492**	**133,729**
Grants and transfers	overspend	1.00%	2.00%	3.00%
19,442,700	probability	10.0%	7.5%	5.0%
	amount at risk	**19,443**	**29,164**	**29,164**
Grant income	overspend	1.00%	2.00%	3.00%
20,873,870	probability	10.0%	7.5%	5.0%
	amount at risk	**20,874**	**31,311**	**31,311**
Other income	overspend	5.00%	10.00%	15.00%
52,217,680	probability	10.0%	15.0%	20.0%
	amount at risk	**261,088**	**783,265**	**1,566,530**
Other	overspend	1.00%	2.00%	3.00%
580,420	probability	15.0%	10.0%	5.0%
	amount at risk	**871**	**1,161**	**871**

Appendix C

Principal earmarked and specific funds

Fund	Balance at 1 April 2018 £000	Anticipated contributions £000	Forecast expenditure £000	Forecast balance 31 March 2023 £000
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	(5,034)	(9,652)	14,686	0
Sharing Prosperity Fund	(469)	(200)	669	0
Climate Change Fund	(345)	(250)	595	0
Asset Replacement Fund	(1,005)	(5,000)	6,005	0
Bereavement Services Trading Account	(1,094)	(800)	1,894	0
Development Plan Fund	0	(210)	210	0
Shared Local Plan Fund	(315)	(750)	1,065	0
Office accommodation strategy fund	(2,759)	0	2,759	0
Invest for Income	(8,000)	0	8,000	0
A14 Mitigation Fund	(718)	(782)	1,500	0
General Fund (GF) Development Fund	0	(829)	829	0
Cambridge Live Development Plan (new)	0	(500)	500	0
Total	**(19,739)**	**(18,973)**	**38,712**	**0**

The majority of these funds are subject to future contributions and expenditure which cannot be exactly stated. This table reflects our best estimates.

[1] The asset replacement funds will be shared in part with South Cambridgeshire District Council (SCDC) in respect of waste vehicles transferred to the shared service.

[2] The Development Plan Fund will be a joint fund with SCDC from 1 February 2018 and the basis of cost allocation is unknown at this time because the Memorandum of Understanding is not yet complete.

Item

Cambridgeshire and Peterborough Combined Authority - Update

To:
Councillor Lewis Herbert, Leader and Executive Councillor for Strategy and Transformation

Strategy & Resources Scrutiny Committee 8 October 2018

Report by:
Antoinette Jackson, Chief Executive
Tel: 01223 457001 Email: antoinette.jackson@cambridge.gov.uk

Wards affected:
Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

Not a Key Decision

1. Executive Summary

1.1 This report provides an update on the activities of the Cambridgeshire and Peterborough Combined Authority (CPCA) since the 2 July meeting of Strategy & Resources Scrutiny Committee.

2. Recommendations

2.1 The Executive Councillor is recommended:

To provide an update on issues considered at the meeting of the Combined Authority held on 25 July.

3. Background

3.1 A meeting of the Cambridgeshire and Peterborough Combined Authority were held on 25 July. The decision sheet from the meeting is attached as an appendix for the committee’s consideration.

3.2 Since the meeting on 25 July, Martin Whiteley, the Chief Executive of the CPCA, has left the organisation and there will be recruitment for a replacement.

4. Implications

(a) **Financial Implications**
There are no direct financial implications.

(b) **Staffing Implications**
There are no direct staffing implications from this update report.

(c) **Equality and Poverty Implications**
An EqIA has not been produced as there are no direct equality and poverty implications from this update report.

(d) **Environmental Implications**
There are no environmental implications from this update report.

(e) **Procurement**
There are no procurement implications from this update report.

(e) **Consultation and communication**
The Combined Authority will continue to issue communications about its activities and consult on its work.

(f) **Community Safety**
There are no community safety implications from this update report.

5. Background papers

5.1 The background papers used in the preparation of this report are listed in the appendices below.

6. Appendices

Appendix A Decision sheet for CPCA meeting 25.07.2018

7. Inspection of papers

To inspect the background papers or if you have a query on the report, please contact Antoinette Jackson, Chief Executive. Tel: 01223 457001, email: antoinette.jackson@cambridge.gov.uk.

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CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Decision Statement

Meeting: **25th July 2018**

Published: **26th July 2018**

Decision review deadline: **5.00p.m. on Thursday, 2 August 2018**

Each decision set out below will come into force, and may then be implemented at 5.00pm on the fifth full working day after the publication date, unless it is subject of a decision review. [see note on call in below].

Item	Topic	Decision
	Part 1 – Governance Items	
1.1	Announcements, Apologies and Declarations of Interest	**Apologies received from Councillor C Roberts (Councillor A Bailey substituting), Councillor C Seaton (Councillor D Oliver substituting), Jason Ablewhite (Councillor R Bisby substituting), Jess Bawden (Sue Watkinson substituting) and Councillor K Reynolds (Councillor D Over substituting)**
1.2	Minutes – 30 May 2018	It was resolved to: approve the minutes of the meeting of 30th May 2018 as a correct record.
1.3	Petitions	None received.

1.4	Public Questions	**One question was received. A summary of the question and response is published at the following link** Cambridgeshire and Peterborough Combined Authority meeting 25/07/2018
1.5	Forward Plan	**It was resolved to:** **approve the Forward Plan of Executive Decisions dated to be published on 24th July 2018.**
1.6	Review of Constitution – Committee Structure	It was resolved to: (a) Agree the establishment of the following committees from 1 September and the terms of reference of each as set out in Appendix 1. (a) Transport Committee, (b) Skills Committee and (c) Housing and Communities Committee. (b) Note and agree the portfolios as set out in Appendix 2. (c) Agree the timetable of meetings for the above committees (Appendix 3). (d) That the Monitoring Officer be authorised to amend the constitution to take account of the Board's decision and to bring a further report to the Board in September to confirm the changes to the constitution and the appointments to the committees.
1.7	Business Board Recommendations of its meeting on 25 June	It was resolved to: Note the Business Board Recommendations of its meeting on 25 June.
	Part 2 – Key Decisions	
2.1	Delivering the Mayoral Transport Strategy	It was resolved to: 1. Note the relationship between the CPIER, Non-Statutory Spatial Plan 2, Local Transport Plan and Local Industrial Strategy as captured in section 2.1-2.6;

		2. Agree to fully support the implementation of the transport ambitions set out in the Mayoral Interim Transport Strategy Statement (MITSS); 3. Agree that there are two types of transport project; those projects that can be delivered within existing growth plans (type 1) and those that will enable and require growth beyond current plans (type 2); 4. Agree that the projects are categorised as set out in sections 2.12 to 2.13; 5. Agree that it should develop the appropriate mechanisms necessary to secure and accelerate the delivery of growth projects; 6. Agree the measures and protocols set-out in section 2.15 to ensure all CAM projects are integrated and coordinated; 7. Agree to develop proposals with the GCP for the park & ride elements of the projects (A1307, A428, A10) in order to achieve cost savings and enable quicker delivery. 8. Note the opportunities that have been identified to accelerate the transport projects; 9. Ask officers to assess the potential delivery models to ensure the opportunities to accelerate delivery ~~can be taken~~ **are pursued** and report back to the Board in September. **10. That the Board confirms that the GCP schemes identified in para 2.14 (A10, A1307 and M11 Junction 11) support the early delivery of the CAM project and should be progressed, subject to recommendation 7; and that the continuing review of the A428 project be agreed and will conclude by the end of September as set out in para 2.16.**
	Part 3 – Non Key Decision	
3.1	Cambridgeshire and Peterborough Independent Economic Review (CPIER)	It was resolved to: (a) Note recent progress towards the completion of the Review;

		(b) Note the response made by the Combined Authority to inform the final Review, alongside those responses made directly by constituent partners; (c) Note the views and recommendations of the Business Board (to be reported orally at the meeting); (d) Note the final tranche of funding provided to complete the Review, in preparation for the development of the Local Industrial Strategy.
3.2	£70m Cambridge City Devolution Housing Programme	It was resolved to: (a) Note the progress in the past 3 months of the programme. (b) Note the forward pipeline (c) Note the need to approve additional 2018/19 budget provision to fund the projected pipeline.
3.3	£100m Affordable Housing Programme Update	It was resolved to: (a) Note the progress of the quick wins and housing scheme approvals agreed by the Board in March 2018. (b) Note the forward pipeline of affordable housing schemes, including emerging strategic sites. (c) Agree to receive further progress reports on a quarterly basis.
3.4	Skills Strategy: Work Readiness and Careers Promotion Pilot (referral from the Business Board)	It was resolved to: a) Note the proposal for the creation of a work readiness and careers promotion pilot; b) Approve in principle the allocation of grant funding to a limit of £350,000 over three years to fund the pilot; c) Authorise the Chief Executive, in consultation with Chief Finance Officer, Director

		of Skills and the Portfolio Holder Fiscal to request the development of a full business case by the scheme promoters. The draw-down of funds to be dependent on passing appropriate value for money tests; d) Delegate to the Director of Skills to agree and approve a relevant funding agreement and programme reporting and delivery arrangements.
3.5	Devolution of the Adult Education Budget Readiness Conditions and Next Steps to Implementation (referral from Business Board)	It was resolved: (a) Note the Readiness Conditions for the Adult Education Budget (AEB) submitted to the Department for Education on the 18th May 2018 as set out in Appendix 1 and the next steps for the devolution process; (b) Comment on and approve the Cambridgeshire and Peterborough Combined Authority AEB Skills Plan, including the policies and actions set out in the plan (Appendix 2); (c) Agree that the Business Board take on the role of the Skills Board reporting into the Combined Authority's proposed Skills Committee, and the terms of reference set out in 4.2 of the plan be included in the Business Board's terms of reference; (d) Agree in principle that it is the Cambridgeshire and Peterborough Combined Authority's intention to fund ongoing system costs (including staffing) of AEB devolution from 2019 by allocating up to 4.9% of programme money for this purpose. (e) Note the amount of funding allocation and the mechanisms are yet to be determined until a full costing business case is developed and agreed by the Board at a future meeting.
	Part 4 – Date of Next Meeting	
4.1	Date of Next Meeting	It was resolved to note the date of the next meeting – Wednesday, 26 September 2018 Kreis Viersen, Shire Hall, Cambridge CB3 0AP

Notes:

(a) Statements in bold type indicate additional resolutions made at the meeting.
(b) Five Members of the Overview and Scrutiny Committee may call-in a key decision of the Mayor, the Combined Authority Board or an Officer for scrutiny by notifying the Monitoring Officer.

For more information contact: Michelle Rowe Telephone: 01223 699180 /e-mail: michelle.rowe@cambridgeshire.gov.uk