Public Document Pack

Cambridge City Council

Notice of Council

Date: Thursday, 17 October 2019

Time: 6.00 pm

Venue: Council Chamber, The Guildhall, Market Square, Cambridge, CB2 3QJ

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

Dear Councillor,

A meeting of Cambridge City Council will be held in the Council Chamber, The Guildhall, Market Square, Cambridge, CB2 3QJ on Thursday, 17 October 2019 at 6.00 pm and I hereby summon you to attend.

Dated 9 October 2019

Yours faithfully

Chief Executive

Agenda

1	Minutes	(Pages 7 - 26)
2	Mayor's announcements	
3	To note the Returning Officer's Report that the following has been elected to the office of Councillor • Newnham: Josh Matthews	
4	Public questions time	

Council welcomes the prospect of expanded "Housing First" provision for rough sleepers in Cambridge and the additional contribution it can make alongside the hostel pathway to progress rough sleepers off the streets and into mainstream accommodation. However it notes that under the current strategy, which is subject to collaboration between the city and county councils, the ongoing visiting support which is integral to Housing First is set to be funded from cutbacks to existing hostel provision.

Council believes that hostels are likely to remain the most effective provision for some rough sleepers who benefit from the structure provided and the company of others, whilst Housing First models have been shown to provide a more successful solution for some individuals who have demonstrably been unable to succeed in the hostel system. As the city's rough sleeping problem continues at a high level, additional service is clearly called for and both types of provision are likely be necessary - not one or the other.

Council notes the county council's proposal to cease funding for support services at the Willow Walk hostel, the only hostel in the city for rough sleepers with the highest level of needs. This threat is causing concern among professional practitioners, who consider that neither Housing First nor the city's other hostels will be able to meet the needs of the full number and full range of service users currently catered for at Willow Walk, leaving some extremely vulnerable individuals with no suitable housing provison at all. This is also a matter of concern to the police and the general public, who fear that the loss of this facility will increase, rather than reduce, rough sleeping and suffering in this city. This concern is further increased given the prospect that the building, owned by Riverside Housing, could be redeployed to accommodate homeless people from London and other areas.

Accordingly, council calls on the county council to set aside any decisions, tentative or otherwise, to withdraw funding for any hostels for rough sleepers, until it has completed and published a full needs analysis of this client group and gained agreement on a clear vision for overall provision embracing innovation such as Housing First, where appropriate.

10 Councillor McGerty: Recycling Centres

Council notes the high level of fly tipping around the city and the recent withdrawal of dry mixed recycling facilities from seven of the city's neighbourhood recycling points.

Council calls on the Executive Councillor to institute an urgent review of the relationship between the recycling centres and fly tipping and to consider whether fuller recycling services and more frequent collection might be a better approach – and to bring the results to the scrutiny committee.

Info: List of sites where dry mixed recycling has been withdrawn. Arbury Court, Cherry Hinton Hall, Coldham's Lane, Colville Road, Gwydir Street, Hauxton Road (Waitrose), Newmarket Road (Tesco).

11 Councillor Martinelli: Cambridge Cycle Point Thefts

Council notes the consistently high level of unprosecuted cycle theft at Cambridge Rail Station Cycle Point, with over 100 reported episodes in the last year of publicly available crime statistics having led to no subsequent prosecutions. Council further notes that this is likely an under-representation of the total number of criminal acts in the area and that CCTV gives users a false sense of security when, in reality, the images are not monitored, nor have they proved useful in identifying thieves.

Council affirms that, in light of the Climate Emergency, it is committed to encouraging cycling as a sustainable form of transit and is not prepared to let organised crime undermine its transport strategy.

Council will therefore:

1) Write to Greater Anglia as operators of the Cycle Point to request urgent action aimed at ensuring that rail users' property is protected, including dramatically increasing security patrol frequency.

2) Write to the Chief Constable of Cambridgeshire Constabulary to request targeted enforcement given the recurrent and relatively predictable nature of the crimes involved.

3) Ask Officers to consider the possibility of planning enforcement measures against Greater Anglia Railways for not providing sufficient security of the Cycle Point premises

12 Councillor Collis: Food Poverty

Council notes the rise in food poverty both nationally and in Cambridge, where the Cambridge City Food Bank distributed 8,766 3 day emergency food parcels to people in crisis last year, an increase of 36% from 2017. Nationally, food bank usage has now risen above 1 million.

Council notes with thanks the excellent work being done by officers across the city to tackle the impact of this trend, including;

- developing a programme of holiday lunches that in 2018/9 provided 2737 free meals
- supporting 51 cookery skills sessions (2018/9) attended by 271 local residents
- continuing to develop a robust, evidence-based anti-poverty strategy to tackle the underlying causes of food poverty and insecurity
- promotion of the Living Wage

We also welcome the strength of partnership working in line with our Sustainable Food Policy. This is particularly evident within the Food Poverty Alliance established by Cambridge Sustainable Food, which incorporates the council, Cambridge city foodbank, housing providers, sports clubs, local churches and other frontline organisations providing community meals, emergency food provision and advice.

We note the publication of the alliance's comprehensive action plan listing a package of preventative and crisis measures, and five main aims;

1. to ensure children's access to food 365 days a year
2. to ensure there is emergency support so that people in Cambridge do not go hungry
3. aim to tackle the underlying causes of food poverty in Cambridge
4. to promote and support community responses to food poverty
5. to monitor and evaluate the extent of food poverty in Cambridge

At a national level, this council;

- is concerned that in the event of a No Deal Brexit, there will be a significant impact both on our short-term food security and any longer term work to establish a sustainable food strategy for the UK.
- welcomes UK Labour's pledge to introduce a Fair Food Act, creating a legal right to food, and their aim to halve food bank usage in their first year in government.

Cambridge City Council therefore resolves to;

- fully endorse the Food Poverty Alliance's action plan and continue to work in partnership with local agencies to tackle food poverty in our city, and its underlying causes.
- call on our local MPs to support Sue Hayman MP's proposals for a Fair Food Act.

13 Written questions

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

Information for the public

The public may record (e.g. film, audio, tweet, blog) meetings which are open to the public. For details go to:
www.cambridge.gov.uk/have-your-say-at-committee-meetings

For full information about committee meetings, committee reports, councillors and the democratic process:

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

COUNCIL 18 July 2019
6.00 - 9.50 pm

Present: Councillors Ashton, Baigent, Barnett, Bick, Bird, Cantrill, Collis, Dalzell, Davies, Davey, Dryden, Gehring, Green, Hadley, Herbert, Hipkin, Johnson, Lord, Martinelli, Massey, McGerty, McQueen, Moore, O'Reilly, Payne, Pippas, Porrer, Price, Robertson, Sargeant, Sheil, Smart, Smith, Summerbell, Thittala, Thornburrow, Todd-Jones and Tunnacliffe

FOR THE INFORMATION OF THE COUNCIL

19/29/CNL Minutes

The minutes of the meetings held on the 22 May 2019 were confirmed as correct records and signed by the Mayor.

19/30/CNL Mayor's announcements

Apologies were received from Councillors Chadwick, McPherson and Page-Croft.

The Mayor said that she had had a busy and enjoyable start to the Mayoral year.

The Mayor highlighted several events which she had been invited to:
Arbury Carnival, Chesterton Festival, the Dragon Boat Festival & the Abbey People Big Lunch and the Brownies.

She was also privileged to be received by Her Majesty The Queen on her recent visit to NIAB Park Farm.

<u>Mayor’s Day Out</u>

Members were reminded about the annual Mayor’s Day Out to Great Yarmouth which was taking place on Tuesday 13 August.

<u>Antoinette Jackson</u>

Members acknowledged and thanked Antoinette Jackson for her 10 years of service as the Council’s Chief Executive. Group Leaders made speeches in recognition of this achievement.

Declarations of Interest

Member	Item	Interest
Cantrill	19/34/CNL 19/35/CNLd	Trustee of Wintercomfort
Massey	19/35/CNLc	Fundraiser for EACH
Davey	19/34/CNL, 19/35 CNLa, 19/35/CNLd	Trustee at Centre 33 and partner works for Cambridgeshire County Council
Barnett	19/35/CNLc	Employed by Cambridge University Hospitals NHS Foundation Trust and would not take part in vote.
Hadley	19/34/CNL 19/35/CNLd	Partner works for Willow Walk

19/31/CNL Public questions time

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

1. Our Green party residents survey shows that over 98 % of residents are opposed to the proposed Easy Hotel on Newmarket Road. There are already two hotels opposite the site and hotel proposed for East Road, Shire Hall and Park Street. Under the Council's Local Plan this states that there is a shortage of super delux hotels. Residents would prefer a mixed scheme with ground level cafes and shops and new homes above.

   Councillor Cantrill pointed out that there are 2,500 households in Cambridge on the Housing Register waiting for social housing. Why can't we build flats on this brownfield site rather than on the St Albans green space in Arbury ? It would be a great site for retirement housing because it's a location that would allow older people to retain their independence for longer.

The Executive Councillor for Housing responded on behalf of himself and the Executive Councillor for Planning Policy and Open Spaces:

i. Ward Councillors had objected to applications at Planning Committees.

ii. The Planning Committee's role was to determine if hotel applications were in accordance with the council's development plan. Applications would be refused if they did not meet criteria and the Committee would have to give reasons for their decision.
iii. The Committee could not make recommendations for alternative site uses and could only review the application in front of them.
iv. The City Council planned to develop 500 affordable homes in the city on sites owned by the Council. It did not own the Easy Hotel site.

2. Requested official regular car free days in Cambridge as per other cities. Noted that London was running a car free day on 22 September 2019. Asked if the City Council supported a car free day and called on the City Council to lobby the County Council to make this happen.

The Executive Councillor for Climate Change, Environment and City Centre replied:

i. She personally supported car free days. She could not speak on behalf of all councillors as they had not had the chance to vote on the idea as a body. The idea had been supported at a Labour Group meeting.

   Councillors from both Groups in the Chamber indicated their support for car free days at this point.

ii. A car free day could not occur until the County Council agreed to close roads.
iii. She had emailed the Chair of the County Council's Highway and Community Infrastructure Committee and he had agreed to take the issue to his Group.
iv. The City Council measured air quality when Extinction Rebellion protests closed roads and found that air quality improved. Poor air quality led to health concerns.
v. The protest did cause problems for staff being able to get into work, although the footfall was up in the Grand Arcade.
vi. She re-iterated her support for car free days and hoped to co-ordinate events with them. She offered to liaise with the public speaker after the meeting.

The public speaker made the following supplementary points:

i. Car free days needed better publicity.
ii. More than one car free day per year should be held.
iii. Called for a regular weekly car free day.

iv. Acknowledged access to the city needed to be organised for a car free day for example for people with a disability.
v. Undertook to go to the County Council and lobby them for a car free day based on support given at tonight's meeting.

3. Asked the council to release a regular air pollution map to help raise resident's awareness and noted that this would be particularly helpful for schools trying to get support for reduced drop offs and no idling policies. It would also allow residents to make informed choices about their travel.

The Executive Councillor for Climate Change, Environment and City Centre replied:

i. The Environment Quality and Growth Team regularly mapped air quality in the city. This was complicated and time consuming work, usually done in response to a specific request eg from Central Government. The results were published a year in arrears.
ii. The next map would be completed in summer 2019.
iii. Maps could not be produced upon request due to time/cost considerations.
iv. Some live data was available on the City Council website.
v. Officers were looking at trialling mobile data sensors around the railway bridge. If the trial was successful, it could be rolled out to other areas.
vi. Air quality in Cambridge was comparable with other cities. The target was met for the first time in 2018.

19/32/CNL To consider the recommendations of the Executive for adoption

19/33/CNL 2018/19 Revenue and Capital Outturn, Carry Forwards and Significant Variances – Housing Revenue Account (Executive Councillor for Housing)

Resolved by (24 votes to 0) to:

Approve carry forward requests of £5,256,000 in HRA and General Fund Housing capital resources from 2018/19 to 2019/20 to fund re-phased net capital spending, as detailed in Appendix D of the officer's report and the associated notes to the appendix.

4b New Build Housing - Campkin Road (Executive Councillor for Housing)

Resolved by (24 votes to 0) to:

i. Approve the inclusion of an indicative capital budget for the scheme of £15,964,921 in the Housing Capital Investment Plan, to cover all of the site assembly, construction costs, professional fees and associated other fees to deliver a scheme that meets an identified housing need in Cambridge City.

4c Annual Treasury Management (Outturn) Report 2018/19 (Executive Councillor for Finance & Resources)

Resolved (unanimously) to:

i. Approve the report which included the Council's actual Prudential and Treasury Indicators for 2018/19.

4d 2018/19 General Fund (Overview) Revenue and Capital Outturn, Carry Forwards and Significant Variances (Executive Councillor for Finance and Resources)

Resolved by (25 votes to 0) to:

i) Carry forward requests totalling £923,000k revenue funding from 2018/19 to 2019/20, as detailed in Appendix C of the officer's report.
ii) Carry forward requests of £14,539k capital resources from 2018/19 to 2019/20 to fund rephased net capital spending, as detailed in Appendix D of the officer's report.

19/34/CNL To deal with oral questions

1) Councillor Collis to the Executive Councillor for Communities
Can the Executive Councillor update us on the progress of the anti-poverty strategy?

The Council's Anti-Poverty Strategy (APS) was introduced in 2014 and the current APS covered the period from April 2017 to March 2020. The APS had just had its annual review and there was a lot of exciting work being done.

The strategy underpinned everything that the council did on a day to day basis. For example the community grants programme funded over 100 voluntary and community groups. The groups had to show that they were meeting at least one of the anti-poverty targets to be eligible for the grant funding.

Discretionary housing payments had been made to more than 600 households. The Council was well on the way to building 500 council homes. There were established specific anti-poverty projects for example the Council funded a Financial Inclusion Officer, a Fuel and Water Poverty Officer and a Living Wage Officer. She believed Cambridge City was the only Council in the country to do this. The Council was praised at the living wage award ceremonies where the council won an award.

The Council also worked with local churches to provide hundreds of free holiday lunches and worked with Cambridge Sustainable Food to provide cookery advice. The Council provided free and subsidised sport sessions. The Council had also tried to mitigate the impact of the introduction of universal credit by funding a Citizens' Advice Bureau job.

2) Councillor Gehring to the Executive Councillor for Planning Policy and Open Spaces
Reducing single use plastics is a key part of all carbon neutrality strategies- does the Executive Councillor agree that it is therefore of vital importance that water fountains are installed and functional in public parks?

It was important that the Council focussed on water fountains being installed. There was a successful trial on Parkers Piece with the water fountains. She had worked with Anglia Water to have water banks when there were events taking place and these had been very successful. She was looking at using the Environmental Improvement Programme to look at where water refill points could be located throughout the city and was hopeful to locate some in the city's parks.

3) Councillor Cantrill Executive Councillor for Housing
Does the Executive Councillor believe that the city council is doing everything possible to address the issue of rough sleeping in Cambridge?

The Council was doing an enormous amount to deal with rough sleeping. Examples included the provision of grants for up to £700,000 for agencies that provided accommodation and welfare services. The Council set aside 40 social tenancies a year to help former rough sleepers to move out of hostels, which in turn created new places for individuals. The Council funded a Street Outreach Team who had a remit to find and assist everyone sleeping rough and the Council made generous provision for the access scheme to help people into private sector tenancies.

The Council also provided funding through the Housing Benefit Plus Scheme to help people leaving hostels to afford the cost of renting in Cambridge. This scheme also provided employment support so that when the top up payment stopped the customer could continue to pay the rent in full.

The Council had a Town Hall Lettings Scheme, which helped source and manage private sector accommodation for people who would otherwise be homeless. The Single Homeless Service had now helped over 500 people to find a place of their own to get people quickly off the streets in order to stop them developing habits which might make it more difficult for them to be assisted.

There were over 500 assisted beds in the city, 300 of which were for people who were homeless. The Council had developed a pocket size guide to help advise people of the services offered within the city.

From November to March the Council and other agencies provided extra beds for rough sleepers when the weather turned bad.

Street Aid had 6 contactless points where donations could be made; further terminals were planned.

4) Councillor Bick to the Executive Councillor for Housing
Does he regard the proposed expansion of Housing First as representing an additional option in the mix for helping rough sleepers into mainstream housing - or a replacement for the hostel system?

The Housing First model was used in Cambridge and in other cities to support rough sleepers with complex needs, who had a history of repeat homelessness through the hostel and existing support rehousing pathways. Whilst hostels may not be the way forward for some rough sleepers, the council was not against hostels per se and Housing First wasn't necessarily (in the
Council's view) a like for like replacement of the hostel system.

5) Councillor Price to the Executive Councillor for Housing
How much has Cambridge Street Aid raised so far, and how many grants have been distributed?

Figures up to April 2019 showed that £57,257.44 had been raised and 179 grants had been given to people on the streets to help turn their life around.

The Council was waiting for more recent figures from the Cambridge Community Foundation.

6) Councillor Dalzell to the Executive Councillor for Climate Change, Environment and City Centre
Does the Council have data regarding the level of recycling at much enjoyed events held on our parks and open spaces this summer compared to previous years?

The Events Team did not hold data on levels of recycling because whilst the Events Team organised events, the waste from these events fell under a commercial waste contract. The Council, unlike many other councils, had its own Commercial Waste Team who were available for events, but not all events / organisations used the Council's Commercial Waste Service. Some events were ones that went all over the country and they had their own commercial waste service contracted.

The Commercial Waste Service had some data when they serviced events, for example the half marathon had a recycling rate of 82% but they were working with the event to try and encourage them to have reusable bottles rather than plastic bottles.

The Council also had the commercial waste contract for the beer festival which had a 70% recycling rate. This was the first year that the Council had had the contract, therefore there was no data to compare it to other than anecdotally the beer festival said it was a great service and that recycling was up.

7) Councillor Davis to the Executive Councillor for Communities
What is the Executive Councillor's response to the cuts announced this week by the Clinical Commissioning Group (CCG)?

The cuts announced on Tuesday seemed to fall disproportionately on the elderly and the vulnerable. Funding to Dial-a-ride had been cut, funding to the Stroke Association which gave much needed care to people in their homes after they had had a stroke was being cut. Funding for the Careers Trust was to be renegotiated to include support for only the highest need people.

Yesterday £500,000 of cuts were made and the CCG was still planning to make £32.5 million savings this year. Many public sector organisations were facing unsustainable cuts. The austerity policy was taking public services to breaking point and beyond. It was the most vulnerable who were continuing to suffer.

There was an urgent need for funding across the country and an urgent need for parity as well. The Cambridge region was at the bottom of the list when it came to getting its fair share of funding. The Cambridgeshire CCG was the third lowest funded in the country, there were others getting over £350 per head of population more than Cambridgeshire was. The Government needed to take action and start funding services properly.

8) Councillor Thittala to the Executive Councillor for Transport and Community Safety

Can you update the Council on Cambridgeshire police plans for a new Milton Police station, and the council's commitment on retaining a fully effective city centre police station?

The Executive Councillor had had an interesting meeting with the Police and Crime Panel last month and had persuaded the Police and Crime Commissioner to meet with herself and Councillor Herbert the following week.

City Officers had been working with local Police Officers and the Office of the Police and Crime Commissioner to consider the number of neighbourhood police which was needed in the city, access and any options for co-location for the new police station. She would continue to apply pressure to retain a city centre police station.

The following oral questions were tabled but owing to the expiry of the period of time permitted, were not covered during the meeting. The Mayor asked Executive Councillors if a written response could be provided to those questions that had not been covered.

9) Councillor Davey to the Executive Councillor for Climate Change, Environment and City Centre

Does she support future Car Free Days for Cambridge city centre?

10) Councillor Pippas to the Executive Councillor for Planning Policy and Open Spaces

Following a request in early May from the young residents of Queen Edith's for the Council to install an additional rubbish bin in the children's play area at Gunhild Close recreation park, Can the Executive Councillor tell us when is the anticipated day of installation for the new rubbish bin please?

11) Councillor McPherson to the Executive Councillor for Communities
Can the Executive Councillor update us on the preparations for the Cambridge Folk Festival?

12) Councillor O'Reilly to the Executive Councillor for Communities
What activities are being planned for children and young people over the summer?

13) Councillor Todd-Jones to the Executive Councillor for Housing
Given that the Government is projecting that it will spend a total of £29 billion of housing funding on its 'Help to Buy' scheme, what has been the benefit or not of this scheme for Cambridge people needing affordable housing?

14) Councillor Porrer to the Executive Councillor for Housing
Could the Executive Councillor for Housing confirm that our existing home loss policy will be available to all tenants who are required to relocate as a result of redevelopment of the housing in which they currently live?

15) Councillor McGerty to the Executive Councillor for Communities
Can the Executive Councillor give an update on the Cambridge Live Review previously committed to by the council?

16) Councillor Martinelli to the Executive Councillor for Climate Change, Environment and City Centre
Does the Executive Councillor believe that the Council is doing everything it can to prevent waste going to landfill?

17) Councillor Payne to the Executive Councillor for Communities
Can the Executive Councillor provide comment on whether she believes Cambridge is an equal city?

18) Councillor Barnett to the Executive Councillor for Communities
Can the Executive Councillor update us on the progress of encouraging employers to pay the real living wage?

19) Councillor McQueen to the Executive Councillor for Communities
What is Cambridge City Council doing to promote LGBT rights?

20) Councillor Summerbell to the Executive Councillor for Planning Policy and Open Spaces
Many people in Trumpington are concerned for the future of the Flying Pig pub. They recall the occasion on which the Osborne Arms pub nearby was

demolished in 2012 without approval for demolition. This approval was granted retrospectively, on the grounds that the developer had not been informed that it lay in a conservation area. Can the executive councillor confirm that explicit consent would be required to demolish the Flying Pig under Policy 76 (the Pub Protection Policy) and Policy 61 (that it is in a Conservation Area) of the local plan, and that this consent has not yet been granted?

21) Councillor Thornburrow to the Executive Councillor for Communities
Can the Executive Councillor give us an update on the progress of the doctor’s surgery at the Clay Farm site?

19/35/CNL To consider the following notices of motion, notice of which has been given by:

6a Councillor Martinelli: Making Cambridge a Pesticide-Free City

Councillor Martinelli proposed and Councillor McGerty seconded the following motion:

Cambridge City Council notes:

- Pesticides are currently used by the City Council to control plant growth within Cambridge, including in our open spaces.
- City Council teams also use pesticides for the management of grass areas associated with highways under a Service Level Agreement with Cambridgeshire County Council.
- Exposure to pesticides is associated with human disease, harm to wildlife and contamination of our natural resources.
- Safe and effective alternatives to the use of chemical pesticides exist and are in use by other local authorities who have committed to becoming pesticide-free.
- Trials this year of stopping herbicide use in a number of parks in Cambridge have been successful without significant negative impact on either the quality of the area or the Council's resources.
- The City Council does not operate in isolation and engagement from the wider community and other bodies will be necessary to phase out the use of pesticides within the city.

Cambridge City Council therefore resolves to:
1) Commit to stopping all use of pesticides on Cambridge City Council's open spaces within the next year

2) Bring a report to the Environment and Community Scrutiny Committee defining a strategy for the complete phase out of pesticide use by the end of 2022
3) Establish a stakeholder forum including Cambridgeshire County Council, members of the public and local landowners to assist in implementing the strategy.

On a show of hands Council agreed to suspend Council Procedure Rule 23.3 (by 25 to 12 votes) to permit amendments to be moved where no, or inadequate notice had been given.

Councillor Thornburrow proposed and Councillor Hadley seconded the following amendment to motion (additional text underlined and deleted text ~~struck through~~ in black type).

Cambridge City Council notes that:

~~- Pesticides are currently used by the City Council to control plant growth within Cambridge, including in our open spaces.~~
~~- City Council teams also use pesticides for the management of grass areas associated with highways under a Service Level Agreement with Cambridgeshire County Council.~~
- Pesticides are substances that are designed to control pests, including weeds. The term, pesticide, covers a broad range of applications, including herbicide, fungicide, insecticide and rodenticide. The most commonly used pesticide are herbicides, which account for a very large percentage of all pesticide used by the City Council.
~~- Exposure to pesticides is associated with human disease, harm to wildlife and contamination of our natural resources.~~
~~- Safe and effective alternatives to the use of chemical pesticides exist and are in use by other local authorities who have committed to becoming pesticide-free.~~
~~- Trials this year of stopping herbicide use in a number of parks in Cambridge have been successful without significant negative impact on either the quality of the area or the Council's resources.~~
- Understanding that our biggest use of pesticides is herbicide applications, the City Council, Streets and Open Space team has ceased to use herbicides ~~pesticides~~ for ~~in~~ the management of council parks and ~~city council~~ open spaces; and only will apply these in exceptional circumstances.
- The ~~City~~ Council does not operate in isolation and engagement ~~from~~ with the wider community and with other bodies will be necessary to phase out the use of pesticides within the city, including ending use on highways ~~under the Service Level Agreement~~ with agreement of Cambridgeshire County Council.

Cambridge City Council therefore:
~~1) Commit to stopping all use of pesticides on Cambridge City Council's open spaces within the next year~~
~~2) Bring a report to the Environment and Community Scrutiny Committee defining a strategy for the complete phase out of pesticide use by the end of 2022~~
~~3) Establish a stakeholder forum including Cambridgeshire County Council, members of the public and local landowners to assist in implementing the strategy~~
- Commends the Streets and Open Spaces team for having stopped the use of herbicides unless special circumstances warrant their use ~~ended pesticide use~~ on the Council's parks and open spaces. ~~from July 1 2019, within three months of having committed to do so.~~
- Supports the Streets and Open Spaces team in their work with Cambridgeshire County Council to reduce and remove the need to use herbicides ~~end the use of pesticides by the City Council~~ on highway footpaths and verges, and their continued efforts to find viable and effective alternatives. ~~under the service level agreement that governs these areas.~~
- Will continue the process of discussion and consultation with other interested parties and public realm landowners to work to eliminate the use of pesticides on publicly accessed land in Cambridge, the aim that Cambridge becomes pesticide-free.

On a show of hands the amendment was carried by 26 votes to 12.

Resolved (unanimously):

Cambridge City Council notes that:
- Pesticides are substances that are designed to control pests, including weeds. The term, pesticide, covers a broad range of applications, including herbicide, fungicide, insecticide and rodenticide. The most commonly used pesticide are herbicides, which account for a very large percentage of all pesticide used by the City Council.
- Understanding that our biggest use of pesticides is herbicide applications, the City Council, Streets and Open Space team has ceased to use herbicides for the management of council parks and open spaces; and only will apply these in exceptional circumstances.
- The Council does not operate in isolation and engagement ~~from~~ with the wider community and with other bodies will be necessary to phase out the use of pesticides within the city, including ending use on highways with agreement of Cambridgeshire County Council.

Cambridge City Council therefore:
- Commends the Streets and Open Spaces team for having stopped the use of herbicides unless special circumstances warrant their use on the Council's parks and open spaces.
- Supports the Streets and Open Spaces team in their work with Cambridgeshire County Council to reduce and remove the need to use herbicides on highway footpaths and verges, and their continued efforts to find viable and effective alternatives.
- Will continue the process of discussion and consultation with other interested parties and public realm landowners to work to eliminate the use of pesticides on publicly accessed land in Cambridge, the aim that Cambridge becomes pesticide-free.

6b Councillor McQueen: Universal Basic Income Pilot

Councillor McQueen proposed and Councillor Thittala seconded the following motion:

Council welcomes the concept of a Universal Basic Income (UBI) where citizens are paid a non-means tested sum from the state to cover the basic cost of living. The amount is paid to all citizens, regardless of employment status, wealth, marital status or any other circumstance.

Council believes that UBI is an idea that could address challenges faced by new technologies, the changing world of work, the emergence of extreme poverty for many citizens and increasing wealth inequalities by:

- Rethinking how and why we work
- Contributing to better working conditions
- Ending artificial distinctions between paid and unpaid work, recognising the contribution of unpaid caring, for example
- Contributing to fewer working hours and a better distribution of jobs.

Council also welcomes the recent announcement by Shadow Chancellor John McDonnell that a future Labour Government would bring in a pilot UBI scheme to test the idea and evaluate its operation.

Council therefore requests that the Leader of the City Council writes to the Chancellor of the Exchequer asking the Government to introduce a trial UBI as a matter of urgency and also write to the Shadow Chancellor sharing this motion and asks that Cambridge is considered for any pilot UBI scheme introduced by a future Labour Government.

Council furthermore requests that the Leader writes to our local MPs with the motion and requests they also write to the Chancellor and Shadow Chancellor with the same message.

Resolved (by 26 to 0 votes) to support the motion.

6c Councillor Massey: EACH Hospices

Councillor Massey proposed and Councillor Hadley seconded the following motion:

Council considers we are very lucky here in Cambridge city to be served by the East Anglia Children's Hospice (EACH) that is based in Milton just outside of our city. EACH provides much need care and support to many families in Cambridge city and around East Anglia.

The City Council notes that:

1. On 27 December 2018, NHS England Chief Executive Simon Stevens announced that, over the next five years, up to £7million additional funding would be made available to children's hospices each year on top of the existing £11million Children's Hospice Grant, if CCGs also provide additional match funding.

2. That NHS England subsequently rowed back on this promise in its Long Term Plan and instead, this stated that the additional funding would not be exclusively for children's hospices. Since then, Charity Together for Short Lives* has also received no reassurance from NHS England or government that the children's hospice grant will still be available beyond 2020.

3. A recent survey by charity "Together for Short Lives" of children's hospices found that:
    i. Overall, the level of funding children's hospices receive from the state has dropped to 21%, down from 27% in 2013/14.
    ii. The average amount given to each children's hospice charity by local NHS clinical commissioning groups (CCGs) fell by 2% between 2016/17 and 2018/19.
    iii. This combination of falling funding and increasing costs is hitting our most vulnerable children and their families at a time when Labour Party national policy states that "We will

ensure high quality, personalised care for people approaching the end of their life, wherever and whenever they need it."

In response, the Council asks the Leader to

1. Write to the CCG and NHS England and ask that funding for our children local service East Anglia Children's Hospice, and other children's hospices, is protected.
2. Also write to our MP's and encourage them to press The Secretary of State for Health and Social Care Matt Hancock to protect the funding for children's hospices and increase it to £25 million.
3. Write to East Anglia Children's Hospices expressing the Council's thanks on their 30 years anniversary of service to children and families in Cambridge and East Anglia.

Resolved (35 to 0 votes) to support the motion.

6d Councillor Cantrill: Proposed Meadows & Buchan Street Development

Councillor Cantrill sought to alter his motion with the consent of Council under Council Procedure Rule 26.1.1. On a show of hands this request was lost by 12 votes to 25 votes.

Councillor Cantrill proposed and Councillor Payne seconded the following motion:

This Council recognises that there is an urgent need to build social housing in the city to meet the needs of those 2,500 families (approximate) who are currently on the Council's Housing Register. The programme to build 500 council houses goes some way to address this need. However, the Council is deeply concerned about the proposed Meadows & Buchan Street scheme to provide some of these and the proposal to take a part of St Albans recreation ground in order to deliver the scheme, which provides new homes at the cost of removing public amenity for existing ones. The Council is also concerned that residents have not had a proper opportunity to comment on the proposals through the Council's consultation process.

The Council asks the Executive Councillor for Housing that he:

I. pause the project and rerun the consultation exercise again, giving residents a further chance to give their input on the scheme on a proper basis; and

II. should the public response to the new consultation be against St Albans rec land being used that the Executive Councillor for Housing accepts this view and commits to adjust the current proposals accordingly.

Councillor Johnson proposed and Councillor Collis seconded the following amendment to motion (additional text underlined and deleted text ~~struck through~~).

This Council recognises that there is an urgent need to build social housing in the city to meet the needs of those 2,500 families (approximate) who are currently on the Council's Housing Register. ~~The programme to build 500 council houses goes some way to address this need. However, the Council is deeply concerned about the proposed Meadows & Buchan Street scheme to provide some of these and the proposal to take a part of St Albans recreation ground in order to deliver the scheme, which provides new homes at the cost of removing public amenity for existing ones. The Council is also concerned that residents have not had a proper opportunity to comment on the proposals through the Council's consultation process.~~

~~The Council asks the Executive Councillor for Housing that he:~~

~~I) pause the project and rerun the consultation exercise again, giving residents a further chance to give their input on the scheme on a proper basis; and~~
~~II) should the public response to the new consultation be against St Albans rec land being used that the Executive Councillor for Housing accepts this view and commits to adjust the current proposals accordingly~~

To help address this need, the Council was successful in obtaining £70million from Government, as part of the Devolution Agreement, to assist with building at least 500 new council homes over the next few years. Roughly 100 of these new homes are proposed to be situated at the current Meadows Community Centre and Buchan Street Neighbourhood Centre sites. It is acknowledged that much of the demand for new council housing comes from residents who live in the north of Cambridge.

This Council notes that:

I. In line with recommendations from its 2017 Community Centres Review, a modern community facility will also be built at the Meadows site, integrating the functions of both the Meadows and Buchan Street venues, benefitting residents of the north of the city.

II. Improvements to St Alban's Recreation Ground are also proposed, enhancing biodiversity and playing pitch provision. The existing play equipment will be retained.

III. An extensive pre-planning application consultation exercise was undertaken in March of this year, with a leaflet publicising the proposals delivered to 3500 households, and promoted in the 'Cambridge Matters' magazine. Two consultation events took place at both the Meadows and Buchan Street, and further consultation was undertaken on the specific issue of open space.

IV. In considering comments from the public, it has been confirmed that there will be refinements and improvements to the original proposals. These refinements include the potential of reducing the percentage of open space lost, and modifying the design to take better account of the existing streetscape.

V. Following sharing with the public the refined plans, there will be a further round of engagement after the summer holidays. The planning applications for both the Meadows and Buchan Street sites will then be submitted in the autumn.

This Council resolves to:

I. Welcome the progress being made to deliver at least 500 new council homes in Cambridge.

II. Recognise the importance of the Meadows and Buchan Street sites in helping meet this target.

III. Acknowledge the input from the public in helping inform the plans for these schemes, including on the subject of open space.

On a show of hands the amendment was carried by 26 votes to 12.

Resolved (by 26 to 0 votes)

This Council recognises that there is an urgent need to build social housing in the city to meet the needs of those 2,500 families (approximate) who are currently on the Council's Housing Register.

To help address this need, the Council was successful in obtaining £70million from Government, as part of the Devolution Agreement, to assist with building at least 500 new council homes over the next few years. Roughly 100 of these new homes are proposed to be situated at the current Meadows Community Centre and Buchan Street Neighbourhood Centre sites. It is acknowledged that much of the demand for new council housing comes from residents who live in the north of Cambridge.

This Council notes that:

I. In line with recommendations from its 2017 Community Centres Review, a modern community facility will also be built at the Meadows site, integrating the functions of both the Meadows and Buchan Street venues, benefitting residents of the north of the city.

II. Improvements to St Alban's Recreation Ground are also proposed, enhancing biodiversity and playing pitch provision. The existing play equipment will be retained.

III. An extensive pre-planning application consultation exercise was undertaken in March of this year, with a leaflet publicising the proposals delivered to 3500 households, and promoted in the 'Cambridge Matters' magazine. Two consultation events took place at both the Meadows and Buchan Street, and further consultation was undertaken on the specific issue of open space.

IV. In considering comments from the public, it has been confirmed that there will be refinements and improvements to the original proposals. These refinements include the potential of reducing the percentage of open space lost, and modifying the design to take better account of the existing streetscape.

V. Following sharing with the public the refined plans, there will be a further round of engagement after the summer holidays. The planning applications for both the Meadows and Buchan Street sites will then be submitted in the autumn.

This Council resolves to:

I. Welcome the progress being made to deliver at least 500 new council homes in Cambridge.

II. Recognise the importance of the Meadows and Buchan Street sites in helping meet this target.

III. Acknowledge the input from the public in helping inform the plans for these schemes, including on the subject of open space.

19/36/CNL Written questions

Members were asked to note the written question and answer that had been placed in the information pack circulated around the Chamber.

The meeting ended at 9.50 pm

MAYOR

HOUSING SCRUTINY COMMITTEE 26 SEPTEMBER 2019

5.30 – 8.40pm

Present: Councillors Todd-Jones (Chair), Barnett, Cantrill, Porrer, Sheil, Smart Thittala and Matthews

Tenant/Leaseholder Representatives: Diane Best, Kay Harris, Diana Minns (Vice Chair), Christabella Amiteye and Jean-Louis Ayivor

Also present: Executive Councillor for Housing: Councillor Johnson

RECOMMENDATION TO COUNCIL
(EXECUTIVE COUNCILLOR FOR HOUSING
COUNCILLOR JOHNSON)

HOUSING REVENUE ACCOUNT (HRA)

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

The Housing Scrutiny Committee considered and unanimously approved the recommendations.

Accordingly, Council is recommended to:

- **i.** Approve proposals for changes in existing housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the officers report, with the resulting position summarised in Appendix H.
- **ii.** Approve the revised funding mix for the delivery of the Housing Capital Programme, recognising the latest assumptions for the use of Devolution Grant, Right to Buy Receipts, HRA Resources, Major Repairs Allowance and the specific use of Section 106 Funding for investment in affordable housing against the Campkin Road scheme

This page is intentionally left blank

Item

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY 2019/20

To:
Councillor Richard Johnson, Executive Councillor for Housing

Report by:
Julia Hovells, Assistant Head of Finance and Business Manager
Tel: 01223 457248

Email: julia.hovells@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

Key Decision

1. Executive Summary

1.1 The Housing Revenue Account (HRA) Medium Term Financial Strategy, considered and approved in September / October of each year is one of two long-term strategic planning documents produced each year for housing landlord services provided by Cambridge City Council.

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

2. Recommendations

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

The Executive Councillor is recommended to:

2.1 Approve the Housing Revenue Account Medium Term Financial Strategy attached, to include all proposals for change in:

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

- 2019/20 revenue budgets and future year forecasts as introduced in Section 5, resulting from changes in financial assumptions and the financial consequences of change and the need to respond to unavoidable pressures, as introduced in Section 5, detailed in Appendix D of the document and summarised in Appendices G (1) and G (2).

- The level of fees charged to new build schemes by the Housing Development Agency, as detailed in Section 7 of the Housing Revenue Account Medium Term Financial Strategy.

2.2 Approve that delegated authority be given to the Strategic Director to be in a position to confirm that the authority can annually renew its investment partner status with Homes England.

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

The Executive Councillor is asked to recommend to Council:

2.3 To approve proposals for changes in existing housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the document, with the resulting position summarised in Appendix H, for decision at Council on 17th October 2019.

2.4 To approve the revised funding mix for the delivery of the Housing Capital Programme, recognising the latest assumptions for the use of Devolution Grant, Right to Buy Receipts, HRA Resources, Major Repairs Allowance and the specific use of Section 106 Funding for investment in affordable housing against the Campkin Road scheme.

3. Background

Page: 3

3.1. The Housing Revenue Account budget was set for 2019/20 as part of 2019/20 HRA Budget Setting Report, approving a net contribution to reserves in the year of £1,403,700.

3.2 This figure was later amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2018/19 into 2019/20 as part of the closedown process for 2018/19. Following these changes, the reduced sum of £631,200 was anticipated to be made as a contribution to reserves for the year.

3.3 The HRA Medium Term Financial Strategy revisits the assumptions made as part of the HRA Budget Setting Report, and recommends both changes in these and in some areas of budgeted expenditure and income for 2019/20 and beyond.

3.4 The resulting financial impact for the Housing Revenue Account is explained and summarised in the attached document and appendices.

3.5 As part of the HRA Medium Term Financial Strategy, the previously ear-marked sum of £10,000,000 per annum over the life of the plan has been retained in respect of building new homes. However, financial modelling has been undertaken to quantify the potential financial impact of accelerating delivery over the first 10 year period after the Devolution Programme is complete. The modelling has been based upon a number of basic assumptions at this stage, as there is still detailed work to be done before any future new build programme can be presented for consideration. Officers are exploring potential development sites, considering wider land availability, exploring the delivery vehicles that may be available to the authority, considering the specification to which we may want to build in the future and considering the impact of adopting differing rent levels for new homes.

3.6 No decisions in respect of the future HRA new build programme are proposed as part of this report and the as this will be the subject of a detailed future report to Housing Scrutiny Committee.

3.7 To be in a position to be able to bid for any funding or additional borrowing capacity provided through Homes England for the provision of social, affordable or intermediate housing, the authority is required to remain an investment partner with Homes England. To remain as an investment partner, as Cambridge City Council is currently, the authority is required to confirm annually that there have been no material changes to its membership status and that there is authority in place for continued membership.

3.8 As part of this covering report for the HRA Medium Term Financial Strategy, delegated authority is requested to allow the Strategic Director to continue to make this annual confirmation.

4. Implications

(a) Financial Implications

Page: 4

The financial implications associated with the HRA Medium Term Financial Strategy are incorporated as part of the document itself and the associated appendices.

(b) Staffing Implications

The report recommends increased investment in the housing stock, but also incorporates additional contract overheads to accommodate the externalisation of the additional work. There is not expected to be any direct impact on staff employed by the authority as a result of the additional investment.

(c) Equality and Poverty Implications

An Equalities Impact Assessment is not considered to be required as part of this report, but will be carried out as part of the 2020/21 HRA budget process and preparation of the 2020/21 HRA Budget Setting Report.

(d) Environmental Implications

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

(e) Procurement Implications

Any procurement implications arising from the recommendations for additional investment in this report will be addressed by the relevant service areas.

(f) Community Safety Implications

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

5. Consultation and communication considerations

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

6. Background papers

Background papers used in the preparation of this report:

(a) Housing Revenue Account Mid-Year Financial Review (October 2018)

(b) Housing Revenue Account Budget Setting Report (February 2019)

7. Appendices

Appendix A   Housing Revenue Account Medium Term Financial Strategy

8. Inspection of papers

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

Julia Hovells, Assistant Head of Finance and Business Manager

Telephone: 01223 457248 or email: julia.hovells@cambridge.gov.uk.

Housing Scrutiny Committee

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

CAMBRIDGE CITY COUNCIL

September 2019

2019/20 to 2048/49

Cambridge City Council

Contents

Appendices

Section 1
Introduction and Local Context

Foreword by the Executive Councillor

The City Council's Housing Revenue Account (HRA) Medium-Term Financial Strategy (MTFS) permits this authority to review and, if necessary, update key financial and policy assumptions that underpin the HRA's long-term business plan. It also permits in-year changes to the current HRA budget agreed earlier this year, and, in addition, sets the scene for the 2020/21 budget.

Since the approval of the HRA Budget Setting Report, the Government have still not allowed the appropriate Parliamentary time to formally repeal the provisions of the Housing and Planning Act 2016 that relate to the compulsory disposal of vacant higher value housing stock, as set out in its August 2018 Green Paper. Following this statement, we had deferred any assumption that we would be required to dispose of our higher value assets. However, as significant time has elapsed since the publication of the Green Paper, we are making a judgement now to fully remove from the HRA business plan the assumption that we would pay any levy. This brings us into line with many other stock holding authorities and will have a positive impact on the business with respect to anticipated future rental income.

We are also still waiting for the Government's response to the consultation on the future of Right to Buy. The Council welcomes some proposals made, for example increasing the percentage of the receipts from a sale that can be spent on financing new social rented homes from 30% to 50%, and for local authorities to keep these receipts for a longer period of time before being required to hand this money to the Treasury. It is clear, however, that Right to Buy has had a detrimental impact on stock numbers since reforms in 2012/13 increased the sale discount made available to tenants. The latest data shows that annual sales are continuing to slow and are now beginning to return to pre-2012 levels. Our current council house building programme will assist in replenishing stock levels, but the view of the Labour administration is that Right to Buy should be halted, rather than be expanded to cover housing associations which is what the Government has proposed.

It was confirmed in February of this year that from April 2020 rents will return to an annual increase of up to CPI plus 1% for a period of five years. This will, of course, result in an anticipated higher level of rental income. The previous four years' worth of rent cuts of 1% each year had placed great pressure on the HRA, requiring work to make efficiencies through the Housing Transformation Programme. With an improving internal financial outlook, together with increasing information on the current condition of our housing stock, the updated HRA Asset Management Strategy has identified areas where accelerated investment in some areas can be made.

Rent arrears as a percentage of gross rent collection levels have remained relatively stable despite the roll out of Universal Credit. This is certainly at least in part due to the investment the Council has made, together with partners like the Citizens' Advice Bureau, to prepare tenants for social security reforms. The Council bolstered its Income Management Team to ensure adequate support is in place for those who might be adversely affected, for example working on a one-to-one basis to assist tenants with budget management skills, supporting them in claiming for benefits online if they have trouble in doing so, and making earlier interventions to support tenants in financial difficulty to avoid the possibility of a tenancy ending.

This MTFS also provides an update on work to deliver the new council homes part-funded by the Devolution Grant. All sites have now been identified in meeting the target of 500 new homes, and the Council is on track to exceed this figure, with 537 units now projected to be completed by 2022/23. All homes being constructed go beyond national standards with respect to sustainability. The document crucially also signals the Council's commitment to take full advantage of the removal of the HRA cap, with initial modelling work conducted on a new target to deliver one thousand new homes over a ten year period to 2032/33 once current projects have concluded. This would be the largest council house building programme seen in Cambridge since the 1960's.

Councillor Richard Johnson.

Executive Councillor for Housing

Background and Executive Summary

The Housing Revenue Account (HRA) 30-Year Self-Financing Business Plan, originally approved in February 2012, is reviewed twice each year, with the Housing Revenue Account Medium Term Financial Strategy being the first of these updates.

The report considers any necessary change in financial strategy, policy or direction of travel for the business, following review of key assumptions and consideration of any material changes, to ensure a financially viable Housing Revenue Account in future years. Both revenue and capital investment is considered, with the impact of any proposed changes on the HRA Business Plan clearly identified. A review of strategic risks facing the HRA is presented at Appendix A. This year, the HRA Medium Term Financial Strategy is presented alongside an update of the HRA Asset Management Strategy, which has not been reviewed for some time. The HRA Medium Term Financial Strategy re-states the budget for the 2019/20, highlighting only significant or exceptional in-year changes for approval, reviews and updates financial assumptions and presents updated projections for the following 9 years from 2020/21 to 2028/29, in the context of the 30 year plan.

Removal of the assumption that the sale of higher value voids levy will ever be introduced, has improved the financial forecasts for the HRA over the longer-term, providing the capacity to address the majority of the increased investment need in our existing housing stock that has arisen following a major review of our Asset Management Strategy and resulting 30 Year Housing Capital Investment Plan. To facilitate additional investment in further new homes, it will be necessary for the HRA to borrow resource, which is possible now that the HRA Borrowing Cap no longer exists. It is critical though that any borrowing can be fully supported, and that it doesn't negatively impact the longer-term HRA Business Plan.

This iteration of the HRA Business Plan maintains the previous assumption that the authority will ear-mark £10,000,000 per annum for the delivery of new affordable homes, but also considers the potential impact on the business plan and financial forecasts if the authority were to escalate this investment in new homes, and deliver more homes in the 10 years following the end of the existing Devolution Programme. This report does not propose decisions in this regard as the future new build investment programme has not yet been developed in detail, and will be the subject of a separate report in a later committee cycle.

Timetable

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

Date	Task
2019	
26 September	Executive Councillor for Housing considers HRA Medium Term Financial Strategy incorporating Housing Scrutiny Committee views in recommendations to Council
17 October	Council considers HRA Medium Term Financial Strategy
2020	
15 January	Executive Councillor for Housing considers HRA Budget Setting Report, alternative budget proposals, approves rent levels and sets revenue budgets, considering Housing Scrutiny Committee views, making capital recommendations to Council
13 February	Council approves HRA Budget Setting Report

Section 2
Housing Stock

Housing and Leasehold Stock

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

Housing Category (Including Shared Ownership)	Actual Stock Numbers as at 1/4/2019	Estimated Stock Numbers as at 1/4/2020
General Housing	6,449	6,445
Sheltered Housing	510	510
Supported Housing	22	22
Temporary Housing (Individual Units)	61	61
Temporary Housing (HMO's / EA)	24	24
Miscellaneous Leased Dwellings	18	18
Shared Ownership Dwellings	109	97
Total Dwellings	**7,193**	**7,177**

Property Type (Including Shared Ownership)	Actual Stock Numbers as at 1/4/2019	Estimated Stock Numbers as at 1/4/2020
Bedsits	97	97
1 Bed	1,703	1,691
2 Bed	2,529	2,534
3 Bed	2,243	2,234
4 Bed	102	102
5 Bed	7	7
6 Bed	2	2
Sheltered Housing	510	510
Total Dwellings	**7,193**	**7,177**

Leasehold Stock

At 1st April 2019, the Council retained the freehold and managed the leases for 1,184 leasehold flats.

Housing Stock Changes

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

Year	Opening Stock	RTB's	Other Disposals / Demolitions	Conversions / Other Changes	Acquisitions / New Builds	Closing Stock
2018/19	7,103	(27)	(2)	(1)	11	7,084
2017/18	7,049	(47)	(29)	(1)	131	7,103
2016/17	7,040	(58)	(7)	(1)	75	7,049
2015/16	7,016	(42)	(4)	5	65	7,040
2014/15	7,164	(51)	(109)	(7)	19	7,016
2013/14	7,235	(60)	(45)	1	33	7,164
2012/13	7,280	(41)	0	(6)	2	7,235
2011/12	7,290	(12)	0	0	2	7,280
2010/11	7,364	(17)	(62)	0	5	7,290
2009/10	7,387	(13)	(2)	(8)	0	7,364
Total		(368)	(259)	(18)	342	

Section 3
The National Policy Context and External Factors

External Factors

In strategic decision making, it is critical that all financial assumptions are reviewed, also taking account of external factors, outside of the control of the organisation and that financial projections are adjusted in light of any changes or trends in these.

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

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). The last 12 months has seen variations in the rate from a high of 2.7% in August 2018 to as low as 1.8% in January 2019, rising marginally again by July 2019 to 2.1%.

The Office for Budget Responsibility (OBR) is currently still predicting a return to the Bank of England's target level for CPI of 2% in the medium-term, with a small dip marginally below this level predicted before stabilisation. The Bank of England predictions following their August meeting, also indicate a short-term dip to 1.7% this year, but then predict an increase in CPI from 2021/22 onwards, until a higher rate of 2.4% is evident by the end of 2022.

Ongoing uncertainty surrounding the UK leaving the European Union, coupled with further changes in government at a national level, make it difficult to accurately predict in which direction this indices may actually move in the short or medium term.

With this in mind, forecasts for the rate of base inflation have been amended (using an annual average of the mid-year rates published by the Bank of England) as part of the

Medium Term Financial Review, from 2.1% to 1.8% for 2020/21, rising to 2.1% for 2021/22, 2.3% for 2022/23 and then assuming 2.4% on an ongoing basis form 2023/24. This will be reviewed again as part of the HRA Budget Setting Report in January 2020.

The assumptions surrounding building maintenance expenditure inflation are derived from a mix of forecast using the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS) all in tender price index and CPI. This recognises that the older planned maintenance contract (TSG) is let as an Option C Target Contract which uses the BCIS as an inflation driver, and those let more recently (Fosters) have been let as lump sum priced contracts, instead adopting CPI as the measure of inflation for contract price increases. Upon re-tender, it is anticipated that all contracts will be let using CPI as the measure for inflation.

The latest projections for the BCIS Index over the next 4 years currently predict a higher rate of growth of 2.7% for 2020/21, followed by, 4.6%, 5.2% and 6.3% in the following 3 years. Taking an average of these rates of growth gives rise to an annual increase of 4.7%.

On a similar average basis, the assumptions for CPI over the same period are 2.15%, a difference of 2.55%. As only 50% of the work programme is anticipated to be subject to the BCIS indices, half of the uplift has been applied and a rate of CPI plus 1.28% has been incorporated into the business plan forecasts for the next 5 years, reverting to standard CPI after this, assuming that new contracts will be tendered using CPI as the standard measure of inflation.

Interest Rates

The Housing Revenue Account is entitled to a proportion of interest earned on revenue and capital cash balances invested by the authority, with a mix of investments adopted by the Council. The rate of interest assumed for 2019/20 in the HRA Budget Setting Report was 1.25%, rising to 1.3% from 2020/21.

This was based upon the HRA clawing back interest from the General Fund at the average interest rate earned by the authority across all of its investments. However, the authority has a range of investments with varying levels of risk, and therefore interest rates attached to each. The General Fund effectively indemnifies the HRA against any downside risk on the value of investments, and there is an argument that as the General Fund bears the risk associated with achieving the higher rates, that it should benefit from the interest earned at these rates. If the HRA earned the average term deposit rate, the rate achieved from investments with minimal risk, the rate of return would be an estimated 0.8%.

Following a corporate review of the approach to the allocation of investments, the risk and the resulting interest receipts, the HRA Medium Term Financial Strategy has been constructed on the basis that HRA claws back interest on the lower risk investments only, with an interest rate of 0.8% assumed from 2019/20 on an ongoing basis. The revised interest rate assumptions are included in **Appendix B**.

In respect of HRA borrowing, the self-financing loan portfolio with the Public Works Loans Board remains, with rates of between 3.46% and 3.53%.

Now that the HRA borrowing cap has been abolished, subject to financial viability, and the ability to support the borrowing, the authority can borrow to invest in the provision of affordable housing without external constraint.

Any transfer of land between the General Fund and the HRA to allow development, currently still impacts the HRA Capital Financing Requirement, effectively increasing borrowing. Although there is now no cap on borrowing, such decisions must still be made in the knowledge of the revenue impact of transferring the land. The outcome of a government consultation which sought to allow the transfer of land between funds at nil value is still awaited.

The assumption is made that any additional borrowing is externalised, with updated PWLB maturity loan rates for loans of a 30 year duration used. Based upon the rates available at the time of drafting this report, a revised rate of 2.44% has been incorporated into any borrowing assumptions from 2019/20 onwards. To ensure prudency, this rate does not take account of the potential 20 basis point reduction that may be available to the authority through the certainty rate currently in place if the authority shares its long term borrowing strategy and capital investment plans with government.

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

Right to Buy Sales

In 2018/19, 60 right to buy applications were received and recorded, compared with 65 in 2017/18. A total of 30 applications have been received in the first 5 months of 2019/20. This seems to confirm that interest has now stabilised at the lower levels experienced prior to the introduction of self-financing for the HRA, before proposals for change in housing policy and the reinvigoration of the scheme that increased interest for a period.

In 2018/19, 27 of the applications proceeded to completion of the sale of the property, compared with 47 in 2017/18. In the first 5 months of 2019/20, 14 sales have completed, supporting the view that interest may now have stabilised.

It is difficult to predict future sales, although the continued lower level of initial interest in the scheme, coupled with the uncertainty in the country at national level, caused by anticipated exit from the European Union indicate it may be prudent to retain the assumption of a future decrease in sales, with 35 sales in 2019/20, reducing by 5 sales per annum, until 25 sales per annum are assumed from 2021/22 onwards.

Right to Buy Receipts

At 31 March 2019, the authority held £13,932,386.83 of right to buy receipts under the retention agreement with CLG, to be spent within 3 years of their original receipts date, to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism. The balance must be funded from the Devolution Grant, the

Council's own resources, or through borrowing and not on replacement dwellings or dwellings receiving any other form of public subsidy.

The authority is currently unable to directly utilise capital receipts from the sale of land and other housing assets, Section 106 receipts or other forms of public subsidy as a form of match funding for retained right to buy receipts.

With an increase in the Bank of England base rate to 0.75% from July 2018, any penalty interest payable on receipts not re-invested appropriately is currently at a rate of 4.75%.

A government consultation, which closed on 9 October 2018, considered the following amendments to the regulations surrounding the use and application of retained right to buy receipts:

- Extending the spending deadline from 3 to 5 years for receipts currently held, whilst retaining the 3 year timeframe for any future receipts received.

- Increasing the level of right to buy receipts which can be used to finance a new home from the current cap of 30%, to 50% in respect of social rented homes, where authorities meet the eligibility criteria for the Affordable Homes Programme and can demonstrate a need for social housing over other affordable housing.

- Deter the use of receipts for acquisition of existing market homes by limiting the value of an acquisition to the cost of delivery of a new home as determined by Homes England and the Greater London Authority. This would mean a cap on the value of an acquisition for Cambridge City Council of £167,000.

- Allowing right to buy receipts to be used to fund shared ownership homes as well as rented.

- Allowing land held by the General Fund to be transferred to the HRA for the delivery of affordable homes at zero value, but with some suggestion a time limit may be imposed on how long the General Fund will have had to hold the land prior to transfer.

- Consideration of changes to allow transfer of receipts to a Housing Company or ALMO (Arm's Length Management Organisation), subject to some constraints.

- Allowing a 3 month 'interest free' window after each quarter to allow authorities to make decisions about whether to retain or pay over receipts.

The outcome of the consultation is still awaited at the time of writing this report.

Appendix C summarises the latest position in respect of receipts held and appropriately re-invested. The authority has avoided breach of any re-investment deadlines to date, with sufficient resource invested to avoid any penalty until at least June 2019.

Newly arising receipts will be retained without question at the end of each quarter for the current year and the following 2 years, as the authority requires the receipts to combine with Devolution Grant to deliver over 500 new homes. After this period, the decision to retain or pay over receipts each quarter will revert to the Head of Finance, in consultation with the Strategic Director, taking into consideration any need to borrow to appropriately re-invest the resource and the implications of this on the business plan. The Executive Councillor for Housing will be informed if the recommendation were to be to pay receipts directly back to Central Government.

The Strategic Director retains a delegation to draw down funds from HRA ear-marked reserves to acquire homes on the open market, if required, to ensure that investment is made well in advance of the prescribed deadlines.

National Housing Policy

National Rent Setting Policy

Following four years of 1% rent cuts, the authority expects to return to annual rent increases of a maximum of inflation, measured by CPI in the preceding September, plus 1% for a period of 5 years.

A government consultation, 'Rents for social housing from 2020', conducted between September and November 2018, resulted in the following outcomes being published in February 2019:

- From April 2020, local authority rents will be regulated by the Regulator of Social Housing, alongside housing associations and other registered providers.

- The Regulator's rent standard will apply to local authorities

- Rent increases will be limited to an increase of up to CPI plus 1% from April 2020 for 5 years, with properties below target rent levels still waiting until they are vacated to be moved directly to target rent.

- Target rents continue to be set with reference to January 1999 property values
- The 5% flexibility remains, but with the policy wording softened to remove the need to utilise the flexibility in a balanced way, but instead to ensure that there is a clear rationale for using the flexibility which takes into account local circumstances and affordability.

- Affordable rents increases are also limited to a maximum increase of CPI plus 1% from April 20202, but with the ability to re-set the rent at up to 80% of market rent upon re-let

- An authority can request an exemption from the rent standard from the Secretary of State, where the government rent policy would cause unavoidable and serious financial difficulty

The Regulator of Social Housing has carried out a further consultation between May and the end of July 2019, surrounding the detailed rules and expectations of the Rent Standard to be applicable from April 2020 in light of the Direction published by Government.

Housing Green Paper

Consultation on the Ministry of Housing, Communities and Local Government green paper 'A new deal for social housing' concluded on 6 November 2018, with Cambridge City Council submitting a formal response alongside many other stakeholders.

The formal outcome of the consultation and any resulting change in legislation is still awaited at the time of writing this report.

The five key principles in the consultation document were:

- a safe and decent home with a sense of security and ability to get on in life;
- improving and speeding up how complaints are resolved;
- empowering residents, ensuring voices are heard and landlords held to account;
- tackling stigma and celebrating thriving communities, challenging stereotypes
- building much needed social homes ensuring a springboard to home ownership.

The consultation considered a vast number of points, including:

- introduce further safety measures in social housing and reviewing the decent homes standard and engaging residents in how to ensure homes are safe
- improve mediation for residents, ensuring access to advice and support, review process for the handling of complaints.
- review performance reporting, regulation and resident engagement

- Tackle stigma in social housing, provide good neighbourhood management, tackle anti-social behaviour.

Also raised in the consultation was the need to strike a balance between funding housing associations to deliver new homes, and increase borrowing caps to allow local authorities' to build more by providing certainty over longer-term funding, This point was addressed in late 2018, with the abolition of the HRA borrowing cap and issue of an amending determination to implement this with immediate effect.

Mandatory Disposal of Higher Value Housing Stock

The Housing and Planning Act 2016 allowed Central Government to choose to impose a financial levy on stock owning authorities in respect of the assumed sale of higher value vacant housing stock.

The Housing Green Paper 'A new deal for social housing', indicated a clear commitment from government to revoke the legislation that would allow the levy to be introduced, with the following statement made:

'Therefore to increase councils' confidence to plan ambitious house building programmes, we are confirming in this Green Paper that the Government will not bring the Higher Value Assets provisions of the Housing and Planning Act 2016 into effect. We will look to repeal the legislation when Parliamentary time allows'.

No further announcements or activity has taken place in this area since the green paper was published.

In previous iterations of the business plan, the assumption that the authority will be required to dispose of assets to meet a levy has simply been deferred, pending confirmation that the legislation will be formally repealed in the outcome of the green paper.

In the absence of any formal announcement, and due to the time elapsed, this iteration of the business plan as part of the HRA Budget Setting Report makes the assumption that the legislation will be repealed in due course, and completely removes the expectation that any levy will be payable.

Welfare Reforms

Universal Credit

Universal Credit full service in Cambridge started 17th October 2018.

Tenants needing to apply for one of the six legacy benefits for the first time now need to apply for Universal Credit instead. Existing legacy benefit claimants will be 'naturally migrated' to Universal Credit if they have a prescribed change in their circumstance.

Tenants in temporary or specified accommodation will receive Universal Credit for their living costs but Housing Benefit for their housing costs.

To support existing Housing Benefit claimants (unless temporary or supported accommodation) with the transition to Universal Credit, an additional payment of two weeks Housing Benefit is made.

Cambridge City Council continues to work with partners and the local Jobcentre Plus, including the funding of a post in the Jobcentre to provide Personal Budgeting Support (PBS). This arrangement has seen significant increases in the numbers receiving support compared to before the initiative started.

From April 2019, the DWP has been funding Citizens Advice through a national partnership to assist people with applying for Universal Credit. However, this does not include the PBS currently funded by Cambridge City Council.

There has been extensive engagement over the last 12 months with several articles in Open Door, support offered on a 1-2-1 basis when it is known that a tenant has moved to Universal

Credit and a leaflet has been sent to every working age Housing Benefit claimant explaining what they can do to prepare for the changes.

With high numbers of changes in the current benefit caseload, it is expected that many tenants will move to Universal Credit due to one of the specified changes in circumstances. From early 2020 to December 2023, a process of managed migration will move remaining Housing Benefit claimants to Universal Credit. Details of how and when are still being considered by government.

Benefit Cap

The project to manage the impact of the reduced Benefit Cap is continuing to support those affected. Referrals have been made to Cambridge Citizens Advice for budgeting support and some have been referred to Cambridge Housing Society to look at ways to help those affected into work. Others may need short term Discretionary Housing Payments (DHPs) to support them until they are able to improve their circumstances. DHPs are used extensively to support those affected by welfare reforms and are typically awarded with conditionality, the purpose of which is to assist the tenant in no longer being subject to the Benefit Cap. A big part of this is the work carried out by City Homes, who assist tenants to find solutions that work for them.

Removal of the Spare Room Subsidy

Numbers of customers affected by the removal of the spare room subsidy is remaining steady with 343 HRA tenants currently affected by the reform (355 in 2017). 291 are impacted by a reduction of 14% and 52 by 25%. DHPs are also used to support tenants affected by the Removal of the Spare Room Subsidy. Similar to the Benefit Cap, DHPs are typically awarded with attached conditionality that seeks to assist the tenant in no longer being subject to the Spare Room Subsidy.

Limiting the Child Element to two children

From 1 April 2017, new benefit claims and current benefit claims which increase the family element above two children, do not have additional child elements included in the Housing

Benefit calculation. There are some exemptions for multiple births, result of abuse and adoption, or similar.
It will not impact on current claimants with more than two children, unless they have more children, then the child allowances will not increase, subject to the above exemptions.

Supported Accommodation Review

A review of the funding of this type of accommodation has taken place; the government has decided that none of the suggested proposals will be taken forward. Housing Benefit will remain in place to fund this accommodation.

It is the DWP's intention ''to develop a robust oversight regime'' of supported accommodation. We welcome this, as supported accommodation has historically been an area where local authorities sustain significant subsidy losses. There remains a risk to wider council finances, although this has no direct impact on the HRA.

Support for Vulnerable People

Cambridge City Council remains in contract with the County Council for the delivery of tenure neutral support services to older people across the city as a whole, with a term of up to 4 years from April 2018. The contract sum is fixed at £180,000 per annum.

The authority has been contracted to deliver both care and support services in extra care housing at Ditchburn Place for many years. The County Council is still exploring options for the continued delivery of care at Ditchburn Place following an inability to award the contract through a formal tender process. The City Council is actively supporting this process, and as landlord, will work proactively with any new supplier to minimise the impact of any change for residents and staff.

Section 4
Revenue Resources – Rent and Other Income

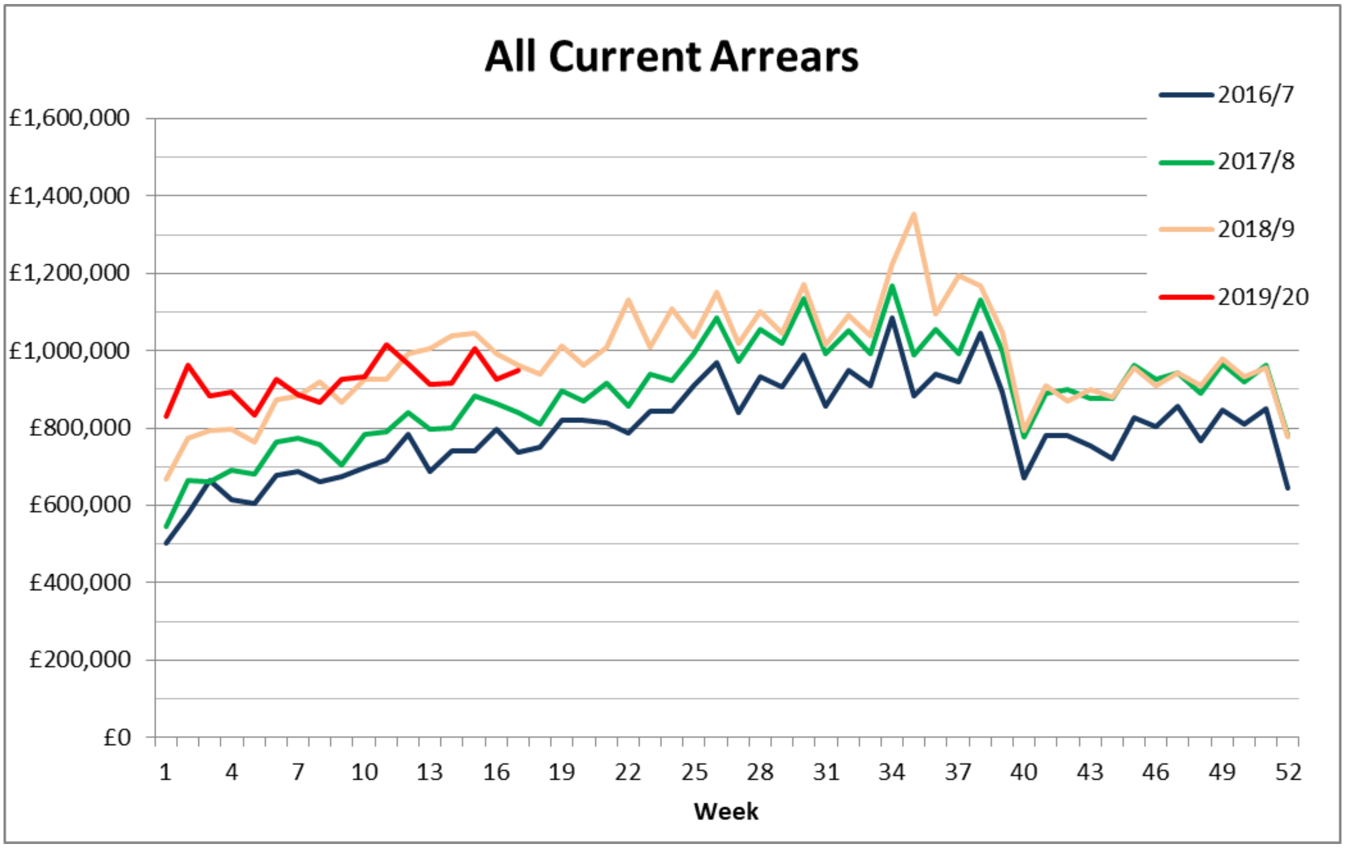
Rent Arrears and Bad Debt Provision

Rent collection performance has been broadly maintained, with just under 98% (97.97%) of the value of rent due, collected in 2018/19, compared with marginally over 98% (98.06%) in the previous year.

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

Financial Year End	Value of Year End Arrears in Accounts (Current Tenants)	Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2015	£637,735	1.67%	£763,491
31/3/2016	£598,820	1.51%	£735,539
31/3/2017	£645,398	1.63%	£728,050
31/3/2018	£779,904	1.96%	£871,620
31/3/2019	£776,961	1.93%	£932,156

Performance in the collection of current tenant debt has been maintained during 2018/19, with the ongoing impact for residents of direct payment having a gradual impact, which is being actively managed. Increased staffing in this area, focussed on the impact of the Welfare Reforms are helping to mitigate the immediate impact on arrears levels.



A dedicated Income Management Team continue to work proactively with all tenants, but particularly those already, or soon to be, affected by the benefit changes, in an attempt to mitigate any negative financial impact on the Housing Revenue Account. An action plan is in place to ensure that residents are supported, whilst income recovery is maximised:

- Support a smooth transition to support for housing costs via Universal Credit for those currently receiving Housing Benefit and other legacy benefits.
- Improve tenants' budgeting skills
- Reduce levels of personal debt and increase disposable income.
- Assist customers in accessing affordable credit thereby avoiding high cost and illegal money lenders.
- Reduce the number of tenancy terminations by tenants affected by welfare reforms.
- Support online access and digital capability, as UC is an online claim.

The Income Management Team has been expanded by one full time additional Financial Inclusion Officer, to increase capacity to work with affected tenants as quickly as possible once they are impacted by change. And an additional Assistant Housing Officer to further support the work of the team, with a particular focus on arrears recovery support, leading to the administration of court proceedings, where required. This leaves funding to meet the additional direct costs of collecting the rent directly, ie; cash collection costs. A bid, as part of the 2019/20 budget process made a further £50,000 of resource available in 2019/20, specifically to support tenants through the transition from Housing Benefit to Universal Credit.

Following a consultation in late 2018, the authority moved to collecting the annual rent due from tenants over 52 or 53 weeks in each year as opposed to the 48 weeks previously adopted. Tenants pay the same sum over the rent year, but have less to pay in any one week and no longer benefit from non-payment weeks at Christmas and around Easter. This change brings the City Council in line with many other local authorities and housing associations and is more consistent with the way in which Universal Credit is being calculated and paid. There is still an ongoing debate at national level about the 53rd rent week in 2019/20, with the DWP refusing to recognise the impact of the way that Universal Credit is calculated in this regard, and effectively not paying for this one week every 6 or 7 years. The authority will continue to lobby in this regard on tenants' behalf.

Tackling former tenant arrears is increasingly challenging, with a further increase evident during 2018/19. Debt that is not realistically collectable is still recommended for write off, but the process through which this happens requires some review to avoid unnecessary delay. Provision is made in the Housing Revenue Account to write off 90.5% of former tenant debt, but a decision to do this is not taken until all avenues for collection have been exhausted.

The annual contribution to the bad debt provision is 1.5% from 2019/20. This assumption has been retained as part of this review. The level of provision for the longer term will be reviewed once the authority has more experience of payment performance locally after the full rollout of Universal Credit.

At 31 March 2019, the total provision for bad debt stood at £1,406,154, representing 82% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2018/19 was £723,924 representing a void loss of 1.91%, compared with £902,193 in 2017/18, representing a void loss of 2.39%.

The value of rent lost through void dwellings during 2018/19 was lower than in 2017/18, and was within the higher target of 2% recognised as part of the 2018/19 HRA Medium Term Financial Strategy. The increase in void assumptions to 2% for 2018/19 was due to a combination of holding vacant properties prior to demolition and re-build coupled with vacant units at Ditchburn Place during refurbishment.

One of the key contributors to the void levels in 2018/19 remained the shared ownership housing at Virido, with void loss of approximately £214,000 due to the time taken to sell the initial share in the new build shared ownership homes. This has recently been resolved, with planning approval being granted to convert the unsold units to affordable rented homes. Void loss at Ditchburn Pace was in the region of £124,000 in 2018/19 due to the planned refurbishment programme, which is expected to complete imminently. £30,000 of the void loss related to Tuscan Court, where property was acquired on the open market and fully refurbished before being let and a further £16,000 related to schemes being vacated for redevelopment.

Work undertaken to review the void and lettings processes as part of the Housing Transformation Programme, resulted in an extensive action plan for the improvement of void performance. The Repairs Review, being carried out during 2019/20 will build on this learning and further improve general void performance. It must be recognised however, that there will always be the impact of management voids caused by decisions such as redevelopment of a housing estate.

If the impact of the irregular void transactions (detailed above) are removed from the statistics, the void performance in general voids for 2018/19 would have been 0.9%. As a result of this the longer-term business planning assumption of 1.0% is still considered realistic. It needs to be recognised that there will be a continued higher incidence of void activity whilst further new build development sites are vacated. It is therefore proposed to adopt a marginally higher assumption of 1.75% for 2019/20.

Rent Setting

Rent levels are set in January of each year, with the Executive Councillor for Housing having authority to make the decision, following pre-scrutiny by Housing Scrutiny Committee. From April 2020, the authority expects to return to a position where rents can be increased by up to a maximum of inflation plus 1%, using the Consumer Price Index (CPI) as the measure of inflation.

In respect of affordable rented homes, the same inflation plus 1% ruling will apply for existing tenants, with the ability to re-set the rent at up 80% of market rent when a property is vacated, should the authority so choose. Affordable rents at up to 80% of market rent must combine both the rent and service charges levied for any property. However, local policy is to limit affordable rents to the Local Housing Allowance level (recently benchmarked at approximately 54% of market rent currently) from the point of introduction.

Local authority rent levels will be governed by the Regulator of Social Housing from April 2020 onwards, instead of being controlled DWP through the limit rent system as they have been previously.

Rent Restructuring

Property specific target social rents under the rent restructuring regime still apply.

The authority has the ability to close the gap between target social rent and the actual rent being charged for a dwelling, only when a property becomes void, and actively does this.

The average target 'rent restructured' rent at the start of 2019/20 across the general housing stock was £101.69, with the average actual rent charged being £97.97, both recorded on a 52 week basis. By April 2019, 25% of the social rented housing stock was being charged at target rent levels, compared with 21% in April of the previous year.

The gap between actual and target rent levels in the general housing stock now equates to an annual loss of income of approximately £1,325,200 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement of 2012, where convergence was assumed.

There were 297 new build properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at 1st April 2019.

Reserves

Housing Revenue Account General Reserves

Reserves are held to help manage risks in business operation, financial forecasting and budget-setting. Risks include changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies, such as uninsured damage to the housing stock or unanticipated major repairs. Reserves may also be used fund investment which is anticipated to deliver savings in the longer-term. For the Housing Revenue Account the target level of reserves is £3,000,000, with a minimum level of reserves of £2,000,000. HRA reserves are currently held at levels above target, due to decisions to fund some re-provision of existing homes on development sites, where retained right to buy receipts and devolution funding can't be used for this purpose.

The impact on HRA reserves for 2018/19, and 2019/20 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	2018/19 £'000	2019/20 £'000
Opening General HRA Reserves	**(9,018)**	**(11,539)**
Changes in HRA Reserves		
Original Budget (Approved in February)	(3,281)	(1,404)
Carry Forwards (Approved in June)	699	773
MTFS Mid-Year Review (Approved in October)	209	498
Budget Setting Report Revised Budget (February)	301	-
Estimated Closing General HRA Reserves	**(11,090)**	**(11,672)**
Actual Outturn variance for the Year (Reported in June)	(2,521)	-
Contribution from Ear-Marked Reserves	-	-
Actual Closing General HRA Reserves	**(11,539)**	**-**

The original budget for 2019/20 approved a net contribution to general reserves of £1,403,710, incorporating set-aside of £4,472,200 for potential debt repayment or re-investment, but with no assumed revenue contribution to fund capital expenditure for the year.

The financial projections incorporated into this report include the effects of changes in capital scheme approvals and resources, approved carry forwards from 2018/19, changes in estimated rental income for 2019/20, in interest due for the year based upon revised cash balance assumptions, in the level of depreciation assumed to be chargeable to the HRA and in the bad debt provision required for the year, based upon the latest stock estimates. Changes are also incorporated to reflect the need to increase budgets in year to recognise the true costs of repair works that need to be given to specialist contractors, to carry out a backlog of electrical testing to communal areas and to address the loss of income form South Cambridgeshire District Council following the cessation of the Shared Housing Finance Service.

The final general HRA reserves position reported at 31 March 2019 was £11,539,346.

The revised projection of the use of general reserves in the current year (2019/20) now indicates that there is expected to be a net contribution to reserves of £132,520, which would leave a balance of £11,671,866 at 31st March 2020.

There is now a proposed use of £2,911,300 of direct revenue financing of capital expenditure in 2019/20, to fund some of the costs of re-developing existing HRA homes, with the use of this resource offset by a corresponding reduction in the sum to be set-aside in 2019/20 for potential debt repayment.

Earmarked Funds

In addition to General Reserves, the Housing Revenue Account maintains a small number of earmarked or specific funds which are held for major expenditure of a non-recurring nature or where the income is received for a specific purpose. See **Appendix I** for detail of existing balances held.

Section 5
Detailed Review of Revenue Budgets

Housing Futures Programme

Following a period of three years (2016/17 to 2018/19), where significant savings were sought in the HRA In response to the financial pressure faced as a result of the need to reduce rents for four years, the external financial position for the business has stabilised somewhat.

The Housing Futures Programme now seeks to continue to drive out efficiencies in business operation, allowing resource to be strategically re-directed into other areas of investment, to meet emerging demands or to deliver new or enhanced services.

A number of service areas are identified for consideration during 2019/20, with the key aim of ensuring that the authority is best placed to respond to changes in the economy and in national housing policy whilst still meeting the needs of the most vulnerable:

- Stock Condition Survey (finalisation of work commenced in 2018/19)
- Repairs Full Service Review (brought forward from 2020/21)
- Rechargeable Repairs (deferred to fit with implementation of new Housing Management Information System in April 2020).
- Review of recharges between the General Fund and the HRA
- Review of services recharged to the HRA (grounds maintenance, street cleaning, etc)

The Repairs Review is a significant work stream, with external consultancy support in place to ensure delivery within the anticipated timescales. Operations, Stores and Asset Management functions will all be reviewed, looking at end to end business processes, reviewing roles, responsibilities and staffing structures where appropriate. The review aims to improve efficiency across the service as a whole, reducing cost whilst also improving customer satisfaction.

Recommendations resulting from the above 2019/20 work streams will be presented to Housing Scrutiny Committee where appropriate, with any detailed resulting budget proposals to be incorporated as part of the 2020/21 budget process and included in the 2020/21 HRA Budget Setting Report.

2019/20 Mid-Year Budget Changes

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

For 2019/20 there is the need to recognise and approve the following changes in the HRA mid-year:

- Inclusion of £183,600 per annum from 2019/20 onwards to recognise the budget required to meet the cost of sub-contracted work in response repairs, where specialist contractors are needed to undertake the necessary works.

- Inclusion of a one-off budget in 2019/20 of £208,000 to undertake the backlog of electrical inspections in communal areas that have been identified as best practice following health and safety compliance audit activity.

- Following cessation of the shared housing finance service with South Cambridgeshire District Council there is the need to recognise loss of £44,670 of fee income.

- An increase in depreciation of £121,430 based upon the latest stock projections and depreciable asset values.

- An increase in anticipated rental income of £335,290, recognising the complete removal of the assumption that any sale of higher value voids levy will ever be implemented, coupled with a reduction in right to buy activity and delays in securing vacant possession of some new build development sites.

- An increase in the value of contribution to the bad debt provision for 2019/20, as this is linked directly to a percentage of the estimated rental income for the year.

- Inclusion of direct revenue funding of capital expenditure of £2,911,300 to meet some of the cost of redevelopment of existing HRA homes, where Devolution Grant and right to buy receipts can't be used to fund the expenditure, with a corresponding reduction I the sum to be set-aside for potential debt repayment for the current year.

- A reduction in the anticipated interest received on cash balances for 2019/20, as although the level of balances held is higher due to underspending in 2018/19 and re-phased capital expenditure, a change in the approach taken to recovering interest from the General Fund significantly reduces the sums anticipated. The interest paid by the HRA on notional internal borrowing will also reduce marginally as a result of this change.

These changes are detailed in **Appendix D**, and are incorporated into the HRA Summary Forecasts at **Appendix G (1)** and **Appendix G (2)**

Section 6
Capital and Planned Revenue - Existing Stock

Stock Condition / Decent Homes

The authority holds validated stock condition data for its housing stock, which is continually being updated. An exercise has been in progress for the past 12 months to increase the breadth of this data to help inform strategic decision making.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2019 at 89%, compared with 95% achieving the desired standard at 31 March 2018. There were 799 properties that were considered to be non-decent (in addition to 977 refusals), with another 307 estimated to become non-decent during 2019/20.

Stock Investment

A major review of the investment need in the housing stock has been undertaken in 2019/20 as part of the work to increase the level of stock condition data held and to produce an updated Asset Management Strategy. It has been a number of years since the detailed stock condition investment data has been reviewed and updated as part of the HRA Business Plan.

The review enables unit prices to be updated for each decent homes and other investment component, ensuring that the latest contract prices are incorporated into the 30 year investment programme.

As part of the Housing Transformation Programme, when faced with significant financial pressure in the HRA, the authority also took decisions to reduce the level of investment in some areas. The review has provided the opportunity to revisit these decisions and to re-accelerate investment in some areas.

Following the HRA Self-Financing Settlement in April 2012, the authority approved an investment standard above that required by basic decent homes. This full investment standard sought to replace components based upon just age, and not a combination of age and condition.

This standard was significantly paired back by April 2016 following announcements of a 1% cut in rents for four years. The authority has most recently adopted a decent homes standard, with life cycles extended to recognise not only age, but the potential for the condition of components to delay the need to replace them further.

As part of this review of investment in the asset base, the opportunity has been taken to reduce some of the life cycle replacement periods, recognising that the need to invest prior to failure will increase planned investment, but also that it will reduce the cost of reactive repairs, helping to manage the current overspending in this area. The backlog of decent homes investment, against the components detailed in the table below, which was removed when the HRA faced significant financial pressure, has also been reinstated as part of this review.

Element	Option	Life Assumed
Balcony		80
Balustrade/railing	Metal, timber, concrete, glass, melamine, other	80
Bathroom		40
Boiler		12
Canopy	Timber, concrete, GRP, metal	40
Chimney	Pointing & Render	50
Communal door	GRP, timber, PVCu, composite, steel, mixed	40

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

Following updated Fire Risk Assessments and revised fire safety regulations, a number of actions are required. We identified some opportunities to increase the level of fire protection in flatted accommodation above the level of compliance it already achieves.

A work programme has been developed to introduce measures which will improve early heat detection for fire prevention purposes and to protect means of escape.

Funding was incorporated into the Housing Revenue Account for internal fire doors, windows and emergency lighting in a small proportion of the housing stock and for the programmed installation of heat detectors in all general housing properties in line with those now installed as standard in new build homes. As part of this business plan review funding of £360,000 is requested to allow for the replacement of approximately 300 external doors, now that the authority has received details of the standard required and identified a supplier who can provide these.

Additional resource of £2,700,000 is also requested as part of this HRA Medium Term Financial Strategy, to undertake remedial structural works to balconies and walkways across three housing areas / estates. There is the potential for similar investment to be required in other blocks of similar age and construction, but until the specialist surveys have been completed, this can’t be confirmed or quantified. Capital bids will need to be made as part of the 2020/21 budget process to allow further works to be undertaken if they are required.

Following stock condition survey work over the last 12 months, further analysis is now required on a property by property basis, to identify individual properties or blocks of flats where there is a significant investment need anticipated over and above that driven by the decent homes standard. For these assets there will be decisions to make about their overall contribution to the business plan, and whether they should be retained and improved, or alternatively disposed of or demolished and re-developed. No additional structural costs have been built into this iteration of the business plan, as until the work has been undertaken it is impossible to predict the decision that will be made or the costs that will be involved.

As a result of the fundamental review of planned investment, the current HRA Business Plan and resulting Housing Capital Investment Plan remain constructed on the basis that a partial investment standard is retained in the housing stock, but with accelerated investment in some areas to bring them back to nearer the full investment standard. This coupled with using the most up to date contract component prices results in a significantly higher level of investment over the life of the plan than previously incorporated.

It should be recognised however that the increased investment need in the existing housing stock has a direct impact on the resource available for other areas of the programme, such as the delivery of new homes. To maintain a significant new build programme alongside investing at a higher level in the existing stock, will require a significant amount of borrowing, with the need to ensure that the business can support this over the longer-term.

From a delivery perspective planned maintenance investment is currently broadly split between two main contractors, with Fosters responsible for the delivery of the majority of external planned works to the housing stock, blocks and estates, whilst TSG deliver the majority of internal planned investment. The contract with TSG runs until November 2019, with the ability to extend by a further 3 years and the contract with Fosters runs until July 2022, also with the potential to extend for a further 3 years.

The Council declared a climate change emergency in February 2019 and has called on government, industry and regulars to make changes to enable Cambridge to reach net zero carbon by 2030. There is a clear commitment to reducing the carbon footprint and improving sustainability across the asset portfolio, with the HRA stock representing a proportion of the portfolio.

Government plans for a Future Homes Standard and other policy changes and initiatives are also likely to impact the housing stock and maintenance of it in the future.

It is not yet clear exactly what will be required to improve the performance of the existing housing stock, but the Council will consider investment in this area as part of the 2020/21 budget process to allow both the identification and scoping of works and the resulting capital investment.

Appendix H provides detail of the revised 10-Year Housing Capital investment Plan, and incorporates the following items in relation to existing stock:

- Expenditure as approved in the HRA Budget Setting Report in February 2019.
- Re-phasing of expenditure anticipated to take place in 2018/19, into 2019/20 and beyond, as approved in June / July 2019.
- Inclusion of £2,700,000 (£500,000 in 2019/20 and £2,200,000 in 2020/21) to take the required remedial action to address structural balcony and walkway issues in three areas or estates across the city.
- Inclusion of £360,000 to replace external fire doors now that the updated standard has been made available.
- A full review of the 30 year Housing Capital Investment Plan to accommodate the latest stock condition data held, to incorporate the latest contract prices being realised and to adjust investment in some areas to mitigate the increase in response repairs being realised due to component failures.
- Inclusion of the investment required to tackle the backlog of decent homes work over the 10 year period from 2021/22 (5 years in respect of bathrooms and doors) alongside delivery of the programmed works, where this assumption had previously been removed in response to financial constraints imposed on the HRA by the 1% rent cuts.

These, and other changes, are summarised in **Appendix E** and incorporated into the revised Housing Capital Investment Plan at **Appendix H**.

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

Asset Management

Consideration continues to be given to the strategic acquisition or disposal of assets, in line with the current HRA Acquisition and Disposal Policy.

Receipts from individual asset disposals are currently recognised in the HRA's reserves at the point of receipt and after all relevant costs have been provided for, and this approach will be continued unless there is any change in the indicated direction of travel for repealing the legislation that would have introduced the sale of higher value voids levy.

During 2018/19, the HRA only acquired two properties on the open market to assist with appropriately reinvesting right to buy receipts, including one property previously owned by the County Council and another as part of a re-development decision.

Although there are a number of properties currently being acquired on re-development sites at Colville Road and Campkin Road, there are no other strategic market acquisitions or disposals in process currently.

Acquisition / Disposal	Comment	Status
None	None in progress currently	N/A

The re-development of Colville Road and Campkin Road require the acquisition of 4 and 7 leasehold properties respectively. At the time of writing this report 1 property had been bought back, with the remaining 10 still under negotiation.

New Build

General Approach

All new build housing in the HRA is managed by the Housing Development Agency (HDA). There are still a number of options considered for the delivery of new homes.

One option remains for delivery of new homes through the Cambridge Investment partnership (CIP), but with 4 potential relationship arrangements depending upon the site ownership and the value of the build. The options through CIP include:

- Lease the land to CIP and acquire the affordable housing through an Affordable Housing Agreement. This option was adopted for Anstey Way and Mill Road Phase I, but does incur a Stamp Duty Land Tax (SDLT) liability

- Provide a license to CIP and acquire the affordable housing through an Affordable Housing Agreement. This option incurs no SDLT liability and is suitable for new schemes, such as Ventress Close, Akeman Street and Garage Sites, that are under the OJEU threshold

- For schemes required to deliver affordable under Section 106, the site is transferred to CIP under a Land and Development agreement, with the land for the affordable housing transferred back to the Council (HRA) at this point. This option incurs no SDLT liability, and may be suitable for Mill Road Phase II and Cromwell Road

- For schemes over the OJEU threshold, Hill can be appointed through an existing framework, where direct call off may be appropriate. This route may be suitable for Meadows, Buchan, Colville Road and Campkin Road

Alternative delivery models also exist, with the HRA able to contract directly with a builder / developer for a site or package of sites, following a competitive process, delivering the housing under a JCT build contract or similar.

The authority can also build out sites in-house, deploying the existing workforce in the Special Projects Team in the Estates and Facilities service area.

Where the Cambridge Investment Partnership are involved in the delivery of a site, they will continue to design and price the delivery of new build housing to the HRA, to include build cost, fees (architects, etc) and their fee for effectively project managing both the supply chain and the delivery of new homes. Some staff time for the H.D.A team continues therefore to be charged directly to CIP as part of the CIP Investment Team costs The H.D.A charge a fee for their role in the detailed project management for the delivery of new homes from the Council's perspective, but the fee is lower, recognising the proportion of the team being funded by the Cambridge Investment Partnership, as part of the wider Investment Team.

The fees charged by the H.D.A have been reviewed as part of this Medium Term Financial Strategy. The proposed level of H.D.A fees for schemes approved from September 2019 onwards are:

- HRA housing schemes delivered using CIP – 2%
- HRA housing schemes delivered by H.D.A directly – 3%
- 1% addition to be added to each of the above if scheme includes re-development

Potential new build schemes are identified, and incorporated into the rolling affordable housing programme to allow formal feasibility investigation and consultation with stakeholders. Each scheme is subsequently considered and approved at Housing Scrutiny Committee based upon indicative costs, and then incorporated into the Housing Capital Investment Plan at the next approval opportunity. As the scheme design progresses and planning approval is sought, revised and more accurate scheme costs are available, culminating ultimately in a build contract value or affordable housing agreement, which form the final budget for each scheme.

Some of the HRA sites incorporate an element of re-development and therefore re-provision of existing homes, usually with the density of the new site being significantly increased.

Resource is also ear-marked in the Housing Capital Investment Plan for other potential sites to be brought forward, allowing this resource to be vired to specific scheme budgets once scheme specific approvals are presented for decision.

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

New Build Schemes Completed

At the time of writing this report 327 new homes had been completed since April 2012, of which 36 were shared ownership homes.

The table below details the new build schemes completed to date:

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

Scheme	Date Completed	Social Housing / SO Units	External Funding Source	Percentage Social Housing on Site
Wadloes Road (Acquisitions)	October 2015	3	RTB Receipts	100%
Colville Road	June 2016	19	HCA Grant	76%
Aylesborough Close	September 2016	20	HCA Grant	59%
Scholar's Court, Homerton	December 2016	39 (10 Shared Ownership)	RTB & Sales Receipts	40%
Virido, Clay Farm	June to September 2017	104 (26 Shared Ownership)	RTB & Sales Receipts, HCA Grant	50%
Water Lane (Jolley Ford Court)	September 2017	14	HCA Grant	61%
Ekin Road (Ekin Close)	October 2017	6	RTB Receipts	100%
Uphall Road	February 2018	2	RTB Receipts & Devolution Grant	100%
Fulbourn Road	February 2018	8	RTB Receipts	100%
Hawkins Road	April 2018	9	RTB Receipts	100%
Nuns Way/Cameron Road	September 2019	7	RTB Receipts & Devolution Grant	100%
Wiles Close	September 2019	3	RTB Receipts & Devolution Grant	100%
Total		**327 (incl. 36 Shared Ownership)**		

New Build Schemes On Site

Sites where work is in progress are summarised in the table below, with details of the anticipated costs and number of units that will be delivered on each site once complete:

Scheme	Approved Indicative Social Housing Units	Gain in Affordable Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Devolution Grant	Net Capital Cost to the HRA
Mill Road	118	118	24,965,630	(7,489,690)	(17,475,940)	0
Anstey Way	56	29	11,489,640	(1,886,750)	(3,551,230)	6,051,660
Ditchburn Place	2	2	332,000	(99,600)	(232,400)	0
Queensmeadow	2	2	621,040	(186,310)	(434,730)	0
Wulfstan Way	3	3	816,810	(245,040)	(571,770)	0
Colville Road Garages	3	3	847,300	(254,190)	(593,110)	0
Markham Close	5	5	1,186,650	(355,990)	(830,660)	0
Gunhild Way	2	2	664,140	(199,240)	(464,900)	0
Total	**191**	**164**				

New Build Schemes in the Pipeline

There are a number of sites which have scheme specific approval, but at the time of writing this report, were not on site. These schemes include HRA sites, General Fund sites and land acquisition sites, where the intention is for the HRA to deliver the affordable housing.

The table below details the latest budget requirements for approval as part of the HRA Budget Setting Report and the assumed number of new homes which can be delivered, recognising that this is currently subject to both planning approval and procurement of a contractor or transfer to CIP for some of the sites. The latest budget approvals for sites identified for transfer to CIP are based upon the most recent cost estimates provided by CIP, but will not be finalised until the Affordable Housing Agreement is entered into.

Scheme	Approved Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Devolution Grant / Section 106 Funding	Net Capital Cost to the HRA
Tedder Way	2	2	389,000	(116,700)	(272,300)	0
Kendal Way	2	2	374,000	(112,200)	(261,800)	0
Ventress Close	15	13	3,689,920	(783,910)	(1,828,600)	1,077,410
Akeman Street	14	12	4,422,010	(910,010)	(2,123,360)	1,388,640
Kingsway	4	4	410,000	(123,000)	(287,000)	0
Cromwell Road	118	118	24,865,800	(7,459,740)	(17,406,060)	0
Colville Road	69	49	15,690,580	(3,040,130)	(7,093,630)	5,556,820
Meadows and Buchan	106	106	25,398,270	(3,006,130)	(13,005,670)	9,386,470
Clerk Maxwell Road	14	14	2,746,760	(824,030)	(1,922,730)	0
Campkin Road	75	50	15,965,000	(2,823,740)	(1,750,000)	11,391,260
Total Due	**419**	**370**				

The Special Projects Team in Estates and Facilities are anticipated to deliver the new homes at Kingsway.

As part of this report, a scheme specific budget has been separately identified for Campkin Road, following scheme specific approval at Housing Scrutiny Committee and Council in June and July 2019.

Where the budgets for specific schemes are being proposed for amendment as part of this Budget Setting Report the original approval level and number of units anticipated is compared to the revised budget and number of units included as part of this report is summarised in the table below. This incorporates the latest cost estimates provided by CIP for the current number of units being proposed on each site, with increased units at both Mill Road and Colville Road, the latest contract values and recognises that Stamp Duty Land Tax may not now be incurred in every instance, with a revised approach to the delivery of units being adopted for some sites.

The budget for the Akeman Street scheme has been revised based upon the latest costs provided by CIP, to include the costs of the commercial and community provision being identified separately.

Scheme	Latest Budget Approval	Original Estimated Units	Revised Budget Approval	Revised Estimated Units
Mill Road (Phase I and II)	24,636,730	116	24,965,630	118
Queensmeadow	619,590	2	621,040	2
Wulfstan Way	907,740	3	816,810	3
Colville Road Garages	900,460	3	847,300	3
Markham Close	1,063,870	5	1,186,650	5
Gunhild Way	655,040	2	664,140	2
Ventress Close	3,665,550	15	3,689,920	15
Akeman Street (includes community and commercial)	4,151,330	14	4,422,010	14
Cromwell Road	25,254,300	118	24,865,800	118
Colville Road	13,781,590	62	15,690,580	69
Meadows and Buchan	26,379,880	106	25,398,270	106
Clerk Maxwell	2,837,760	14	2,746,760	14

Although budgets have increased overall, the changes do incorporate the delivery of an additional 9 units on the sites at Colville Road and Mill Road when compared with previous assumptions.

The table below confirms the current status for each pipeline scheme:

Scheme	Site Type	Status	Potential New Build Units
Tedder Way	In-fill	Awaiting planning	2
Kendal Way	In-fill	Planning approved	2
Ventress Close	Existing Housing	Planning approved	15
Akeman Street	Existing Mixed Use	Planning approved	14
Kingsway	Commercial	Planning approved	4
Cromwell Road	Commercial	Planning approved	118
Colville Road	Existing Housing	Awaiting planning	69
Meadows and Buchan	Community Facility	Pre-planning	106
Clerk Maxwell Road	Section 106 Site	Awaiting planning	14
Campkin Road	Existing Housing	Pre-planning	75

Tedder Way

This scheme was previously anticipated to be delivered by the in-house team, but will now be subject to external tender, to allow the Special Projects Team to concentrate resource in delivering the scheme at Kingsway. The review of the Repairs Service will consider the approach to internal delivery of future new build schemes.

Akeman Street

Planning approval was granted in June 2019. There have been some issues on the site, with the presence of Japanese Knotweed requiring a greater degree of excavation and site clearance activity to be undertaken before the build can formally begin. These enabling works are however expected to begin imminently, with the community centre to be re-located to alternative premises in Akeman Street whilst construction is in progress.

Colville Road

To secure vacant possession for the re-development of the site at Colville Road, it is necessary to re-locate a total of 20 tenants, with 6 of these households having moved at the time of writing this report, and to buy back 4 leasehold flats, with 1 of these purchases having completed to date.

Meadows and Buchan Street

This scheme sees the re-development of two General Fund sites at Buchan Street and the Meadows, where both are currently entirely community provision. The original scheme proposed 106 new homes, with 21 on the Buchan Street site and 85 homes on the Meadows site, with the community provision combined and re-provided on the Meadows site, and some new retail space at Buchan Street. The cost of the retail units and community centre re-provision will be met by the General Fund (unless Secretary of State approval were obtained to allow the HRA to fund or contribute towards the costs of these community assets). Following public consultation and early discussions with planning, the scheme is undergoing a major re-design before being presented for formal planning approval. This re-design may impact both costs and timescales, and any changes in either will be incorporated into the HRA business plan at the next available opportunity.

Campkin Road

Following scheme specific approval in Housing Scrutiny Committee in June 2019, and approval of the full budget for the scheme at Council in July 2019, work is now underway to secure vacant possession of the site and to obtain planning permission.

There is a need to relocate a total of 25 tenants, with 1 of these households having moved at the time of writing this report, and to buy back 7 leasehold flats.

The number of homes to be delivered at Campkin Road may well change from the original assumptions incorporated into our financial plans. Pre–app discussions are under way with planners and there are issues relating to the surface water. Flood risk studies are being commissioned currently and will be reviewed with the design team. Until this is known the budget and number of homes will remain as per those detailed in the approved scheme.

As part of this report, it is also proposed that £1,750,000 of Section 106 resource be utilised towards the cost of the scheme, as Devolution Grant is expected to have been fully exhausted by this point.

General Fund Sites

Where any General Fund sites are taken forward for development with the potential for the HRA to acquire the affordable homes, there is the need to consider the impact of the transfer of land between the General Fund and the HRA and any resulting impact on the HRA Capital Financing Requirement. Under current legislation, any increase in this results in increased interest costs to the HRA. The potential for land to be transferred from the General Fund to the HRA at nil value was part of a government consultation, for which the outcome is still awaited. If General Fund sites are built out by the Cambridge Investment Partnership, with the intention of the Council being to exercise the break clause in a lease in order to acquire the affordable homes, it is considered necessary for this land to be appropriated between the General Fund and the HRA at existing use value prior to lease to the Cambridge Investment Partnership.

Devolution Grant and RTB Funding

The devolution programme, which utilises £70,000,000 of grant awarded to the authority over a 5 year period from the latter part of 2017/18 to deliver 500 new affordable homes, is now a fully committed, scheme specific programme.

The last of the 500+ homes are expected to be delivered by 2022/23.

Future New Build

After completion of the 500+ Devolution Programme, the authority is committed to continue a programme to deliverer new homes. Following the abolition of the HRA Borrowing Cap, it is now possible to increase the supply of new homes that can be delivered, assuming that the authority is content to borrow to achieve this, that the business plan can support the costs of borrowing and that suitable land sites can be identified to achieve this.

With the current Devolution Programme of 500 homes identified and well underway in delivery terms, consideration is being given to the future programme. With confidence that 500 homes will be delivered over an approximate 5 year time period through the Devolution Programme, it is anticipated that delivery could continue at this pace, subject to land supply and financial viability.

Although this iteration of the business plan maintains the previous broad assumption that £10,000,000 per annum is ear-marked for investment in the delivery of new homes for the life of the 30 year plan, consideration has been given to the impact of delivering a greater number of homes over the initial 10 year period following completion of the Devolution Programme, to model the impact that this would have on the housing business.

The future new build investment programme has not yet been developed in detail, as officers are still exploring potential development sites, considering wider land availability, exploring the delivery vehicles that may be available to the authority and considering the specification to which we may want to build in the future. The HRA Future New Build programme will be the subject of a future report to Housing Scrutiny Committee.

With this in mind, as part of this report, early financial modelling has been undertaken to quantify the impact of accelerating the delivery of new homes over the decade following the Devolution Programme, to provide an indication of what may be possible.

With no detailed decisions in place at this stage, a number of key assumptions have been made in respect of this modelling as follows:

- 1,000 new homes are delivered over the 10 year period following the Devolution Programme
- The cost of each home has been estimated at £250,000
- New homes will be built to our current affordable homes new build specification
- New homes will be built on HRA land or Section 106 development sites where 40% affordable housing is a planning requirement

- New homes are all let at affordable rent levels using the Local Housing Allowance as a cap in line with current policy
- Modelling has been undertaken on the assumption that all 1,000 are new provision (Option A) and a variant has been considered where there is the potential for 25% of the 1,000 homes to be as a result of demolition and re-development of existing homes, to recognise where this may be needed to tackle both the condition and sustainability of some of the older housing stock (Option B).

Option A – Potential to deliver 1,000 new homes with the above assumptions.

- This option would require £156,000,000 of additional borrowing to deliver the new homes, but would still allow set-aside of resource in line with the current policy over the life of the plan to redeem the housing debt.

Option B – Potential to deliver 1,000 new homes with the above assumptions, but with 250 of these replacing exiting HRA homes and 750 delivering additionality

- This option would require £163,000,000 of additional borrowing to deliver the new homes, but would still allow set-aside of resource in line with the current policy over the life of the plan to redeem the housing debt. There would be a lower level of resource available for debt redemption or re-investment under this option of approximately £37,000,000.

Any requirement to purchase land or any increase in the new build specification would result in an increased cost that would mean a higher degree of borrowing or delivery of fewer potential units overall. Any decision to reduce the rent levels charged for the new homes would also impact the number of homes that could be delivered, as the funds available to support the borrowing would be lower.

With carbon impact in mind, future investment in new homes will need to consider lower carbon development, whilst also balancing the delivery of new homes against the desire to reduce the carbon impact in our existing housing stock. Demolition and re-development of existing homes may be required in some cases, with the need to consider introducing retrofit solutions to existing homes in other cases.

Any opportunity to secure additional future funding through the Combined Authority or Homes England will be fully explored, thus mitigating the amount of resource that the HRA would need to borrow.

Retention of the previous ear-marked sum of £10,000,000 per annum in the Housing Capital Investment Plan for potential future sites ensures that resource is available for schemes that may come forward whilst the wider programme is still being developed. With this overall budget approval in place, it allows draw down when a scheme is brought forward for scheme specific approval to Housing Scrutiny Committee.

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

Updated expenditure and funding sources, on a cashflow basis, for all new build schemes are detailed at **Appendix F.**

Capital Programme

Appendix H provides detail of the revised 10-Year Housing Capital investment Plan, and incorporates the following items in respect of new build and acquired housing:

- Expenditure as approved in the HRA Budget Setting Report in February 2019.
- Re-phasing of expenditure anticipated to take place in 2018/19 into 2019/20 and beyond, as approved in June / July 2019.

- Re-allocation of new build budget between the unallocated / generic new build budget and individual scheme specific budgets, in line with approval to proceed with the schemes at Campkin Road.
- Inclusion of a total capital budget of £15,965,000 for the re-development of the Campkin Road site, following approval of the scheme at Housing Scrutiny Committee in June 2019, and of the increased budget requirement (over and above that ear-marked in the HRA) at Council in July 2019.
- Approval to increase the budget at Akeman Street to reflect the latest cost estimates based upon delivery of 14 residential units, alongside 3 commercial units and a community centre.
- Approval to adjust budgets for Clerk Maxwell Road, Colville Garages, Cromwell Road, Gunhild Way, Markham Close, Meadows and Buchan, Queens Meadow, Ventress Close and Wulfstan Way to reflect the latest cost estimates available and to remove the anticipated cost of Stamp Duty Land Tax, where these are no longer expected to be payable.
- Approval to increase the budget for the combined Mill Road phase I and II schemes, recognising the provision of 2 additional affordable units on the overall site.
- Approval to increase the budget for the Colville Road scheme, recognising the provision of 7 additional affordable units on the site.
- As part of this HRA Medium Term Financial Strategy, approval to re-phase budgets in respect of a number of new build sites, as detailed in **Appendix E**, with the resulting changes incorporated in to the Housing capital investment Plan at **Appendix H**, is also being sought.
- Capital financing has been updated in respect of revised assumptions in right to buy and other capital receipts, grants, revenue funding of capital expenditure, use of Section 106 resources and borrowing requirements.

Section 8
Summary and Conclusions

HRA Budget Strategy

The Budget Process

The HRA budget for 2020/21 will incorporate the outcome of work carried out as part of the Housing Futures Programme. The budget process itself will remain broadly similar to that for previous years in terms of timing and detailed administration.

Work undertaken as part of the Housing Transformation Programme, the incorporation of Devolution Grant and the removal of the assumption that any higher value voids levy will be payable, is positive for the authority. This allows the HRA to address the challenges that have been identified as part of the review of the investment need in the existing housing stock, where significant additional resource is required to maintain the stock in a safe and lettable condition.

Changes in assumptions made as part of this update of the HRA Business Plan that have a positive impact for the HRA, include removal of the assumption about the sale of higher value voids levy, but also the impact of the removal of the HRA borrowing cap, both of which introduce greater flexibility for the business.

Other changes in assumptions result in a negative impact, with a significant increase in the capital investment in the existing housing stock required over the next 30 years following a robust review of the investment strategy. The Housing Capital Investment Plan has been updated to include the latest contract prices for all elements of the decent homes programme and recognition has been given to the fact that some of the asset component lives have previously been shortened too much, resulting in the appearance of failures in the form of additional response repairs and complaints.

The net impact of these initial changes does however improve the outlook for the HRA in the longer term, and therefore this report proposes retention of a budget strategy where efficiency savings are sought to ensure that value for money can be demonstrated and that tenants and leaseholders continue to receive services at the best price possible, whilst also incorporating a strategic investment fund, which will allow re-direction of resources into key areas of the Housing Service to meet the ongoing challenges that providers of affordable housing are facing.

The robust approach to financial management for the HRA, where efficiencies are sought wherever possible, enables strategic re-direction of resource into other areas of investment, such as new build housing, if all of the financial pressures are not as originally anticipated.

The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2020/21 budget bids and savings process, to ensure that these can be weighed up against any strategic re-investment proposed.

There is a strong desire to significantly increase the supply of new affordable housing to be owned and manged within the HRA.

As part of this iteration of the business plan consideration has been given to the financial impact of the delivery of 1,000 homes over the 10 years following completion of the 500 homes being built as part of the Devolution Programme. This could see significantly more investment in new homes than previously incorporated into financial plans. To facilitate this level of investment, there would however, be the need to exercise our ability to borrow, as there is not sufficient resource available in the HRA directly. There is no assumption of any further funding from MHCLG through the Combined Authority, and the level of right to buy receipts is expected to reduce as the number of sales decline. The HRA business plan could, subject to all of the assumptions included in the modelling undertaken, support the proposed borrowing in terms of the interest that will be payable on the loans.

For 2019/20 the HRA Medium Term Financial Strategy incorporates changes in the anticipated rental income for the current year, changes in interest earned in year from a revenue perspective, recognising that the opening balances at the start of the year were higher than anticipated, and adjusts the anticipated contribution required to the bad debt provision. The report proposes some changes in operational budgets, both in respect of response repairs and cyclical repairs and also recognises the loss of income resulting from the cessation of the shared housing finance service.

Changes in the capital programme in respect of the budget now required for specific new build schemes have been incorporated, with budgets adjusted as schemes reach the next milestone in the development process. Longer-term, budgets for non-scheme specific new build investment or acquisition have been retained at £10,000,000 per annum, ensuring that the level of investment required to avoid paying any retained right to buy receipts to Central Government is maintained, instead ensuring these receipts can be re-invested in the locality.

Approach to HRA Savings

In line with the budget strategy outlined in the 2018/19 HRA Medium Term Financial Strategy, it is recommended that a savings target is retained, but in the form of an efficiency target. It is also proposed to continue to include a corresponding strategic reinvestment fund.

The continued inclusion of a 4% of general management and repairs administration expenditure (£130,000 per annum) efficiency target is considered prudent in light of continued uncertainty in some areas of national housing policy, and allows resource to be identified for strategic reinvestment in other areas of the housing service. The removal of the sale of higher value voids levy assumption from our financial planning does not mean that the legislation will definitely be repealed and inclusion of an efficiency target, and an associated strategic reinvestment fund ensures that the authority is best placed to respond to any change. The authority will need to review and evaluate its position for 2021/22 onwards, once there is further clarity at a national level.

The assumption that repairs expenditure is adjusted in line with any stock changes is also retained.

Retention of strategic reinvestment funding of £130,000 per annum, funded from any efficiency savings identified, for the next 5 year period, from 2020/21, allows the authority to either redirect resource into key areas or alternatively to hold off in the event of financial pressure, allowing the efficiency savings identified to contribute to an overall reduction in HRA expenditure in response to any national policy announcements. There is also the option in any one year, if efficiency savings are not identifiable, to waive any strategic reinvestment, thus negating the need to make savings which may detrimentally impact the delivery of key housing services.

Despite the need to borrow short-term in the early years of the plan whilst the backlog of investment in the existing housing stock is tackled, alongside the delivery of new affordable homes, the longer-term assumption that the authority attempts to set-aside resource for the repayment of up to 25% of the self-financing housing debt by the point at which the loan portfolio begins to reach maturity has been retained. The authority will review this, and will reconsider its approach to debt set-aside once the future new build programme has been developed and legislation around the sale of higher value vacant homes levy has formally been repealed.

As part of the 2020/21 budget setting process, any areas of new revenue investment, will need to be offset by the identification of savings or increased income generation elsewhere across the HRA.

There is sufficient resource available to match fund retained right to buy receipts with the 70% of additional investment required. The key challenge remains the ability to bring forward enough new build housing in quick enough timeframes to allow the investment of these resources within the currently prescribed timeframes. Failure to invest the retained right to buy receipts within the required 3 year timeframe will still carry the penalty of paying them to central government with interest currently at 4.75%, calculated from the quarter in which they were originally received.

The position for the HRA will be reviewed again as part of the January 2020 HRA Budget Setting Report, with a view to maximising investment in new homes, maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst also ensuring that the existing housing stock is maintained to the latest standards.

Base Assumptions

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

In all cases, the revised assumptions included are derived from the best information available at the current time, utilising both historic trend data and the expert advice and opinion of specialists where appropriate.

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

Appendix G summarises the revenue budget position for the HRA for the period between 2019/20 and 2028/29, based upon inclusion of the amended financial assumptions that form part of the update to the Self-Financing Business Plan.

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

HRA MTFS Conclusions

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

Changes to the anticipated level of investment required across the housing stock over the life of the business plan have had a material negative impact on financial projections, whilst the removal of the assumption that a sale of higher value voids levy will ever be imposed has had a significantly positive impact, providing the headroom to be able to consider the higher level of investment in the housing stock.

Delivery against some of the key assumptions is critical to the success of the housing business plan, with the assumption of a return to rent increases at CPI plus 1% for five years from April 2020 being one of the critical assumptions included. Despite having received national confirmation of this policy, finer detailed is awaited from the Regulator of Social Housing, who will be responsible for controlling the new rent regime.

A key risk remains the still unquantifiable impact of the full rollout of Universal Credit, with the authority still working proactively with affected residents in an attempt to mitigate the impact initially being felt, and the increasing impact anticipated.

Another key risk remains the authority's ability to invest retained right to buy receipts within the timescales, despite sufficient match funding for these. However, with a number of key schemes now either on site, or anticipated to be on site imminently, the required level of investment should be met over the next two years. There is now less reliance on the use of this resource in respect of re-development sites, where it can only be used towards the cost of additionality on the site, and where there are often far greater lead in times between scheme decision and start on site, whilst vacant possession is secured.

Although delivery of significant savings in the short to medium term is not critical to the success of the business plan, the inclusion of an efficiency target, offset by a corresponding strategic reinvestment fund is still considered to be a prudent approach to ensuring that resources are targeted to the areas that most need them, and that flexibly is maintained to allow response to both local demands and national housing policy change.

Appendix A

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified	• Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted
Delays in announcement of detail surrounding housing policy change negatively impacts decisions taken at a local level	• Decisions taken in the context of a business plan which recognises the uncertainty. Savings taken have impacts exemplified to ensure impact is mitigated
Funding is not identified to meet the costs associated with changes in statutory requirements	• Additional / specific funding requirements for new services can be identified through the budget process, to allow effective prioritisation of resources. Minimum reserves are held to allow immediate investment if required
HRA Debt Settlement could be re-opened by Government (or not re-opened when changes dictate that it should)	• The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies
Changes in national rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible • Consideration could be given to deviating from national rent policy at a local level if statute were to allow
Implementation of Fixed Term Tenancies carries administrative cost and would dictate the need for system change at a time when the Housing Management Information System is being replaced	• Project Board for system replacement are aware of the potential need for changes to IT systems and have discussed this with suppliers as part of the tender process • Fixed term tenancies may now not be imposed, depending upon outcome of Housing Green Paper

Risk Area & Issue arising	Controls / Mitigation Action
Housing Portfolio & Spending Plans	
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets	• Council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in context of long-term impact • The Business Plan includes long-term trend analysis on key cost drivers • Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures
Financial planning lacks appropriate levels of prudency	
Business Planning assumptions are wildly inaccurate Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA Failure to deliver Major Housing / Development Projects, i.e. return on capital investment, project on time etc.	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework • A business case is required for all strategic acquisitions, disposals and one-off areas of significant investment • Performance and contractor management procedures are robust and contracts are enforceable • The Council's accounts are audited on an annual basis, with assurance given that the authority is delivering economy, efficiency and effectiveness in its use of resources
Value for money in terms of investment in new build homes is challenged	• Council adopts a mix of delivery vehicles • Council employs cost consultants to demonstrate price comparability with the local market

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes • Council seeks to influence national settlements and legislative changes through response to formal consultation
Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
Changes to the right to buy rules and pooling regulations result in an increase in the level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity
Volatility and competition in the property market impacts the ability to fund capital pressures from the sale of assets	• Policy on applying general capital receipts for strategic disposals only at point of receipt

Appendix B

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	**1.8% for 2020/21, then 2.1%, 2.3% and 2.4% ongoing**	**General inflation on expenditure included at 1.8% for 2020/21, 2.1% for 2021/22, 2.3% for 2022/23, then 2.4% ongoing, per Bank of England) forecasts of August 2019.**	**Amended**
Capital and Planned Repairs Inflation	**CPI plus 1.28%**	**Based upon the mix of BCIS and CPI forecasts for next 4 years, using averages over this period. Reverts to CPI after 5 years.**	**Amended**
Debt Repayment	Set-aside 25% to Repay Self-Financing Debt	Assumes surplus is re-invested in income generating assets, with 25% of resource set-aside to repay debt as loans reach maturity dates, pending review of the set-aside policy in conjunction with any borrowing being considered.	Retained
Capital Investment	**Partial Investment Standard**	**Base model assumes a partial investment standard in the housing stock, compared with a basic decent homes standard.**	**Amended**
Pay Inflation	**1.5% Pay Progression & Pay Inflation at 2.5% for 2020/21, then 2%**	**Assume allowance for increments at 1.5% and cost of living pay inflation at 2.5% for 2021, then 2% on an ongoing basis.**	**Amended**
Employee Turnover	3%	Employee budgets assume a 3% turnover, unless service area is a single employee, or is a shared service, externally recharged service or trading account.	Retained
Social Rent Review Inflation	CPI plus 1% for 5 years from 2020/21, then CPI plus 0.5% from 2025/26	Rent increases of up to CPI plus 1% for 5 years, reverting to inflation plus 0.5% after this. Assume CPI in preceding September is as above.	Retained
Affordable Rent Review Inflation	CPI plus 1% for 5 years from 2020/21, then CPI plus 0.5% from 2025/26	Affordable rents to be reviewed annually in line with Local Housing Allowance, ensuring that they match the LHA unless it rises above CPI plus 1%, in which case the lower will apply.	Retained
Rent Convergence	Voids Only	Ability to move to target rent achieved only through movement of void properties	Retained

Key Area	Assumption	Comment	Status
		directly to target rent.	
External Lending Interest Rate	**0.8%**	**Interest rates based on latest market projections, recognising that the HRA will benefit from low risk investments only**	**Amended**
Internal Lending Interest Rate	**0.8%**	**Assume the same rate as anticipated can be earned on cash balances held, so as not to detriment either the HRA or the General Fund longer-term.**	**Amended**
External Borrowing Interest Rate	**2.44%**	**Assumes additional borrowing using current PWLB rates.**	**Amended**
Internal Borrowing Interest Rate	**2.44%**	**Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.**	**Amended**
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, pending a review once the business plan and asset investment strategy has been fully reviewed.	Retained
HRA Target Balances	£3,000,000	Maintain HRA target balance at £3,000,000, pending a review once the business plan and asset investment strategy has been fully reviewed.	Retained
Right to Buy Sales	35, 30, then 25 sales ongoing	An uncertain economy expected to result in a marginal decline in activity. Assume 35 in 2019/20 then reducing by 5 sales per annum, until 25 are assumed ongoing.	Retained
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for one receipts included, and ear-marked for direct new build spend. Debt repayment proportion assumed to be set-aside.	Retained
Void Rates	**1.75% for 2019/20, then 1% ongoing**	**Assumes 1.75% to include known void loss for re-development sites in 2019/20, reducing to 1%, from 2020/21, recognising refurbishment works and improved void processes longer-term**	**Amended**
Bad Debts	1.5% from 2019/20 ongoing	Bad debt provision increased to 1.5% reflecting experience in 2017/18 and the requirement to collect 100% of rent directly more widely from October 2018.	Retained
Savings Target	£130,000 (4% of	Retain an efficiency target of £130,000	Retained

Key Area	Assumption	Comment	Status
	general and repairs administrative expenditure)	from 2020/21 for 5 years. Allows strategic reinvestment or alternatively a response to pressure from national housing policy change.	
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Strategic Investment Fund	£130,000	Housing Strategic Investment Fund included from 2020/21 for 5 years.	Retained

Appendix C

Retained 1-4-1 Right to Buy Receipts

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
31/03/2015	831,750.78	9,189,595.70	30,631,985.67	31/03/2018	34,063,317.03	10,218,995.11	0.00	0.00
30/06/2015	595,447.59	9,785,043.29	32,616,810.97	30/06/2018	44,963,531.08	13,489,059.32	0.00	0.00
30/09/2015	902,092.08	10,687,135.37	35,623,784.57	30/09/2018	45,811,867.07	13,743,560.12	0.00	0.00
31/12/2015	857,169.10	11,544,304.47	38,481,014.90	30/12/2018	47,212,958.99	14,163,887.70	0.00	0.00
31/03/2016	1,591,834.76	13,136,139.23	43,787,130.78	31/03/2019	54,012,650.36	16,203,795.11	0.00	0.00
30/06/2016	2,263,872.93	15,400,012.16	51,333,373.87	30/06/2019	57,282,779.08	17,184,833.72	0.00	0.00
30/09/2016	1,874,821.59	17,274,833.75	57,582,779.17	30/09/2019			90,000.03	300,000.08
31/12/2016	1,320,457.44	18,595,291.19	61,984,303.97	31/12/2019			1,410,457.47	4,701,524.88
31/03/2017	1,313,143.16	19,908,437.35	66,361,447.83	31/03/2020			2,723,600.63	9,078,668.75
30/06/2017	2,045,445.56	21,953,879.91	73,179,599.70	30/06/2020			4,769,046.19	15,896,820.62
30/09/2017	1,779,600.43	23,733,480.34	79,111,601.13	30/09/2020			6,548,646.62	21,828,822.05
31/12/2017	2,229,968.03	25,963,448.37	86,544,827.90	31/12/2020			8,778,614.65	29,262,048.82
31/03/2018	646,869.52	26,610,317.89	88,701,059.63	31/03/2021			9,425,484.17	31,418,280.55
30/06/2018	1,556,719.56	28,167,037.45	93,890,124.83	30/06/2021			10,982,203.73	36,607,345.75
30/09/2018	548,341.57	28,715,379.02	95,717,930.07	30/09/2021			11,530,545.30	38,435,150.98
31/12/2018	1,210,892.84	29,926,271.86	99,754,239.53	30/12/2021			12,741,438.14	42,471,460.45
31/03/2019	209,910.09	30,136,181.95	100,453,939.83	31/03/2022			12,951,348.23	43,171,160.75
30/06/2019	1,408,403.81	31,544,585.76	105,148,619.20	30/06/2022			14,359,752.04	47,865,840.12

Appendix D

2019/20 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2019/20 Budget (£)	Budget Amendment in 2020/21 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		**(631,200)**		
HRA General Management				
Shared Housing Finance Recharge Income	Cessation of the shared housing finance team results in the unavoidable loss of income from South Cambridgeshire District Council	44,670	44,670	Built into base for future years
Total HRA General Management		**44,670**		
HRA Repairs				
Electrical Testing	Funding approved under urgency to complete an identified backlog of electrical inspections	208,000	0	One-off cost to catch up backlog
Response Repairs	Increased funding for sub-contracted specialist response repair activity	183,600	183,600	Built into base for future years
Total HRA Repairs		**391,600**		
HRA Summary Account				
Bad Debt Provision	Increase in bad debt provision linked to increase in rental income assumptions	8,060	Incorporated into base assumptions	Built into base for future years
Rent Income	Increase in rental income for 2019/20 and beyond due to removal of sale of higher value voids levy and delays in decant on redevelopment sites	(335,290)	Incorporated into base assumptions	Built into base for future years
Dwelling Depreciation	Increase in the estimated level of depreciation based upon the latest stock numbers and property values	121,430	Incorporated into base assumptions	Built into base for future years
Interest earned on HRA Balances	The HRA will benefit from a lower rate of interest following a review of the approach to	275,250	Incorporated into base	Built into base for future years

Area of Income / Expenditure	Description	Budget Amendment in 2019/20 Budget (£)	Budget Amendment in 2020/21 Budget (£)	Comment
			assumptions	
Interest paid on Borrowing	The change in interest rate assumed receivable by the HRA also impacts the rate assumed to be payable on notional internal borrowing from the General Fund	(7,040)	Incorporated into base assumptions	Built into base for future years
Direct Revenue Financing of Capital Expenditure (DRF)	Increase in DRF to contribute to the costs of securing vacant possession on HRA re-development sites	2,911,300	Incorporated into base assumptions	Built into base for future years
Debt Set-Aside	Reduction in set-aside for potential debt repayment or re-investment, with decision to re-invest in 2019/20, using DRF to facilitate this	(2,911,300)	Incorporated into base assumptions	Built into base for future years
Total HRA Summary		**62,410**		
Revised use of / (contribution to) HRA Reserves post MTFS		**(132,520)**		

Appendix E

2019/20 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	**56,832**	**67,804**	**31,348**	**23,477**	**23,257**
General Fund Housing					
Increase in budget for DFG's to enable spending of increased Better Care Fund Grant	29	0	0	0	0
Decent Homes and Other HRA Stock Investment					
Include funding in wall structures for identified balcony works	500	2,200	0	0	0
Include funding for replacement external doors, now that standards have been confirmed	360	0	0	0	0
Adjust funding for Kitchens following investment review	0	42	51	(18)	100
Adjust funding for Bathrooms following investment review	0	13	(1)	(5)	16
Adjust funding for Heating / Boilers following investment review	0	302	403	482	297
Adjust funding for Insulation / Energy / Wall Finishes following investment review	0	1,070	133	268	101
Adjust funding for External Doors following investment review	0	(235)	(47)	3	(126)
Adjust funding for PVCU Windows following investment review	0	683	437	241	855
Adjust funding for Wall Structure following investment review	0	(208)	(67)	(32)	(28)
Adjust funding for External Painting following investment review	0	57	57	57	57
Adjust funding for Roof Covering following investment review	0	354	772	(134)	356
Adjust funding for Chimneys following investment review	0	2	(1)	0	1
Adjust funding for Electrical / Wiring following investment review	0	(636)	(161)	(286)	(53)
Re-inclusion of Decent Homes Backlog works over 10 years	0	0	4,716	4,716	4,716
Adjust funding for Communal Doors following investment review	0	258	0	5	65
Adjust funding for Lifts and Door Entry following investment review	0	218	(4)	(13)	25
Adjust funding for Contractor Overheads following	147	453	174	114	183

Area of Expenditure And Change	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
investment review					
Adjustment to allocation for new build decent homes work to recognise delays and additions in the programme	134	(255)	(390)	(620)	(189)
New Build					
Increase budget and re-phasing for Queensmeadow	48	(46)	0	0	0
Reduce budget and re-phasing for Wulfstan Way	(118)	27	0	0	0
Increase budget and re-phasing for Akeman Street mixed use site	1,299	(1,028)	0	0	0
Increase budget and re-phasing for Ventress Close	(340)	364	0	0	0
Reduce budget and re-phasing for Colville Road garage site	(105)	52	0	0	0
Increase budget and re-phasing for Mill Road (I & Ii)	(27)	317	39	0	0
Increase budget and re-phasing for Gunhild Way	82	(73)	0	0	0
Increase budget and re-phasing for Markham Close	(81)	203	0	0	0
Reduce budget and re-phasing for Cromwell Road	108	(40)	(457)	0	0
Increase budget and re-phasing for Colville Road	380	1,529	0	0	0
Reduce budget and re-phasing for Meadows and Buchan	(1,358)	1,330	(953)	0	0
Reduce budget and re-phasing for Clerk Maxwell	(965)	874	0	0	0
Inclusion of budget for Campkin Road following scheme specific approval	4,811	11,154	0	0	0
Adjustment to ear-marked resources held for new build reflecting virement to specific schemes	(4,599)	(9,412)	0	0	0
Increase budget ear-marked for the delivery of new build and re-developed homes	0	0	10,000	0	0
Include budget to tackle defects challenge for Keepmoat schemes	60				
Sheltered Housing					
No changes	0	0	0	0	0
Other HRA Spend					
No changes	0	0	0	0	0
Inflation Allowance					
Adjust inflation allowed to reflect new base and revised inflation assumptions	(2,190)	(1,746)	(1,305)	(890)	(422)
Total Housing Capital Plan Expenditure post HRA MTFS	55,007	75,627	44,744	27,365	29,211

Appendix F

New Build Investment Cashflow

New Build / Re-Development Scheme	2019/20 £'0000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
New Build / Acquisition / Re-Development Cash Expenditure										
Anstey Way	5,876	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites	1,793	0	0	0	0	0	0	0	0	0
Kendal Way	346	0	0	0	0	0	0	0	0	0
Queensmeadow	461	63	0	0	0	0	0	0	0	0
Wulfstan Way	552	194	0	0	0	0	0	0	0	0
Akeman Street	1,949	2,419	0	0	0	0	0	0	0	0
Ventress Close	1,362	1,557	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	573	202	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	9,333	9,333	1,669	0	0	0	0	0	0	0
Gunhild Way	414	177	0	0	0	0	0	0	0	0
Markham Close	806	283	0	0	0	0	0	0	0	0
Cromwell Road	3,070	4,539	5,740	0	0	0	0	0	0	0
Kingsway Clinic Conversion	382	0	0	0	0	0	0	0	0	0
Ditchburn Place New Build	143	0	0	0	0	0	0	0	0	0
Colville Road	4,257	11,373	0	0	0	0	0	0	0	0
Meadows and Buchan Street	1,765	13,613	9,832	0	0	0	0	0	0	0
Clerk Maxwell Road	714	2,033	0	0	0	0	0	0	0	0
Campkin Road	4,811	11,154	0	0	0	0	0	0	0	0
Keepmoat Defect Management	60	0	0	0	0	0	0	0	0	0
Acquisition / New Build (Unallocated)	0	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000

New Build / Re-Development Scheme	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'0000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total New Build/ Re-Development Expenditure	**38,667**	**56,940**	**27,241**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
New Build Devolution Grant Funding										
Anstey Way	(2,107)	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites	(1,255)	0	0	0	0	0	0	0	0	0
Kendal Way	(242)	0	0	0	0	0	0	0	0	0
Queensmeadow	(323)	(44)	0	0	0	0	0	0	0	0
Wulfstan Way	(386)	(136)	0	0	0	0	0	0	0	0
Akeman Street	(921)	(1,172)	0	0	0	0	0	0	0	0
Ventress Close	(805)	(945)	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	(401)	(141)	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(6,533)	(6,533)	(1,168)	0	0	0	0	0	0	0
Gunhild Way	(290)	(124)	0	0	0	0	0	0	0	0
Markham Close	(564)	(198)	0	0	0	0	0	0	0	0
Cromwell Road	(2,149)	(3,177)	(4,018)	0	0	0	0	0	0	0
Kingsway Clinic Conversion	(267)	0	0	0	0	0	0	0	0	0
Ditchburn Place New Build	(100)	0	0	0	0	0	0	0	0	0
Colville Road	(1,413)	(5,653)	0	0	0	0	0	0	0	0
Meadows and Buchan Street	(1,237)	(9,530)	(2,109)	0	0	0	0	0	0	0
Clerk Maxwell Road	(500)	(1,423)	0	0	0	0	0	0	0	0
Campkin Road	0	0	0	0	0	0	0	0	0	0
Total New Build / Re-Development Funding	**(19,492)**	**(29,076)**	**(7,295)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Use of Retained Right to Buy Funding										
Anstey Way	(903)	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites	(538)	0	0	0	0	0	0	0	0	0
Kendal Way	(104)	0	0	0	0	0	0	0	0	0

New Build / Re-Development Scheme	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'0000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Queensmeadow	(138)	(19)	0	0	0	0	0	0	0	0
Wulfstan Way	(165)	(58)	0	0	0	0	0	0	0	0
Akeman Street	(394)	(502)	0	0	0	0	0	0	0	0
Ventress Close	(345)	(405)	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	(172)	(61)	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(2,800)	(2,800)	(501)	0	0	0	0	0	0	0
Gunhild Way	(124)	(53)	0	0	0	0	0	0	0	0
Markham Close	(242)	(85)	0	0	0	0	0	0	0	0
Cromwell Road	(921)	(1,362)	(1,722)	0	0	0	0	0	0	0
Kingsway Clinic Conversion	(115)	0	0	0	0	0	0	0	0	0
Ditchburn Place New Build	(43)	0	0	0	0	0	0	0	0	0
Colville Road	(606)	(2,423)	0	0	0	0	0	0	0	0
Meadows and Buchan Street	0	0	(2,949)	0	0	0	0	0	0	0
Clerk Maxwell Road	(214)	(610)	0	0	0	0	0	0	0	0
Campkin Road	(593)	(2,230)	0	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	0	0	(750)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)
Total Use of Retained Right to Buy Funding	**(8,417)**	**(10,608)**	**(5,922)**	**(2,700)**	**(2,700)**	**(2,700)**	**(2,700)**	**(2,700)**	**(2,700)**	**(2,700)**
Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts	**10,758**	**17,256**	**14,024**	**7,300**	**7,300**	**7,300**	**7,300**	**7,300**	**7,300**	**7,300**
Total HRA Borrowing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Appendix G (1)

HRA Summary Forecast 2019/20 to 2023/24

Description	2019/20 £0	2020/21 £0	2021/22 £0	2022/23 £0	2023/24 £0
Income					
Rental Income (Dwellings)	(36,484,730)	(37,958,600)	(40,616,510)	(43,828,190)	(45,840,170)
Rental Income (Other)	(1,199,740)	(1,221,340)	(1,246,980)	(1,275,660)	(1,306,280)
Service Charges	(2,969,250)	(3,018,630)	(3,077,280)	(3,142,860)	(3,212,870)
Contribution towards Expenditure	(679,430)	(691,660)	(706,180)	(722,420)	(739,760)
Other Income	(458,880)	(460,520)	(463,440)	(474,100)	(485,480)
Total Income	**(41,792,030)**	**(43,350,750)**	**(46,110,390)**	**(49,443,230)**	**(51,584,560)**
Expenditure					
Supervision & Management - General	4,084,860	3,725,850	3,866,070	4,160,830	4,306,740
Supervision & Management - Special	3,174,520	3,146,750	3,224,020	3,308,090	3,396,890
Repairs & Maintenance	7,841,170	7,543,470	7,628,700	7,979,610	8,271,250
Depreciation – to Major Repairs Res.	11,070,740	11,171,550	11,857,240	12,349,290	12,664,570
Debt Management Expenditure	0	0	0	0	0
Other Expenditure	4,034,970	4,113,480	4,212,110	4,335,540	4,451,410
Total Expenditure	**30,206,260**	**29,701,100**	**30,788,140**	**32,133,360**	**33,090,860**
Net Cost of HRA Services	**(11,585,770)**	**(13,649,650)**	**(15,322,250)**	**(17,309,870)**	**(18,493,700)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(525,700)	(390,710)	(252,190)	(197,580)	(191,410)
(Surplus) / Deficit on the HRA for the Year	**(12,111,470)**	**(14,040,360)**	**(15,574,440)**	**(17,507,450)**	**(18,685,110)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,506,750	7,532,410	7,532,410	7,532,410	7,532,410
Housing Set Aside	1,560,900	(2,165,000)	(9,145,000)	(1,280,000)	(1,696,000)
Appropriation from Ear-Marked Reserve	0	0	0	0	0
Direct Revenue Financing of Capital	2,911,300	12,509,920	17,109,620	11,260,810	12,791,340
(Surplus) / Deficit for Year	**(132,520)**	**3,836,970**	**(77,410)**	**5,770**	**(57,360)**
Balance b/f	(11,539,346)	(11,671,866)	(7,834,896)	(7,912,306)	(7,906,536)
Total Balance c/f	**(11,671,866)**	**(7,834,896)**	**(7,912,306)**	**(7,906,536)**	**(7,963,896)**

Appendix G (2)

HRA 10 Year Summary Forecast 2019/20 to 2028/29

Description	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Income										
Rental Income (Dwellings)	(36,485)	(37,958)	(40,617)	(43,828)	(45,840)	(47,550)	(49,123)	(50,744)	(52,415)	(54,139)
Rental Income (Other)	(1,200)	(1,221)	(1,247)	(1,276)	(1,306)	(1,338)	(1,370)	(1,403)	(1,436)	(1,471)
Service Charges	(2,969)	(3,019)	(3,077)	(3,143)	(3,213)	(3,285)	(3,363)	(3,444)	(3,527)	(3,611)
Contribution towards Expenditure	(679)	(692)	(706)	(722)	(740)	(758)	(776)	(794)	(813)	(833)
Other Income	(459)	(461)	(463)	(474)	(485)	(497)	(509)	(521)	(534)	(547)
Total Income	**(41,792)**	**(43,351)**	**(46,110)**	**(49,443)**	**(51,584)**	**(53,428)**	**(55,141)**	**(56,906)**	**(58,725)**	**(60,601)**
Expenditure										
Supervision & Management - General	4,085	3,726	3,866	4,161	4,307	4,432	4,581	4,736	4,895	5,060
Supervision & Management - Special	3,174	3,147	3,224	3,308	3,397	3,488	3,582	3,678	3,777	3,879
Repairs & Maintenance	7,841	7,543	7,629	7,980	8,271	8,594	8,765	9,149	9,480	9,780
Depreciation – to Major Repairs Res.	11,071	11,172	11,856	12,349	12,665	12,988	13,312	13,651	14,000	14,357
Debt Management Expenditure	0	0	0	0	0	0	0	0	0	0
Other Expenditure	4,035	4,113	4,212	4,335	4,451	4,566	4,681	4,799	4,919	5,043
Total Expenditure	**30,206**	**29,701**	**30,787**	**32,133**	**33,091**	**34,068**	**34,921**	**36,013**	**37,071**	**38,119**
Net Cost of HRA Services	**(11,586)**	**(13,650)**	**(15,323)**	**(17,310)**	**(18,493)**	**(19,360)**	**(20,220)**	**(20,893)**	**(21,654)**	**(22,482)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account										
Interest Receivable	(526)	(390)	(252)	(198)	(191)	(178)	(165)	(170)	(191)	(207)
(Surplus) / Deficit on the HRA for the Year	**(12,112)**	**(14,040)**	**(15,575)**	**(17,508)**	**(18,684)**	**(19,538)**	**(20,385)**	**(21,063)**	**(21,845)**	**(22,689)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance										
Loan Interest	7,507	7,532	7,532	7,532	7,532	7,532	7,532	7,533	7,533	7,533

Housing Set Aside	1,561	(2,165)	(9,144)	(1,280)	(1,696)	(419)	0	0	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0	0	0	0	0	0
Direct Revenue Financing of Capital	2,911	12,510	17,110	11,261	12,791	14,847	14,867	11,714	12,084	14,413
(Surplus) / Deficit for Year	**(133)**	**3,837**	**(77)**	**5**	**(57)**	**2,422**	**2,014**	**(1,816)**	**(2,228)**	**(743)**
Balance b/f	(11,539)	(11,672)	(7,835)	(7,912)	(7,907)	(7,964)	(5,542)	(3,528)	(5,344)	(7,572)
Total Balance c/f	**(11,672)**	**(7,835)**	**(7,912)**	**(7,907)**	**(7,964)**	**(5,542)**	**(3,528)**	**(5,344)**	**(7,572)**	**(8,315)**

Appendix H

Housing Capital Investment Plan (10 Year Detailed Investment Plan)

Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend										
Disabled Facilities Grants	754	550	550	550	550	550	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195	195	195	195	195	195
Total General Fund Housing Capital Spend	**949**	**745**	**745**	**745**	**745**	**745**	**745**	**745**	**745**	**745**
HRA Capital Spend										
Decent Homes										
Kitchens	655	682	303	466	621	753	1,136	747	1,474	1,367
Bathrooms	331	1,049	188	47	158	650	653	146	67	363
Central Heating / Boilers	2,586	3,838	1,866	2,050	1,850	2,675	1,902	2,129	2,315	1,685
Insulation / Energy Efficiency	833	1,344	891	807	676	519	420	970	181	1,184
External Doors	148	116	52	72	20	58	52	75	57	58
PVCU Windows	0	689	467	241	855	538	1,062	380	328	1,111
Wall Structure	634	2,246	6	6	19	2	250	94	505	681
External Painting	0	357	357	357	357	357	357	357	357	357
Roof Structure	398	300	300	300	300	300	300	300	300	300
Roof Covering	542	688	1,106	200	690	1,918	1,647	994	1,058	935
Chimneys	1	2	0	0	2	2	0	0	0	7
Electrical / Wiring	555	296	274	445	388	483	209	266	4	19
Sulphate Attacks	102	102	102	102	102	102	102	102	102	102

Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HHSRS Contingency	229	100	100	100	100	100	100	100	100	100
Other Health and Safety Works	269	50	50	50	50	50	50	50	50	50
Other External Works	0	0	0	0	0	0	0	0	0	0
Capitalised Officer Fees - Decent Homes	305	305	305	305	305	305	305	305	305	305
Decent Homes Backlog	0	0	4,716	4,716	4,716	4,716	4,716	3,811	3,811	3,811
Decent Homes Planned Maintenance Contractor Overheads	842	1,305	667	576	680	936	906	738	759	915
Decent Homes New Build Allocation	477	163	732	1,009	1,092	1,180	1,271	1,364	1,463	1,564
Total Decent Homes	**8,907**	**13,632**	**12,482**	**11,849**	**12,981**	**15,644**	**15,438**	**12,928**	**13,236**	**14,914**
Other Spend on HRA Stock										
Garage Improvements	195	100	100	100	100	100	100	100	100	100
Asbestos Removal	50	50	50	50	50	50	50	50	50	50
Disabled Adaptations	878	878	878	878	878	878	878	878	878	878
Communal Areas Uplift	100	100	100	100	100	100	100	100	100	100
Communal Electrical Installations / Fire Systems / Communal Lighting	150	150	150	150	150	150	150	150	150	150
Communal Entrance / Enclosure Doors + Glazing	71	329	71	76	136	71	140	71	73	185
Fire Prevention / Fire Safety Works	921	50	50	50	50	50	50	50	50	50
Hard surfacing on HRA Land - Health and Safety Works	508	225	225	225	225	225	225	225	225	225
Communal Areas Floor Coverings	295	100	100	100	100	100	100	100	100	100
Lifts and Door Entry Systems	138	231	9	0	38	28	75	0	0	40
Estate Investment	1,000	1,000	1,000	1,000	1,000	0	0	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	114	114	114	114	114	114	114	114	114	114

Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	364	243	191	190	201	193	205	190	190	207
Total Other Spend on HRA stock	**4,784**	**3,570**	**3,038**	**3,033**	**3,142**	**2,059**	**2,187**	**2,028**	**2,030**	**2,199**
HRA New Build / Re-Development										
Anstey Way	5,876	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	1,793	0	0	0	0	0	0	0	0	0
Kendal Way	346	0	0	0	0	0	0	0	0	0
Queensmeadow	461	63	0	0	0	0	0	0	0	0
Wulfstan Way	552	194	0	0	0	0	0	0	0	0
Akeman Street	1,949	2,419	0	0	0	0	0	0	0	0
Ventress Close	1,362	1,557	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	573	202	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	9,333	9,333	1,669	0	0	0	0	0	0	0
Gunhild Way	414	177	0	0	0	0	0	0	0	0
Markham Close	806	283	0	0	0	0	0	0	0	0
Cromwell Road (Including Land Acqusition)	3,070	4,539	5,740	0	0	0	0	0	0	0
Kingsway Clinic Conversion	382	0	0	0	0	0	0	0	0	0
Ditchburn Place New Build	143	0	0	0	0	0	0	0	0	0
Colville Road	4,257	11,373	0	0	0	0	0	0	0	0
Meadows and Buchan Street	1,765	13,613	9,832	0	0	0	0	0	0	0
Clerk Maxwell Road	714	2,033	0	0	0	0	0	0	0	0
Campkin Road	4,811	11,154	0	0	0	0	0	0	0	0
Keepmoat Defect Management (10 Schemes)	60	0	0	0	0	0	0	0	0	0

Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Acquisition or New Build (Unallocated)	0	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total HRA New Build	**38,667**	**56,940**	**27,241**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Sheltered Housing Capital Investment										
Ditchburn Place	772	0	0	0	0	0	0	0	0	0
Total Sheltered Housing Capital Investment	**772**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other HRA Capital Spend										
Orchard Replacement / Mobile Working	543	0	0	0	0	0	0	0	0	0
Stores Reconfiguration	55	0	0	0	0	0	0	0	0	0
Estate Service Champion Estate Vehicle	0	0	0	0	0	0	0	0	0	0
Shared Ownership Repurchase	300	300	300	300	300	300	300	300	300	300
Commercial and Administrative Property	30	30	30	30	30	30	30	30	30	30
Total Other HRA Capital Spend	**928**	**330**	**330**	**330**	**330**	**330**	**330**	**330**	**330**	**330**
Total HRA Capital Spend	**54,058**	**74,472**	**43,091**	**25,212**	**26,453**	**28,033**	**27,955**	**25,286**	**25,596**	**27,443**
Total Housing Capital Spend at Base Year Prices	**55,007**	**75,217**	**43,836**	**25,957**	**27,198**	**28,778**	**28,700**	**26,031**	**26,341**	**28,188**
Inflation Allowance and Stock Reduction Adjustment for Future Years	0	410	908	1,408	2,013	2,811	3,233	3,089	3,527	4,371
Total Inflated Housing Capital Spend	**55,007**	**75,627**	**44,744**	**27,365**	**29,211**	**31,589**	**31,933**	**29,120**	**29,868**	**32,559**
Housing Capital Resources										
Right to Buy Receipts	(474)	(478)	(483)	(483)	(483)	(483)	(483)	(483)	(513)	(518)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0	0	0	0	0	0

Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Major Repairs Reserve	(19,308)	(14,164)	(11,857)	(12,350)	(12,666)	(12,988)	(13,312)	(13,652)	(14,000)	(14,357)
Direct Revenue Financing of Capital	(2,911)	(12,510)	(17,110)	(11,261)	(12,791)	(14,847)	(14,867)	(11,714)	(12,084)	(14,413)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(1,028)	(2,050)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Devolution Grant	(19,492)	(29,076)	(7,295)	0	0	0	0	0	0	0
Retained Right to Buy Receipts	(8,417)	(10,608)	(5,922)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)
Disabled Facilities Grant	(682)	(271)	(271)	(271)	(271)	(271)	(271)	(271)	(271)	(271)
Prudential Borrowing	0	0	0	0	0	0	0	0	0	0
Total Housing Capital Resources	**(52,312)**	**(69,157)**	**(43,238)**	**(27,365)**	**(29,211)**	**(31,589)**	**(31,933)**	**(29,120)**	**(29,868)**	**(32,559)**
Net (Surplus) / Deficit of Resources	2,695	6,470	1,506	0	0	0	0	0	0	0
Capital Balances b/f	**(10,671)**	**(7,978)**	**(1,506)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**
Use of / (Contribution to) Balances in Year	2,693	6,472	1,506	0	0	0	0	0	0	0
Capital Balances c/f	**(7,978)**	**(1,506)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**
Other Capital Balances (Opening Balance 1/4/2019)										
Major Repairs Reserve	(11,231)	Utilised in future years to fund investment in the housing stock								
Retained 1-4-1 Right to Buy Receipts	(13,932)	Utilised between 2019/20 and 2020/21 above								
Right to Buy Receipts for Debt Redemption	(9,031)	Retained for future debt repayment								
Total Other Capital Balances	**(34,194)**									

Appendix I

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management	(949.3)	(80.3)	3.0	(1,026.6)
Special Services	(1,117.2)	(146.1)	57.4	(1,205.9)
Repairs and Maintenance	(429.7)	(60.2)	0.0	(489.9)
Total	**(2,496.2)**	**(286.6)**	**60.4**	**(2,722.4)**

Tenants Survey

	Opening Balance	Contributions	Expenditure to July	Current Balance
Tenants Survey	(41.2)	(6.3)	0.0	(47.5)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(13,143.6)	(4,472.2)	0.0	(17,615.98)

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(9,031.2)	(364.8)	0.0	(9,396.0)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(11,230.6)	0.0	0.0	(11,230.6)

Appendix J

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Rents Inflation	CPI plus 1% for 5 years, followed by CPI plus 0.5%	Although confirmed by government, for the next 5 years, there is no guarantee that there will be the ability to return to previously assumed rent increases if rents are set legislatively after 2024/25, so assume CPI only from 2025/26.	Borrowing increases by £16 million during the life of the plan and the resource available for debt redemption at the end of the 30 years is £68 million lower.
Sale of Higher Value Assets	Assumed that legislation is repealed and policy is never implemented.	Assume that the primary legislation is not repealed and the policy is implemented after all.	Borrowing increases by £445 million during the life of the plan to sustain the basic business activity and the HRA ceases to able to set a budget and operate from year 14 onwards.
Direct Payments (Universal Credit)	Bad Debts at 1.5%	Evidence from the pilot authorities for direct payment indicated that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2020/21.	Borrowing increases by £26 million during the life of the plan and the resource available for debt redemption at the end of the 30 years is £40 million lower.
Cost of HRA New Build post the 500 homes	Cost of £250,000 per units assumed, based upon use of HRA land or S106 sites built to current standards.	Assume that the authority opts to build sustainable homes, with build costs at 50% more per square metre, resulting in costs of £375,000 per unit.	Borrowing increases by £69 million during the life of the plan and the resource available for debt redemption at the end of the 30 years is £61 million lower.

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

Appendix K

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties
Self-Financing for the HRA
Future uncertainty still exists about the ability to manage the cashflow and service / re-pay the debt for the HRA in a self-financing environment. Despite the end of 4 years of rent cuts, rent are still controlled at national level, which was never the intention of operating in a self-financing environment.
Right to Buy Sales
The number of sales increased significantly from April 2012, but have now reduced and stabilised. Current uncertainty in the economy may result in further decline in sales in the coming years, although this is impossible to predict accurately.
Right to Buy Retention Agreement
Resource retained in respect of 1-4-1 receipts must be appropriately re-invested in the HRA, wit reliance on the £70 million Devolution Grant currently. At present, sufficient investment is incorporated into the HRA financial model to avoid penalty, but specific sites for all of the future investment required have not been identified and approved to proceed. Potential interest that will be payable if the receipts are not utilised within the agreed 3-year period has not been incorporated into the HRA revenue projections.
Ditchburn Place Extra Care
The current care and support contract is operating under temporary arrangements whilst the County Council seek to contract directly with another care provider. Although technically not an HRA function care is delivered alongside HRA services, and the inextricable links to the provision of landlord services mean that any changes to the delivery of care and support services will impact HRA services also.
HRA Commercial Property
Stock condition surveys and investment profiles are still required in respect of the HRA's commercial property portfolio, to ensure that sufficient resource is identified in the Housing Capital Plan to maintain the properties in a lettable condition.
HRA New Build
Delays in the delivery of the new build programme impact negatively upon rental income. If any individual development scheme does not proceed, the initial outlay needs to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in. Until schemes are approved, in contract, and have appropriate planning permission, there are still uncertainties over final costs and dwelling numbers, which could impact the HRA in terms of anticipated rental streams.
Welfare Reforms
The negative impact that the introduction of Universal Credit may have on the level of rent arrears and bad debts within the HRA is still unquantifiable in totality, although expectations are that we will see a significant increase in arrears levels.

Housing Revenue Account – Revenue Uncertainties

National Rent Policy

The change in national rent policy, with what was previously rent guidance, now being legislation, removes all local control over the setting of rent levels. Although a return to increases of CPI plus 1% has been confirmed for the next 5 years, there is no certainty over what will happen from April 2025.

Compulsion to Sell Higher Value Homes Levy

The Housing and Planning Act allowed the introduction of an annual levy, representative of the proportion of high value homes which may become vacant in any one year. In addition to the loss of rental income, the process to dispose of a large number of assets in any one year would be costly and administratively burdensome. It is now assumed, based upon the content of the Housing Green Paper that the primary legislation will be repealed, but until this formally happened there is still an inherent risk in business planning with the levy incorporated into financial assumptions.

Housing Revenue Account - Capital Uncertainties

Sulphate Attack

Sulphate attack was identified a number of years ago in a few council dwellings, resulting in the potential need to invest £1.87m to eradicate the problem. Following a risk assessment, the approach taken has been to address the defect when the property is void. Currently 12 of the 110 properties potentially affected have been rectified. Reduced funding of approximately £1m is included in the Housing Capital Programme over the next 10 years to continue to fund this risk-based approach. This will not meet the remedial costs of all sites where sulphate has been identified and there is the potential for similar sulphate attacks in the structures of other council dwellings constructed at a similar time, resulting in the need for additional investment.

Disabled Facilities Grants and Private Sector Housing Grants and Loans

Although DFG's are currently fully funded by the Better Care Fund, any future top up investment by the authority in DFG's or funding for Private Sector Housing Grants and Loans, is wholly dependent upon the generally available element of right to buy receipts in any year, with funding dependent upon 25% of the first 10 to 17 right to buy sale receipts per annum, as assumed to be available for general use in the self-financing settlement. This could put at significant risk the desired level of investment in this area, particularly if funding via the Better Care Fund were to reduce.

Right to Buy Sales and Retained Right to Buy Receipts

Interest in right to buy has declined and stabilised over the last two years, following abolition of the 'Pay to Stay' policy, coupled with economic uncertainty. Under the agreement with CLG, the authority is committed to invest the receipts in new homes within 3 years of the date of the receipt, with this funding meeting no more than 30% of the cost of a dwelling. Once Devolution Grant is exhausted, the authority will be required to identify the 70% top up funding itself or through borrowing, with this assumption incorporated. Receipts may need to be paid over to central government at the end of each quarter, if delays in the delivery of new homes mean that deadlines are breached.

Fire Safety Works in Flatted Accommodation

The authority still awaits information on the potential for changes to fire safety regulations, which may impact the future investment need in flatted accommodation particularly. The cost of any works required under revised regulations will need to be met from reserves in the short-term, with a wider review of stock investment budgets to follow. In the short-term funding is requested as part of this HRA MTFS to meet current recommendations in respect of fire doors.

STRATEGY & RESOURCES SCRUTINY COMMITTEE **7 October 2019**
5.00 – 7.30pm

Present: Davey (Chair), Bick, Dalzell, Davies and Todd-Jones

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

REVIEW OF COUNCIL TAX REDUCTIONS SCHEME

The report and review sought to deliver three primary objectives:

- Move towards a scheme that is more adaptable to Universal Credit regulations.
- Provide clarity to Universal Credit claimants as to what their entitlement to Council Tax Reduction will be.
- Mitigate against expected reduction in Government administration grants for processing Council Tax Reduction claims.

Summary of key recommendations from April 2020:

i. To adopt earnings based banded local Council Tax Reduction scheme for Universal Credit claimants and to have fixed non-dependant deductions for these claims.
ii. To continue with the current Council Tax Reduction scheme (to include annual uprating) for working age claimants who are not in receipt of Universal Credit.
iii. To agree uprating equal to September CPI for income bands, amounts to pay and non-dependant bands and deductions.
iv. To approve delegation of the Council Tax Reduction schemes annual review to the Head of Revenues and Benefits, and subject to the above recommendations being adopted, that these schemes continue (subject to uprating) until March 2023. Any changes to the core schemes in the officers report, or to the universal credit timeline 2023 will be brought back to Committee.
v. To provide transitional protection for households transferring to the banded scheme on 1 April 2020.

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

Accordingly, Council is recommended to:

i. Approve the proposed localised Council Tax Reduction schemes (as set out in the officers report).

Item

REVIEW OF COUNCIL TAX REDUCTION SCHEME

CAMBRIDGE CITY COUNCIL

To:
Councillor Richard Robertson, Executive Councillor for Finance and Resources
Strategy & Resources Scrutiny Committee 7/10/19

Report by:
Naomi Armstrong, Benefit Manager
Tel: 01223 - 457752 Email: naomi.armstrong@cambridge.gov.uk

Wards affected:
All

Key Decision

1. Executive Summary

1.1 This review and report seeks to deliver three primary objectives:

- Move towards a scheme that is more adaptable to Universal Credit regulations.
- Provide clarity to Universal Credit claimants as to what their entitlement to Council Tax Reduction will be.
- Mitigate against expected reduction in Government administration grants for processing Council Tax Reduction claims.

2. Recommendations

The Executive Councillor is asked to recommend to Council that:

2.1 The proposed localised Council Tax Reduction schemes (as set out in this report) are put forward to Full Council for its approval at the meeting to be held on 17 October 2019.

Summary of key recommendations from April 2020:

2.1.1 To adopt earnings based banded local Council Tax Reduction scheme for Universal Credit claimants and to have fixed non-dependant deductions for these claims.

2.1.2 To continue with the current Council Tax Reduction scheme (to include annual uprating) for working age claimants who are not in receipt of Universal Credit.

2.1.3 To agree uprating equal to September CPI for income bands, amounts to pay and non-dependant bands and deductions.

2.1.4 To approve delegation of the Council Tax Reduction schemes annual review to the Head of Revenues and Benefits, and subject to the above recommendations being adopted, that these schemes continue (subject to uprating) until March 2023.

2.1.5 To provide transitional protection for households transferring to the banded scheme on 1 April 2020.

3. Background

3.1 The local Council Tax Reduction scheme has been in place since April 2013 and has worked extremely well alongside Housing Benefit.

3.2 However, as the number of Housing Benefit recipients declines (due to claimants moving to Universal Credit), there are issues with the interaction between Universal Credit and the Council Tax Reduction scheme that will cause serious complications for customers, and issues in terms of administration of the scheme.

3.3 Following Strategy and Resources Scrutiny Committee on 1 July 2019, a consultation (Appendix A) was started on 5 July 2019, concluding on 8 September 2019, which sought views on the proposals to revise the Council Tax Reduction scheme for Universal Credit claimants, where entitlement to a reduction would be based on their income from earnings.

3.4 The consultation explained that the reason for change is due to the current scheme no longer aligning with changes to national welfare benefits, and outlined key issues.

- Fluctuating earnings will lead to monthly changes to Universal Credit entitlement, which in turn will result in monthly changes to Council Tax Reduction with increased numbers of Council Tax bills and notification letters.
- A simplified scheme will be easier for customers to understand and will assist with personal budgeting.
- Other additional incomes, including Universal Credit, disability incomes, child benefit, will be completely disregarded.
- The proposed scheme will significantly reduce the need for customers to contact the Council.
- Increased administration costs in reassessing entitlement due to small changes in income that produce marginal changes in Council Tax Reduction.

3.5 The consultation also asked for views on the introduction of a fixed contribution from non-dependants for Universal Credit claimant households and views on the scope and period of transitional protection for Universal Credit claimants moving from the current scheme to the new proposed scheme. Results of the consultation are attached at Appendix B.

3.6 Alternatives to the proposed scheme have been considered, including continuation of the existing scheme, but these alternatives would mean the Council would have to look to increase funding for administration of the scheme, as national grants for this administration are reducing. To do nothing was not supported by the consultation.

4. Consultation responses

4.1 71% agreed that the Council should have a different set of rules to decide Council Tax Reduction of people on Universal Credit. 10% disagreed.

4.2 10% of the responses were from people currently on Universal Credit.

4.3 43% of responders indicated they were in a household identified as vulnerable with the most widespread being a disabled household.

4.4 62% of responders were Cambridge residents.

4.5 32% of respondents felt the bands proposed were about right, 5% thought they should be higher but 41% thought they should be lower.

4.6 52% of respondents indicated that they were in favour of fixed contribution amounts for non-dependants with 14% disagreeing, although no alternatives were suggested. Deduction for some vulnerable households or individuals will be excluded. It is appreciated that it may be difficult for some householders to get the non-dependant to contribute, but this is an existing issue and individual cases will be looked at.

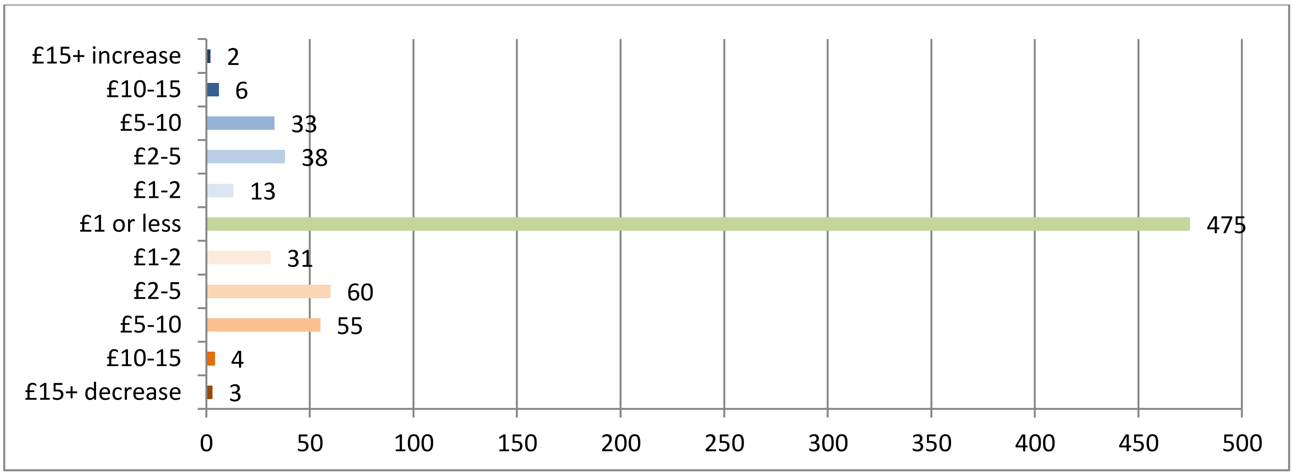
4.7 Over 90% believed that where support dropped by more than £5 under the proposed rules, that there should be some sort of transitional protection. One comment suggest that protection should be up to a year but not necessarily at 100%.

5. Recommendations following consultation

5.1 Taking onboard comments from the consultation and following further modelling of the scheme, the income bands and the amount to pay have changed to recognise common income levels (including national minimum wage) and earning patterns including part-time, full-time and fluctuating contracts. These amendments to the bands produced the least numbers of changes in awards.

Not in work or earning less than £316 per month	Claimant pays towards Council Tax - £0 per month
Earning between £316 and £519.99 per month	Claimant pays towards Council Tax - £25 per month
Earning between £520 and £769.99 per month	Claimant pays towards Council Tax - £50 per month
Earning between £770 and £997.99 per month	Claimant pays towards Council Tax - £75 per month
Earning between £998 and £1180.99 per month	Claimant pays towards Council Tax – up to £125 per month
Earning between £1181 and £2749.99 per month	Claimant pays towards Council Tax – up to £175 per month
Earning over £2750 per month	No CTR - Claimant pays Council Tax in full

5.2 The current working age caseload is 4,150 and it is anticipated that all customers will have moved onto Universal Credit by 2023. The graph below shows the financial impact of applying the proposed scheme to the 720 Universal Credit claimants receiving Council Tax Reduction as at August 2019.



5.3 Following feedback from the consultation, most agreed that transitional protection should apply where support drops by more than £5 per week. It was also suggested that the length of transitional protection should be increased; therefore this has been changed from 3 to 6 months, and enhanced for the groups below, from 6 to 12 months:

- Care Leavers under 25
- Families with dependant children under 5
- Households where claimant, partner or dependant children have disability benefits
- Households where claimant or partner have war pensions or Armed Forces Independent Payment incomes

5.4 It is proposed that the earnings bands and levels of contributions due should be increased each year by CPI as at the previous September.

6. Non Universal Credit Households

6.1 Working age households not in receipt of Universal Credit will continue to have Council Tax Reduction calculated under the current scheme, as this continues to work well with Housing Benefit.

6.2 Applicable amounts and premiums will continue to reference those amounts used in Housing Benefit and deductions for non-dependants will increase by CPI as at September each year.

7. All Households

7.1 Vulnerable households, defined in the current Council Tax Reduction scheme, will continue to receive protection from reductions in the future.

7.2 The prescribed requirements regulations are updated yearly to take account of changes to the Department for Work and Pensions' (DWP) Housing Benefit Regulations and wider policy measures. However, aside from including the amended prescribed requirements each year, there is no statutory obligation for a billing authority to revise or replace its local Council Tax Reduction scheme, but there is an obligation to consider this.

7.3 It is recommended that this annual consideration be delegated to Head of Revenues and Benefits, and that the Schemes continue until March 2023 (with annual uprating changes) unless the consideration identifies a need to revise or replace at an earlier date. In that instance, the matter will be brought to Strategy and Resources with recommendations to Council. In any event, Schemes will be brought to Strategy and Resources for April 2023 for review. This recognises the end of the roll out of Universal Credit, which is currently anticipated to be during 2023.

8. Implications

8.1 This simplified scheme will be easier for customers to understand and will assist with personal budgeting.

8.2 Making no change to the existing scheme for Universal Credit claimants would lead to confusion when claiming Council Tax Reduction.

8.3 Customer and partner earnings figures are provided electronically via the DWP from the Universal Credit claims process and would allow automation of the claims process, thereby reducing administration costs.

8.4 The current scheme requires reassessment of a customer's entitlement to Council Tax Reduction every time their Universal Credit changes, which may be every month, causing significant confusion for customers and unavoidable customer contact.

8.5 An income banded scheme would mean that for the vast majority of changes in customers' earned income would not result in a change to their Council Tax Reduction and would be more transparent for customers.

8.6 Performance in the Benefits and Council Tax teams remains very strong. Council Tax in-year collection rate for 2018/19 was the best Cambridge has seen since Council Tax was introduced. In order to maintain healthy collection rates, revision of the current scheme should be adopted.

a) Financial Implications

Current estimated expenditure of Council Tax Reduction for 2019-2020 is £6.667m, with £4.5m of this being for working-age claimants.

The aspiration of the new scheme is to keep total value of awards within the above figures, subject to any annual increase in Council Tax. Modelling suggests that with the introduction of the banded scheme for Universal Credit claimants and retaining the current scheme for non-Universal Credit claimants will cost an estimated £6.698m (including transitional protection).

Early modeling also suggests that if all working age households had their Council Tax Reduction assessed under the new earnings bandings, expenditure would be an estimated £6,658m.

Council Tax Reduction caseload is reducing slightly by approximately 100 per year across working age and pensioner households.

Failure to adopt a streamlined scheme will increase administration costs due to the increase in work associated with calculating Universal Credit claims under the current scheme, whilst overall central government funding (from Department for Work and Pensions and Ministry of Housing, Communities and Local Government) is expected to reduce.Page: 7

b) Staffing Implications

As the implications of this new scheme unfolds, a fundamental service review will be required.

This is not likely to be until 2021/2022, when sufficient working age claimants have migrated onto Universal Credit and the timetable for managed migration of remaining caseload to Universal Credit is known.

c) Equality and Poverty Implications

An Equality Impact Assessment is attached at Appendix C.

d) Environmental Implications

Nil.

e) Procurement Implications

None.

f) Community Safety Implications

None.

9. Consultation and communication considerations

Consultation has been carried out, see Appendix A.

Groups consulted were:

- All working age Council Tax Reduction claimants.
- Citizens Advice
- Council Tax Preceptors – Cambridgeshire County Council, Cambridgeshire Fire and Rescue and Cambridgeshire Police.
- Third Sector organisations including social landlords.

Additionally, press release, Twitter updates, notices on inbound telephone and outgoing emails from Revenues and Benefits, publicised the consultation.

10. Background papers

Background papers used in the preparation of this report: None

11. Appendices

Appendix A - Consultation proposals

Appendix B - Consultation responses
Appendix C – Equality Impact Assessment

Inspection of papers

To inspect the background papers or if you have a query on the report please contact Naomi Armstrong, Benefit Manager: 01223 - 457752, email: naomi.armstrong@cambridge.gov.uk.

This page is intentionally left blank

Proposed changes to Council Tax Reduction scheme

Consultation open from 5pm on 5 July to 11.59pm on 8 September 2019.

Introduction and background

The local Council Tax Reduction scheme has been in place since April 2013 and works extremely well alongside Housing Benefit.

However, as the number of Housing Benefit recipient declines (due to claimants moving to Universal Credit), there are issues with the interaction between Universal Credit and the Council Tax Reduction scheme that will cause complications for customers, and issues in terms of administration of the scheme.

Consultation information

Proposal

The proposal is to introduce a scheme for Universal Credit claimants to be put into one of several income bands. The amount of reduction in Council Tax for each claimant will not change as long as their earnings remain within that band.

The new banded scheme would be introduced from **1 April 2020** and only applies to Universal Credit claimants. The amount they have to contribute towards their council tax will depend on their net monthly earnings (including income from occupational pensions).

These incomes will have some amounts disregarded to encourage people to start work and stay in work, and also to make pension provisions. All other incomes will be ignored.

For the vast majority of changes in customers' earned income, their Council Tax Reduction will not change from month to month, giving them stability in understanding their outgoings each month.

Claimants on Universal Credit who are not working, will receive a full discount apart from contributions that will be expected to be made by other adults living in the household. These are called non-dependant deductions.

Draft income bands and possible contributions towards Council Tax bill:

Universal Credit Claimant – Current **draft** figures

Not in work or earning less than £285 per month	Claimant pays towards Council Tax - £0 per month
Earning between £285 and £574.99 per month	Claimant pays towards Council Tax - £25 per month
Earning between £575 and £1099.99 per month	Claimant pays towards Council Tax - £75 per month
Earning between £1100 and £1749.99 per month	Claimant pays towards Council Tax - £130 per month
Earning between £1750 and £2249.99 per month	Claimant pays towards Council Tax - £180 per month
Earning between £2250 and £2749.99 per month	Claimant pays towards Council Tax - £230 per month
Earning over £2750 per month	Claimant pays Council Tax in full

Currently there are approximately 4000 working age households claiming Council Tax Reduction, 1200 are working, some 200 of these are already on Universal Credit. As Universal Credit continues to be rolled out, more households will eligible for the proposed new scheme.

Non-Dependants

Non-dependants are other adults living in a property along with the claimant, partner and dependent children.

The suggestion is a weekly contribution of £6.50 per week per non-dependant towards the cost of the services that Council Tax covers.

Streamlining non-dependant deductions for all Universal Credit claims to a flat monthly contribution provides clarity to people making a Council Tax Reduction claim of the amount that other adults should be contributing towards the services that are provided. It also streamlines administration by making claims quicker to process because additional information will not need to be requested.

Non-dependant contributions will not apply in some circumstances, such as where certain household members have disabilities, are pensioners, students, receiving war pension incomes (including Armed Forces Independence Payments) or members of the armed forces away on operations.

Advantages of the proposed scheme

A banded scheme would allow the calculation of the award to be a lot simpler, so the cost of administration to all charge payers is kept to a minimum.

Streamlining non-dependant deductions will also make administering of the scheme easier.

It allows some claimants with incomes towards the bottom of each band to earn more money without reducing their Council Tax Reduction, increasing work incentives.

Council Tax Reduction will not need to change by small amounts each month, so fewer bills will need to be produced. This will save the Council money, be better for the environment and allow claimants to budget more effectively.

Disadvantages

Claimants near the top of an income band who start earning more may have an increase in the amount of Council Tax they have to contribute which is more than the increase in pay. However, knowing how much the bands are will inform claimants of their choices when changing their employment.

Transitional Protection

If this income band scheme is introduced some people may receive less than they would under the current scheme rules.

From 1 April 2020 where their entitlement under the new banded scheme is more than £5 per week less than it would have been under the old rules, it is proposed that the start date of the new scheme will be delayed to 1 July 2020, and support will be offered to find ways to maximise their income and reduce outgoings on a one to one basis as necessary.

For the following vulnerable customers, this transitional protection will be up to 6 months.

- Care Leavers under 25
- Families with dependent children under 5
- Households where claimant, partner or dependent children have disability benefits
- Households where claimant or partner have war pensions or Armed Forces Independent Payment incomes

Support from trained advisors will be available to give in depth budgeting support. Identification of these households will be made by January 2020 to give enough time for this support to be put in place.

This will have a small administrative cost to the authority, but may provide the best longer term support that these households need.

Impact

The proposed scheme is not designed to reduce or increase the total amount of Council Tax Reduction the Council currently awards. It is designed to be as cost neutral as possible.

Failure to have a scheme that does not work in harmony with Universal Credit will make budgeting difficult for households, be costly in administration for the authority and may lead to inability to collect council tax due to small monthly changes in Council Tax Reduction affecting bills.

The scheme will not apply to pensioners and working age claimants not on Universal Credit. They will continue to have their support calculated under the current rules.

How to Comment

We would really like to have your thoughts on our scheme:

Give your views in our online survey

If you would prefer to respond in writing, please pick up a copy at our Customer Service Centre, Mandela House, 4 Regent Street, Cambridge, CB2 1BY.

It would help the City Council ensure that consultations are effective if you could also complete the Equalities Monitoring form below (please note this does not need to be submitted with your consultation comments):

- Complete our Equalities Monitoring form [DOCX,]

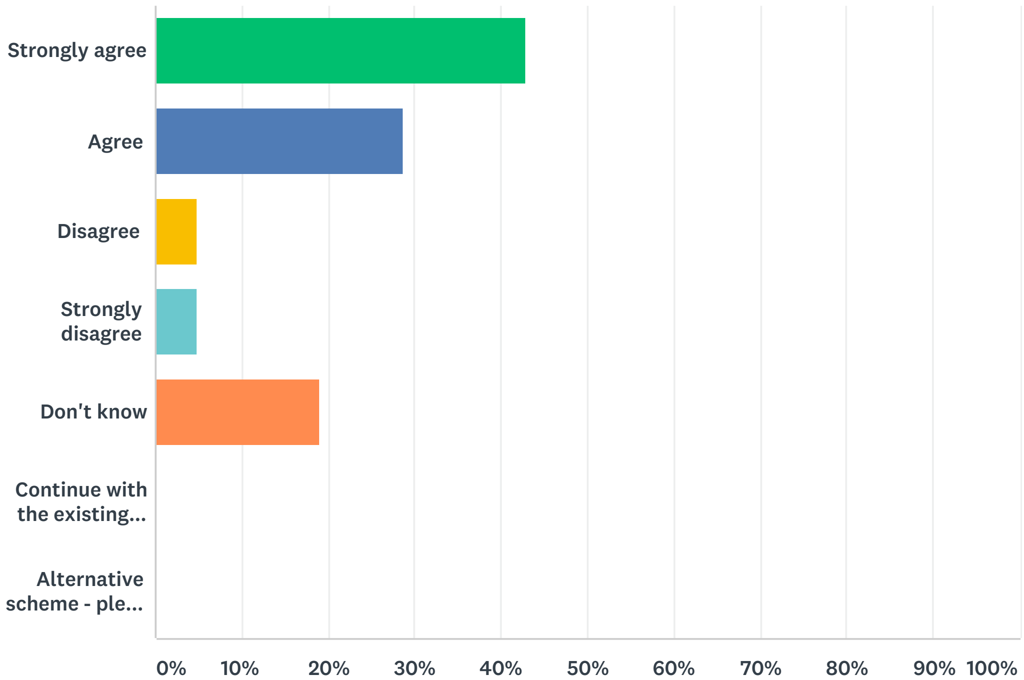
If you have any questions about this consultation, please email rbsystem@cambridge.gov.uk or ring 01223 457752.

Next steps

This consultation ends on 8 September 2019 and the results will form part of a report to Strategy and Resources Committee on 7 October 2019.

Q1 The current scheme will not work effectively with the Government's Universal Credit system. The multiple changes in Universal Credit inevitably lead to multiple changes in Council Tax Reduction and this means customers could receive revised bills on a monthly basis leading to confusion about what they should pay, making it difficult to budget. Do you think the Council should replace the existing scheme because of these issues?

Answered: 21 Skipped: 2



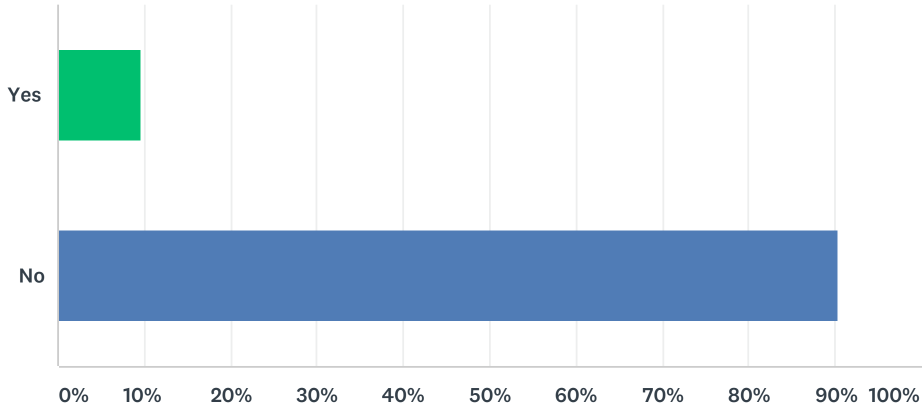
ANSWER CHOICES	RESPONSES	
Strongly agree	42.86%	9
Agree	28.57%	6
Disagree	4.76%	1
Strongly disagree	4.76%	1
Don't know	19.05%	4
Continue with the existing scheme	0.00%	0
Alternative scheme - please explain below	0.00%	0
TOTAL		21

#	WHY DO YOU THINK THIS?	DATE
1	Welcome the proposal to streamline the process	8/20/2019 10:59 AM

2	The proposals unfairly punish private tenants who are already having to pay a premium to rent accomodation, because they do not qualify for low-cost housing and council houses. The scheme suggests that council tenants have the same costs and the same disposable income as private tenants. Very few council tenants have to pay very much of their income to top up their rent. Because I have to rent privately (I've chose not to have a family and, fortunately I am in good health), the amount of housing benefit paid to me does not cover the rent. My monthly rent is £1100. I recieve £748.08 in benefits, leaving me with a shortfall of £351.92 a month. So, every month, the first £351.92 I earn goes to paying the rent. The next £19 a month I earn goes to paying the water bill. The next £38 goes to the gas and electricity. Then I pay my phonebills and internet and then I buy some food. You proposal that should additionally pay £25 a month before buying food is unfair. And unaffordable. It would be fairer if the cost of the housing and the standard living costs were met before Council Tax was then charged. And it should only be charged at a rate comparable to the rate paid by the rest of the Cambridge community. It is afterall a community charge. The fairest way would be to work out what the average income was for Cambridge (where I presume the average wage is higher because the rents are higher). Work out what the proportion of that income is paid in Cambridge on council tax, and use that as the base line. i.e. if the average working person in Cambridge was paying 8 percent of their income on Council tax, the maximum anyone on benefits should be paying would be 8 percent of their income after they had paid their rent and bills.	8/11/2019 7:57 PM
3	To reduce the risk of confusion	8/2/2019 12:33 PM
4	simplicity for me and for the council.	7/21/2019 5:17 PM
5	Mental Illness can be a big problem for me for months on end. My Housing Benefit is paid automatically for me now. If I get put on Universal Credit, I will have to receive Housing Benefit and then have the responsibility to pay the rent. There are going to be times when Mental Illness prevents me from doing this reliably. So, I do not want to be put on Universal Credit, because it could lead to me not paying my rent when mentally ill and thus getting in trouble with the Council, which is my landlord.	7/18/2019 12:19 PM
6	You do not fully explain how the system works at present to be able to judge.	7/17/2019 5:41 PM
7	Be good not to have a fluctuation in what we have to pay each month.	7/16/2019 5:41 PM
8	So people know the cost & keep the cost down for the LA's.	7/12/2019 7:01 PM
9	If people receive changing amounts each month this makes budgetting for them impossible if they are paying a portion	7/12/2019 2:23 PM
10	HB is getting outdated and quickly becoming a legacy benefit; the CTR needs to move with the new benefit s provided.	7/12/2019 2:19 PM

Q2 Are you currently claiming Universal Credit and working?

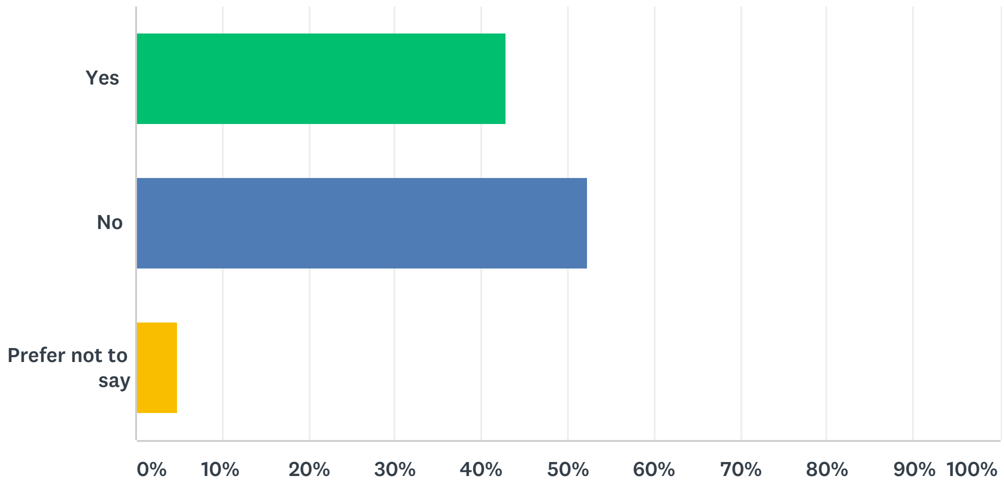
Answered: 21 Skipped: 2



ANSWER CHOICES	RESPONSES	
Yes	9.52%	2
No	90.48%	19
TOTAL		21

Q3 Would you describe your household as being in one of the vulnerable groups below? Care Leaver Under 25; family with children under 5; households where a person is disabled; have war pension or armed forces payment incomes.

Answered: 21 Skipped: 2

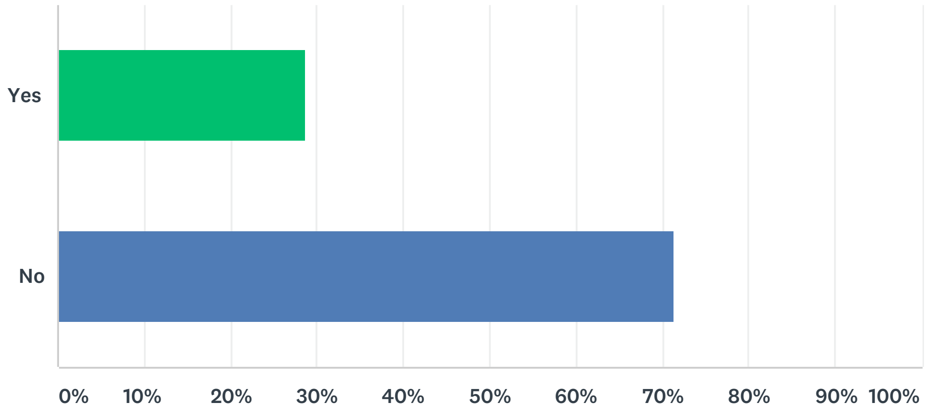


ANSWER CHOICES	RESPONSES	
Yes	42.86%	9
No	52.38%	11
Prefer not to say	4.76%	1
TOTAL		21

#	IF YOU HAVE SAID YES, WOULD YOU LIKE TO SAY WHICH GROUP YOU MAY BE IN? IT MAY BE THAT YOU ARE IN MORE THAN ONE.	DATE
1	I am not in one of the above but I have permanent back and neck pain and I also live alone so I have no one to support me to help with bills etc. I suggest therefore that I am in a vulnerable group	8/20/2019 12:35 PM
2	Disabled	7/24/2019 1:13 PM
3	Family with children under5	7/22/2019 11:37 AM
4	Disabled Bipolar Affective Disorder. Disabled Mobility Issues connected to Still's Disease.	7/18/2019 12:19 PM
5	Disability	7/17/2019 5:41 PM
6	Person is disabled.	7/16/2019 5:41 PM
7	Disabled person.	7/12/2019 7:01 PM

Q4 Do you work for an organisation that helps to support people claiming Universal Credit in Cambridge City?

Answered: 21 Skipped: 2

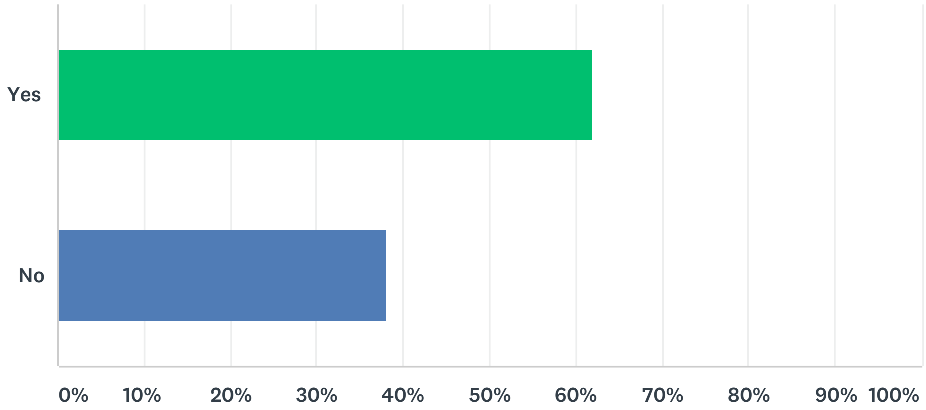


ANSWER CHOICES	RESPONSES	
Yes	28.57%	6
No	71.43%	15
TOTAL		21

#	IF "YES" PLEASE TELL US THE NAME OF THE ORGANISATION YOU WORK FOR:	DATE
1	Cambridge CAB	8/20/2019 10:59 AM
2	Cambridge Money Advice Centre	7/12/2019 2:23 PM
3	bpha	7/12/2019 2:19 PM
4	Cambridge Housing Society Group	7/11/2019 1:13 PM

Q5 Are you a resident in Cambridge City?

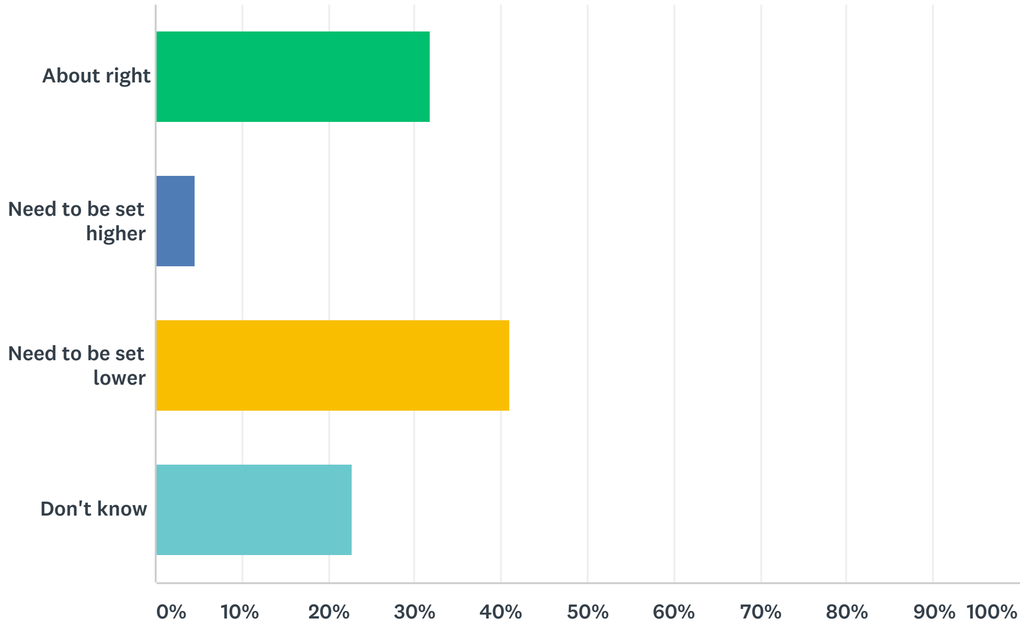
Answered: 21 Skipped: 2



ANSWER CHOICES	RESPONSES	
Yes	61.90%	13
No	38.10%	8
TOTAL		21

Q6 Do you feel that the proposed payment bands are:

Answered: 22 Skipped: 1



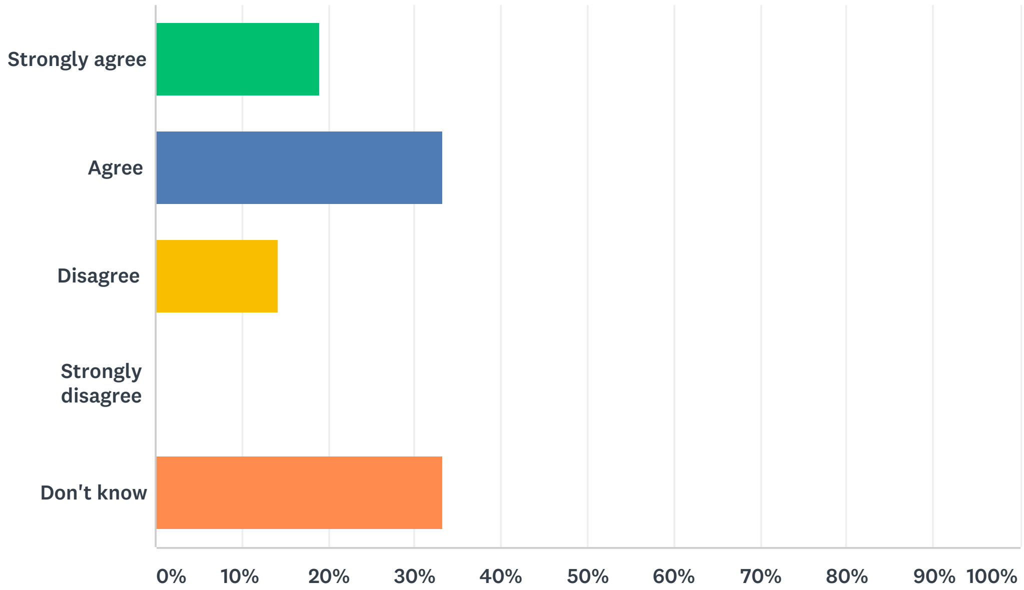
ANSWER CHOICES	RESPONSES	
About right	31.82%	7
Need to be set higher	4.55%	1
Need to be set lower	40.91%	9
Don't know	22.73%	5
TOTAL		22

#	WHY DO YOU THINK THIS? DO YOU HAVE ANY SUGGESTIONS FOR DIFFERENT AMOUNTS?	DATE
1	The differences in suggested payments more than double in the lower income bands and the income bands are too broads. My current earnings would put me in the band £575-£1099.99 at the lower end but I would be expected to pay three times as much as someone earning a few pounds less than I would. The bands need to be narrowed and the payments adjusted accordingly.	9/7/2019 10:16 AM
2	There is a huge leap between the bands and, in the case of the lower bands, if the benefit received is the only income for that particular household that will make the difference between being able to afford food / heating or not. In my case, as said, I live alone and my benefits are my only income - I already live in dread of the washing-machine or some other item breaking. The money I receive every fortnight (am in ESA Support Group) I am most grateful for and I can manage provided no maintenance is needed on my flat. I receive just under £600 per month (£100 goes straight away on service charges at my flat) so would be put in the third band and would therefore lose 12.5%. To lose £75 per month would make a massive difference and I would seriously struggle. Please don't do this.	8/20/2019 12:35 PM
3	However we notice that the % differences between bands is not even. Is £575 in band 2 too low? 11.5% would be £650	8/20/2019 10:59 AM
4	I feel the jump in the third scale is too high (earning 575- 1099.99 per month) and expected to pay £75.00 per month. It's suddenly jumped by a further £50. I feel it should be £50 and not £75. My thoughts behind this are such a jump would affect those who have a single, part-time, income coming in. If I'm earning £700.00 per month, that would mean I wouldn't get any UC and would then be penalised to pay £75.00 council tax on top of a low income. Giving how expensive accomodation is in Cambridge, the cost of living, ect, I feel this leap in council tax payment is too high.	8/12/2019 11:19 PM

5	It is unfair to make someone earning only £71 a week to pay £25 a month council tax. People should not have to pay any taxes until they have paid their housing costs and water/energy/food bills.	8/11/2019 7:57 PM
6	The reductions appear to be very generous, that is, Council Tax contributions seem low. Many people in work,but not on Universal Credit take home less than the top two bands	8/6/2019 3:20 PM
7	The band gaps are too big i.e. I earn just £10 more than an entrance level but have to pay an additional £50 council tax because of this, which I feel is totally unfair.	7/21/2019 5:17 PM
8	I cannot claim to be entirely cognisant of the objective merits of the proposed payment bands.	7/18/2019 12:19 PM
9	The 2nd band for people earning up to 550 per month should be lower or preferably £0. This will affect a lot of disabled people who may not be able to work full time.	7/17/2019 5:41 PM
10	I think the lower bands are asking for too much & wonder if it would be better with more with less of an increase in payment.	7/12/2019 7:01 PM
11	Although I work with clients I do not feel I can offer an opinion on the banding	7/12/2019 2:23 PM

Q7 Do you agree that adult non-dependants living in the same household should contribute towards Council Tax?

Answered: 21 Skipped: 2

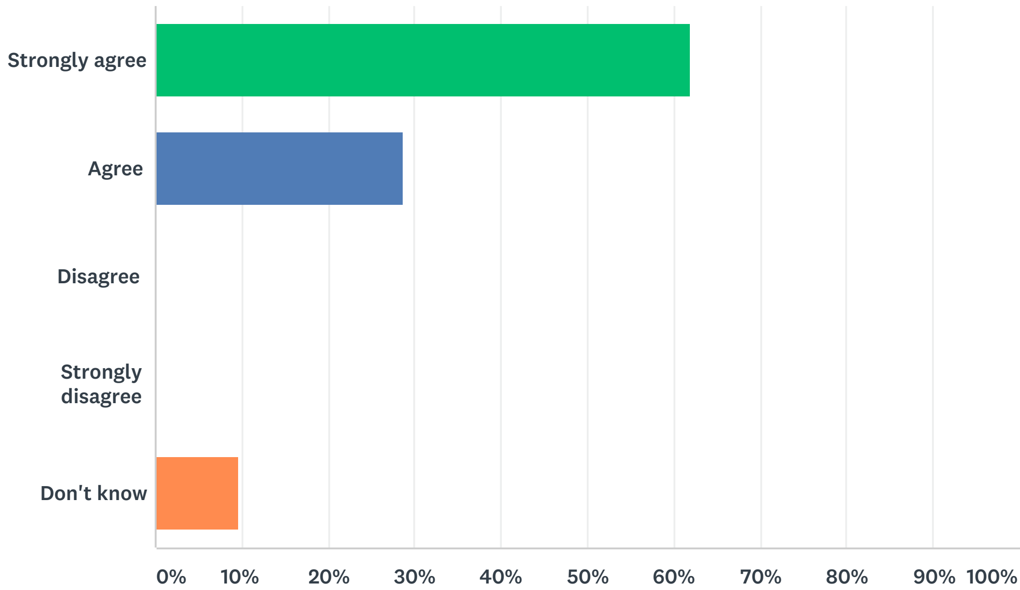


ANSWER CHOICES	RESPONSES	
Strongly agree	19.05%	4
Agree	33.33%	7
Disagree	14.29%	3
Strongly disagree	0.00%	0
Don't know	33.33%	7
TOTAL		21

#	WHY DO YOU THINK THIS AND HOW MUCH DO YOU THINK THEY SHOULD CONTRIBUTE?	DATE
1	I believe there should be a fixed rate for the property but that single occupancies should received a reduced rate.	9/7/2019 10:16 AM
2	However £6.50 = £28.16 pm per person which may be a little steep	8/20/2019 10:59 AM
3	Except that how does the council confirm how many people live in a house? At least £10 per week, considering that an adult couple, in an average house, would be paying £200 pcm council tax, which equates to £25 per person, per week	8/6/2019 3:20 PM
4	It does seem reasonable.	7/18/2019 12:19 PM
5	This depends on the individual. If the individual is healthy and employed I don't see this a an issue. If they are disabled or are a carer this could penalise them further.	7/17/2019 5:41 PM
6	If they have an income they should contribute, but I know this can be difficult to enforce & cause friction so think it should be less (£10/month).	7/12/2019 7:01 PM
7	However I am aware this can lead to problems within a household.	7/12/2019 2:23 PM
8	But the problem would be actually getting them to contribute!	7/11/2019 1:13 PM

Q8 Do you agree that there should be some transitional protection for people who may receive less under the new scheme than they would have got under the existing scheme rules?

Answered: 21 Skipped: 2



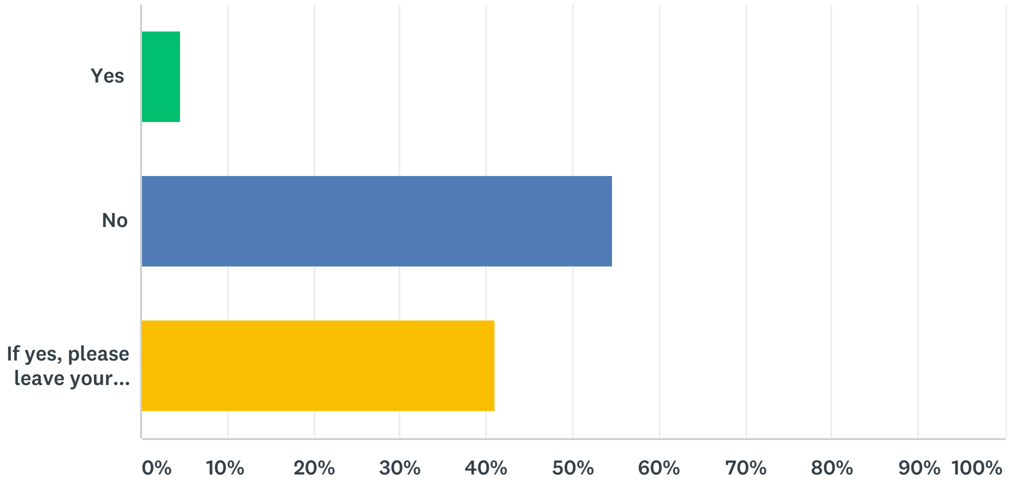
ANSWER CHOICES	RESPONSES	
Strongly agree	61.90%	13
Agree	28.57%	6
Disagree	0.00%	0
Strongly disagree	0.00%	0
Don't know	9.52%	2
TOTAL		21

#	IF YOU AGREE, PLEASE SAY WHY AND HOW YOU THINK THIS PROTECTION SHOULD WORK.	DATE
1	Yes, let's not make peoples lives financially harder than they already are.	9/7/2019 10:16 AM
2	Vulnerable people need protection	8/20/2019 12:35 PM
3	I feel that tranisition should be longer, people who are carers are hardly likely to see there circumstances change too much or very often.	8/12/2019 11:19 PM
4	I currently recieve working tax credits, which enables me to plan the whole year. I'm a publisher. I have to spend money (on print costs, illustration costs and promotional costs) before I get any income. The income is not equal each month and it does not come in until months after I have paid for costs. This system will completely collapse under universal income, where I'll be penalised for earning money in one month that I had to pay to earn many months earlier	8/11/2019 7:57 PM
5	It seems reasonable, but I'm not sure how it should work.	7/18/2019 12:19 PM
6	At least a year to assimilate these changes. Disabled peole may also not be able to do more hours or find the deficit.	7/17/2019 5:41 PM
7	People might need time to adjust if they have to pay more each month.	7/16/2019 5:41 PM
8	I do think those who receive less will struggle & actually feel it is unfair. Is there not a way around it? If not it should be 6 months full protection, then 6 months at half the difference protection.	7/12/2019 7:01 PM

9	Changes can be very difficult for these people	7/12/2019 2:23 PM

Q9 Do you have any comments you would like to add?

Answered: 22 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes	4.55%	1
No	54.55%	12
If yes, please leave your comments below.	40.91%	9
TOTAL		22

#	IF YES, PLEASE LEAVE YOUR COMMENTS BELOW.	DATE
1	Emailed in responses: 1 The National Minimum Wage is completely out of date and has been for years and seriously needs attention - that is an increase in funding for living expenses. This increase in funding for living expenses also applies to unemployed people like me who are effectively being punished by the government in Westminster for being out of work through no fault of their own. There should be a higher living allowance for people who live in the Southern areas of UK where cost of living is greater. The national average salary paid monthly in UK is about £25,000 a year gross (according to government statistics) while the national minimum wage is converted and is equivalent to less than £18,000 a year gross. (which I was earning most of the time at County Council) . That is a difference of £7,000 a year in earnings. What is going on here? Please explain as I feel justified in getting a council tax rebate or refund from 2005-2016 or even 50% of this will do. I think it would be a better idea if all local authority employees received a further council tax reduction or discount to be fair - all staff at City Council, County Council and District Councils. The pay is so low compared with the amount of work done that this would be a welcome bonus on top of low salaries. Is there any chance of this happening? If not why not? If so, when? 2 The term “vulnerable groups” includes families with dependent children and households where someone is disabled. For the purposes of CTR the term “disabled” refers to people in wheelchairs, homes that have been adapted for disability and cases of severe mental impairment. I would like to propose adding “severely sight impaired (blind)” to this definition of “disabled” so that Cambridge residents living with sight loss can benefit from the same protection as other vulnerable groups with a disability. Thank you in advance for considering this proposal.	9/16/2019 9:24 AM
2	Some of us are single, no dependents, not in receipt of benefits other than housing benefit and council tax reduction and having to manage financially. Personally, I work as it gives me a sense of independence and worth but sometimes it seems not working and claiming benefits would leave me in a very similar financial situation to where I am but I would get other things free such as dental health and prescriptions. This is not encouraging people to want to work!	9/7/2019 10:16 AM
3	Please consider the plight of those who are unable to work owing to illness. My benefits are contribution-based ESA and I now live with a lot of pain. The worry occasioned by changes / cuts to benefits are sickening. What you are proposing would see me lose 12.5% in one go and would make a huge difference to my life and mental wellbeing.	8/20/2019 12:35 PM

4	It would be good to have clarity over who would be delivering budgeting support - would that be us under the project based at the Job Centre? In general we welcome the proposal.	8/20/2019 10:59 AM
5	I would agree the current council tax system can be confusing, sometimes I recieve, in the past, more than one calculation in a month, which can lead me to asking which is it I have to pay. The calculation method should also be clearer both in concept and also on the bills you provide. I would also suggest, as I am signed up to online letters through the council website, that the council make up there mind which they are going to send once someone is signed up to this, currently I recieve my bills in paper form and council tax reduction summery letters online. The online letters can be very confusing in their format and the information they provide, but not just this, where to log in to download them can also be a bit of a maze, certainly the lonk one recieves, via email, often takes you to a page which you then have to navigate from to the correct page to login. I would also add that, as has been recogoised, that Cambridge has the biggest divide between rich and poor and those people who claim CTR out of neccesity, to make ends meet, could easily face going into debt because of increases in council tax, especially those on part-time incomes and who are self-employed. Not everyone recieves the same income every month, especially in these days, where work contracts are so different and less favourable to the employee. I feel if you are making changes to this system in light of UC, then you should also make a change to the council tax demand and fine system, there are plenty of people out there who can't pay through no fault of there own and because of how UC payments are made in arrears.	8/12/2019 11:19 PM
6	People on benefits should get the same amount of money going into Universal Credit from their previous benefits.	8/2/2019 12:33 PM
7	Just that there should be more earnings bands and smaller jumps in the council tax increments.	7/21/2019 5:17 PM
8	Any document must make it clear how disability affects the payments that people will make and that all documents have `Easyread' versions to help people with literacy issues and learning difficulties	7/19/2019 1:39 PM
9	As mentioned above, I am worried about getting into difficulties if I'm put on Universal Credit. There would be times when my Bipolar Psychosis prevented me from attending to the payment of my rent. The Council wouldn't like that, obviously, and I would get into trouble. Right now my Housing Benefit is paid automatically.	7/18/2019 12:19 PM

This page is intentionally left blank

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.

Guidance on how to complete this tool can be found on the Cambridge City Council intranet. For specific questions on the tool email Helen Crowther, Equality and Anti-Poverty Officer at equalities@cambridge.gov.uk or phone 01223 457046. Once you have drafted the EqIA please send this to equalities@cambridge.gov.uk for checking. For advice on consulting on equality impacts, please contact Graham Saint, Strategy Officer, (graham.saint@cambridge.gov.uk or 01223 457044).

1. **Title of strategy, policy, plan, project, contract or major change to your service:**
Council Tax Reduction (CTR) Local Scheme
2. **Webpage link to full details of the strategy, policy, plan, project, contract or major change to your service (if available)**
3. **What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?**
Council Tax Benefit, a central government benefit, ended 31 March 2013 and Local Authorities had to define a scheme to support working age households pay their Council Tax. For pensioners, this support remains defined by central government. The current local Council Tax Reduction scheme has been in place since April 2013 and has worked extremely well alongside Housing Benefit. However, as the number of Housing Benefit recipient declines (due to claimants moving to Universal Credit), there are issues with the interaction between Universal Credit and the Council Tax Reduction scheme that will cause serious complications for customers, and issues in terms of administration of the scheme. This EqIA relates to a review of our Council Tax Reduction Scheme to seek to deliver three primary objectives: • Move towards a scheme that is more adaptable to Universal Credit regulations. • Provide clarity to Universal Credit claimants as to what their entitlement to Council Tax Reduction will be. • Mitigate against expected reduction in Government administration grants for processing Council Tax Reduction claims.
4. **Responsible Service**
Revenues and Benefits

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):

Local Council Tax Reduction only applies to working age households who are on a low income.

Universal Credit (UC) replaces 6 legacy benefits for working age claimants (under 67 currently) only and replaces housing benefit; CTR significantly supports this age group.

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):

8. Has the report on your strategy, policy, plan, project, contract or major change to your service gone to Committee? If so, which one?

Strategy and Resources 1 July 2019. This policy will now be going to the Strategy and Resources Committee on 7 October 2019.

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?

Extensive modelling has taken place to look at the impact of the introduction of Universal Credit (UC) from October 2018 on households. It was evident that the monthly changes automatically reported by Department for Work and Pensions (DWP) will cause uncertainty for claimants in the amount they have to pay towards their Council Tax.

Any small change will currently result in a reassessment of Council Tax Reduction (CTR), causing a new bill to be issued.

A consultation was carried out from 5 July 2019 to 8 September 2019, setting out a proposal for CTR for UC households to be assessed based on earnings bands so some changes in earnings will not cause entitlement to be recalculated.

76% of those surveyed believed the existing scheme need to be changed for UC claimants and believed that a banded scheme based on earnings was appropriate.

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 adults at risk

Local Council Tax only applies to working age households and is currently based on a household needs analysis (applicable amounts and premiums, some of which are based on age) compared to household income and capital.

Universal Credit (UC) replaces 6 legacy benefits, including housing benefit, for working age claimants (under 67 currently) only. Pensioner only households are not impacted

Young persons aged under 25, who have been looked after by a Local Authority (Care Leavers) will be classed as vulnerable and will be protected by inclusion in the vulnerable group, as will families with dependent children under age 5. This protection means that entitlement to CTR will be based on 100% of Council Tax liability should this reduce and if they transition to UC and fall under the new UC CTR scheme, and see a reduction in entitlement from April 2020, will have up to 12 months transitional protection.

(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.
Of the consultation responses, 47% indicated they were in a household identified as vulnerable with the most widespread being a disabled household. UK statistics indicate that disabled adults in working-age families are much more likely to be in poverty than those who are not disabled – 39% compared with 18%. This is because disabled people are less likely to be in work or more likely to be in low-paid employment. Additional expenses relating to disability are recognised by the addition of disability premiums and disregarding some disability benefits when calculating CTR and UC. Signposting and support to claim other reductions of Council tax liability are also done when CTR is applied for. One reduction can be if specified adaptations have been made to assist a disabled person live in their home and the other is where a charge payer is suffering from a Severe Mental Impairment. Moreover, transitional protection will apply where support drops by more than £5 per week and this is enhanced from 6 months to 12 months for households where the claimant, their partner or their dependent children have disability benefits

(c) Gender reassignment
No impacts identified specific to this equality group.

(d) Marriage and civil partnership
No impacts identified specific to this equality group.

(e) **Pregnancy and maternity**
Pregnancy and maternity are a financially difficult time and although generally additional personal allowances in CTR and UC are not given during pregnancy they may be if the mother is unable to work during pregnancy. Over the last five years, poverty rates for children in lone-parent families have risen by around twice as much as those for children in couple families, information around budgeting support is widely available and referrals can easily be made for this and to organisations who can provide additional funding at this time. **Moreover,** transitional protection **will** apply where support drops by more than £5 per week **and this is enhanced from 6 months to 12 months for families with dependent children aged under 5.**

(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.**
UK statistics find that Bangladeshi and Pakistani families have experienced much greater rates of poverty than all other ethnic groups and this has been the case for 20 years. Poverty rates are higher among all ethnic minority groups compared with those among the majority White British, therefore it could be that there are proportionally higher numbers of claims from some ethnic minority groups than others when compared to the proportion in population. The calculation of entitlement to CTR does not make reference to race and is not impacted by it.

(g) **Religion or belief**
No direct impacts identified specific to this equality group, however some families may be larger than others due to their beliefs.

(h) **Sex**
There are more women in receipt of benefits as single parents than male single parents, 1270 female single parent households compared to 53 male single parent households of the current Council Tax Reduction benefit cohort.

(i) Sexual orientation
No impacts identified specific to this equality group.

(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
Effectively running two Council Tax Reduction (CTR) schemes side by side may seem confusing but each works well with other Welfare Benefits, current CTR works well with Housing Benefit as the incomes and needs are assessed the same. The new CTR scheme for households on UC will remove the introduced complexities or marginal fluctuations in earnings impacting UC and in turn CTR. It important that families on a low income who are often less able to budget are clear about the support they will receive. **Moreover,** transitional protection **will** apply where support drops by more than £5 per week **and this is enhanced from 6 months to 12 months for h**ouseholds where the claimant or their partner have war pensions or Armed Forces Independent Payment incomes.

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.)
This Eqia will be reviewed in 3 years allowing for changes in the scheme and caseload demographics to be fully realised.
12. Do you have any additional comments?
13. Sign off

Name and job title of lead officer for this equality impact assessment:

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

Date of EqIA sign off:

Date of next review of the equalities impact assessment: 01 October 2022

All EqIAs need to be sent to Helen Crowther, Equality and Anti-Poverty Officer. Has this been sent to Helen Crowther?

☒ Yes

☐ No

Date to be published on Cambridge City Council website:

STRATEGY & RESOURCES SCRUTINY COMMITTEE **7 October 2019**
5.00 – 7.30pm

Present: Davey (Chair), Bick, Dalzell, Davies and Todd-Jones

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

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2019/20

The Council had adopted The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (Revised 2017).

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

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

- The Council's capital expenditure (prudential indicators);
- A review of compliance with Treasury and Prudential Limits for 2019/20;
- A review of the Council's borrowing strategy for 2019/20;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2019/20; and;
- An update on interest rate forecasts following economic news in the first half of the 2019/20 financial year.

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

The Strategy and Resources Committee considered and approved the recommendations by 3 votes to 0.

Accordingly, Council is recommended to:

i. Approve the report which included the Council's estimated Prudential and Treasury Indicators 2019/20 to 2022/23.
ii. Approve an increase in the Authorised Limit for External Debt from

£300m to £400m (paragraph 5.3 of the officer’s report).

iii. Note the inclusion of loans to the Cambridge City Housing Company and Cambridge Investment Partnership on the Current Counterparty list shown in Appendix B of the officer’s report.

Item

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2019/20

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

Strategy & Resources Scrutiny Committee 7th October 2019

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 This half-year report has been prepared in accordance with the Code and covers the following: -

- The Council's capital expenditure (Prudential Indicators);
- A review of compliance with Treasury and Prudential Limits for 2019/20;
- A review of the Council's borrowing strategy for 2019/20;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2019/20; and;
- An update on interest rate forecasts following economic news in the first half of the 2019/20 financial year.

1.3 Cash Balances are forecast to increase by £1,200,000 in the year

1.4 Cash advances to the Cambridge Investment Partnership continue and are increasing in line with latest projections approved by the CIP board. Cash calls of approximately £15,000,000 are expected in 2019/20

1.5 Interest receipts for the year are projected at £1,806,000 which is £46,000 above budget but is £76,000 lower than last year due mainly to reductions in investment rates.

2. Recommendations

The Executive Councillor is asked to recommend to Council:

2.1 The Council's estimated Prudential and Treasury Indicators 2019/20 to 2022/23 (Appendix A).

2.2 An increase in the Authorised Limit for External Debt from £300m to £400m (paragraph 5.3).

2.3 To note the inclusion of loans to the Cambridge City Housing Company and Cambridge Investment Partnership on the Current Counterparty list shown in Appendix B.

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 Code of Practice 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.

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

3.4 The Council is currently supported in its treasury management functions by specialist advisors who are Link Asset Services. These 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 2019/20 to 2022/23

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 overleaf shows the proposed capital expenditure and how it will be financed. It also includes any re-phasing during 2019/20 and is in line with the agreed Capital Plan.

Estimate	2019/20 £’000	2020/21 £’000	2021/22 £’000	2022/23 £’000
General Fund Capital Expenditure	36,645	17,279	4,500	2,531
HRA Capital Expenditure	54,004	79,676	43,994	26,614
Total Capital Expenditure	**90,649**	**96,955**	**48,494**	**29,145**
Resourced by:				
• Capital receipts	-12,494	-11,131	-6,405	-3,183
• Other contributions	-64,963	-81,823	-50,581	-25,762
Total resources available for financing capital expenditure	**-77,457**	**-92,954**	**-56,986**	**-28,945**
Financed from cash balances	**13,192**	**4,001**	**-8,492**	**200**

4.3 The Medium Term Financial Strategy now includes capital expenditure of £5.7 million in 2019/20 and £14.5 million in 2020/21 for the Cromwell Road site. This is General Fund expenditure which will be funded from cash balances. This is reflected in the increase in the Council’s Capital Financing Requirement.

5. The Council’s Prudential and Treasury Management Indicators

5.1 The table overleaf 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 & External Borrowing Estimate	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
General Fund Capital Financing Requirement	31,601	35,402	26,710	26,710
HRA Capital Financing Requirement	214,321	214,321	214,321	214,321
Total Capital Financing Requirement	**245,922**	**249,723**	**241,031**	**241,031**
Movement in the Capital Financing Requirement	**12,915**	**3,801**	**(8,692)**	**0**
Financed from cash balances	*13,192*	*4,001*	*(8,492)*	*200*
Minimum Revenue Provision	*(277)*	*(200)*	*(200)*	*(200)*
Estimated External Gross Debt/Borrowing (Including HRA Reform)	213,572	213,572	213,572	213,572
Authorised Limit for External Debt	400,000	400,000	400,000	400,000
Operational Boundary for External Debt	250,922	254,723	246,031	246,031

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 Council is currently in negotiation with a developer in relation to a major regeneration opportunity within the city centre. A number of funding options are under consideration which may require the Council to take on debt in the form of loan(s) or finance lease liabilities. Therefore, it proposed that the Authorised Limit for External Debt is increased from £300m to £400m to allow this deal to proceed if approved.

5.4 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 21st February 2019	300,000

Assumed HRA Debt Limit Remaining (B)	230,839
2011/12 Borrowing (for HRA Self-Financing, C)	213,572
General Fund Headroom (A minus B)	69,161
HRA Headroom (B minus C)	17,267
2012/13 to 2018/19 Borrowing	NIL
2019/20 Borrowing up to 31st August 2019	NIL
Total Current Headroom (A minus C)	**86,428**

5.5 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 Current borrowing relates to loans from the PWLB for self-financing dwellings, held within 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 2019/20 to 2022/23, 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 publish at least annually a policy by which MRP will be determined. This policy was agreed by Council on 21st February 2019. Changes to the policy will be considered and amendments may be proposed in the next Treasury Management strategy, alongside the Council's capital strategy and budget setting report.

6.5 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 2020, at least (with the date agreed annually).

7. Investment Portfolio

7.1 The Council takes a cautious approach to its Treasury Management Strategy, and the detailed counterparty list with limits is shown within Appendix B.

7.2 The average rate of return for all deposits to 31st July 2019 is 1.06%, compared to 1.29% in 2018/19. The current quoted return on the CCLA Local

Authorities Property Fund is an annual return of 4.24%. Loans extended to CIP projects on Mill Road and Cromwell Road have an annual return of 5% for working capital loans with 1.3% taken as investment income and the balance transferred to the balance sheet for future allocation to approved projects.

7.3 A corporate review of risk in respect of all deposits has been carried out to ensure that minimal risk is present for the Housing Revenue Account (HRA) nominal cash balances. Returns from lower risk investments (currently estimated at 0.8%) will be used to transfer interest receipts to the HRA from 2019/20 and beyond.

7.4 Current estimates for 2019/20 include Gross interest receipts of £1,806,000 and net receipts to the General Fund of £1,280,000 which is £238,000 above the annual budget of £1,042,000. This is mainly due to loan interest in respect of the Cromwell road land sold to CIP in March 2019 and the alignment of investment returns to risk in respect of the HRA.

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

DEPOSIT ANALYSIS Annualised Av Balance	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**
Short Term – 40%*	42,069	23,437	14,484	21,298	31,604
Medium Term - 30%*	31,552	17,578	10,863	15,974	23,703
Long Term – 30%*	31,552	17,578	10,863	15,974	23,703
TOTAL	**105,172**	**58,592**	**36,210**	**53,245**	**79,009**

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

7.5 The Council's balances reduce in line with the cash requirements of the Cambridge Investment Partnership redevelopments of Mill Road and Cromwell Road and an enhanced HRA capital plan to further increase Affordable homes in the City. Balances increase as loans start to be repaid and additional rent receipts are present in the HRA Business plan. Lending to CIP, including land values of £32,240,000, is estimated to peak at £17,800,000 for Mill Road (Land £5,240,000) in 2020/21 and £48,300,000 for Cromwell Road (Land £27,000,000) in 2021/22. All loans are secured against assets in various CIP limited companies.

7.6 An analysis of the sources of the Council's deposits is prepared from the balance sheet at the end of each financial year. The analysis for 31 March 2019 is shown at Appendix C.

8. Update on the exit from the European Union

8.1 The 2016 referendum result generated some uncertainty in the investment markets, and current events continue to disrupt the markets. The council will continue to seek out asset backed securities wherever possible as mitigation in these uncertain times.

9. Interest Rates

9.1 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.

10. Implications

(a) Financial Implications

This is a financial report and implications are included in the detail paragraphs as appropriate.

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.

11. Consultation and communication considerations

None required.

12. Background papers

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

13. Appendices

13.1 Appendix A – Prudential and Treasury Management Indicators

Appendix B – The Council's current Counterparty list
Appendix C – Sources of the Council's Deposits
Appendix D – Link's opinion on UK Forecast Interest Rates
Appendix E – Glossary of Terms and Abbreviations

14. Inspection of papers

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

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

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

Estimates	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- General Fund	36,645	17,279	4,500	2,531
- HRA	54,004	79,676	43,994	26,614
Total	**90,649**	**96,955**	**48,494**	**29,145**
Capital Financing Requirement (CFR) as at 31 March				
- General Fund	31,601	35,402	26,710	26,710
- HRA	214,321	214,321	214,321	214,321
Total	**245,922**	**249,723**	**241,031**	**241,031**
Change in the CFR	**12,915**	**3,801**	**-8,692**	**0**
Deposits at 31 March (Average cash balances annualised)	105,172	58,592	36,210	73,078
External Gross Debt	213,572	213,572	213,572	213,572
Ratio of financing costs to net revenue stream				
-General Fund	(1,280)	(1,192)	(1,142)	(1,142)
-HRA	6,968	7,122	7,280	7,335
Total	**5,688**	**5,911**	**6,223**	**6,228**
% of net revenue expenditure				
-General Fund	(6.86%)	(6.08%)	(5.66%)	(5.66%)
-HRA	16.67%	16.38%	15.98%	14.91%
Total (%)	**9.41%**	**9.39%**	**9.39%**	**8.95%**

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Estimate 2019/20 £'000	**Estimate 2020/21 £'000**	**Estimate 2021/22 £'000**	**Estimate 2022/23 £'000**
TREASURY INDICATORS				
Authorised limit				
for borrowing	400,000	400,000	400,000	400,000
for other long-term liabilities	0	0	0	0
Total	**400,000**	**400,000**	**400,000**	**400,000**
Operational boundary				
for borrowing	250,922	254,723	246,031	246,031
for other long-term liabilities	0	0	0	0
Total	**250,922**	**254,723**	**246,031**	**246,031**
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	5,688	5,911	6,223	6,228
Net interest on variable rate borrowing/deposits	-15	-15	-15	-17
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit	
10 years and above (PWLB borrowing for HRA Reform)		100%	100%	

Appendix B

Treasury Management Annual Investment Strategy

Current Counterparty List

The full listing of approved counterparties is shown below, showing the category under which, the counterparty has been approved, the appropriate deposit limit and current duration limits (*references have now been made to RFB & NRFB for UK Banks, with explanations within the Glossary at Appendix E).

Recommended changes to this list are shown in bold.

Name	Council's Current Deposit Period	Category	Limit (£)
Specified Investments: -			
All UK Local Authorities	N/A	Local Authority	20m
All UK Passenger Transport Authorities	N/A	Passenger Transport Authority	20m
All UK Police Authorities	N/A	Police Authority	20m
All UK Fire Authorities	N/A	Fire Authority	20m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Barclays Bank Plc – 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/S1)	Over 3 months and up to 1 year	Financial Instrument	10m (per single counterparty)
Money Market Funds (AAAf) – CNAV, VNAV & LVNAV	Liquid Rolling Balance	Financial Instrument	15m (per fund) With no maximum limit overall
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 26th June 2019**	**Limit (£)**
Nationwide Building Society	1 month or in line with Link's Credit Criteria, if longer	236,035	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		50,417	
Coventry Building Society		45,446	
Skipton Building Society		21,638	
Leeds Building Society		19,643	
Principality Building Society		9,502	
West Bromwich Building Society		5,552	
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 (CCHC) Working Capital Loan *	Up to 1 year	Loan	200,000
CCHC Investment *	**Rolling Balance**	**Loan (Asset Security)**	**7,500,000**
Cambridge Investment Partnership (Mill Road)*	**Rolling Balance**	**Loan (Asset Security)**	**17,800,000**

Name	Council's Current Deposit Period	Category	Limit (£)
Cambridge Investment Partnership (Cromwell Road)*	**Rolling Balance**	**Loan (Asset Security)**	**48,300,000**
CCLA Local Authorities' Property Fund	Minimum of 5 years	Pooled UK Property Fund	Up to 15m
Certificates of Deposit (with UK Banking Institutions)	Liquid Rolling Balance	Financial Instrument	15m (per single counterparty)
Certificates of Deposit (with UK Building Societies)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
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)
Enhanced Money Market Funds (not below AAf) - VNAV	Over 1 year and up to 5 years	Financial Instrument	5m (per fund)
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 **(excluding balances with related parties*)** 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 £1.5m each year based on current deposit and interest rate levels.

At 1st April 2019, the Council had deposits of £103.911m. The table below provides a sources breakdown of the funds deposited at that date: -

Funds Deposited as at 1 April 2019	**£'000**	**£'000**
Working Capital		22,818
General Fund:		
General Reserve	12,721	
Asset Renewal Reserves	1,651	
Other Earmarked Reserves	10,805	25,177
Housing Revenue Account (HRA): -		
General Reserve	11,539	
Asset Renewal Reserves	13,144	
Major Repairs Reserve	11,231	
Other Earmarked Reserves	2,537	
Capital Financing Requirement (Including HRA)	-233,107	
PWLB Borrowing for HRA	213,572	18,916
Capital:		
Capital Contributions Unapplied	11,105	
Usable Capital Receipts	25,895	37,000
Total Deposited		**103,911**

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) kept the bank rate at 0.75% and kept Quantitative Easing (QE) at £435bn, on 1st August 2019. Going-forward, the Council's treasury advisor, Link, has provided the following interest rate forecasts, issued on 5th August 2018: -

	Now	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank rate	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.25%
3 month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.90%	1.00%	1.00%	1.00%	1.10%	1.20%
6 month LIBID	0.80%	0.80%	0.80%	0.80%	0.80%	0.90%	1.00%	1.10%	1.10%	1.20%	1.30%	1.40%
12 month LIBID	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.20%	1.30%	1.30%	1.40%	1.50%	1.60%
5yr PWLB rate	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.00%	2.10%
10yr PWLB rate	1.50%	1.50%	1.60%	1.80%	1.90%	2.00%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%
25yr PWLB rate	2.10%	2.10%	2.30%	2.40%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	3.00%	3.00%
50yr PWLB rate	2.00%	2.00%	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%

The actual vote by the MPC on 1st August 2019 was unanimous at 9-0 in favour of keeping the bank rate unchanged.

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
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
Government CNAV	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)

Term	Definition
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
MHCLG	Ministry for Housing, Communities & Local Government (formerly the Department for Communities & Local Government, DCLG)
MPC	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK’s bank base rate
Minimum Revenue Provision (MRP)	Revenue charge to finance the repayment of debt
NHBC	National House Building Council
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

Term	Definition
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
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 counterparty
Specified Investments	Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum ‘high’ credit rating criteria where applicable
Supranational Bonds	Multi-lateral Development Bank Bond
UK Government Gilts	Longer-term Government securities with maturities over 6 months and up to 30 years
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
Variable Net Asset Value (VNAV)	MMFs values based on daily market fluctuations to 2 decimal places known as mark-to-market prices
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

STRATEGY & RESOURCES SCRUTINY COMMITTEE

7 October 2019
5.00 – 7.30pm

Present: Davey (Chair), Bick, Dalzell, Davies and Todd-Jones

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

MEDIUM TERM FINANCIAL STRATEGY (MTFS) OCTOBER 2019

This report presented and recommended the budget strategy for the 2020/21 budget cycle and specific implications, as outlined in the Medium-Term Financial Strategy (MTFS) October 2019 document, which was attached and to be agreed.

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

At this stage in the 2020/21 budget process showed the range of assumptions on which the Budget-Setting Report (BSR) published in February 2019 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 2020/21 to 2024/25. All references in the recommendations to Appendices, pages and sections relate to the MTFS Version 3.0.

The recommended budget strategy was 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 had identified financial and budget issues and pressures and this information had been used to inform the MTFS.

The Strategy and Resources Scrutiny Committee considered and approved the recommendations by 3 votes to 0:

Accordingly, Council is recommended to:

i. Agree the budget strategy and timetable as outlined in Section 1 [pages 5 to 7 refer] of the MTFS document.

ii. Agree the incorporation of changed assumptions and indicative net unavoidable budget pressures identified in Section 4 [pages 20 to 22 refer]. This provides an indication of the net savings requirement, by year for the next five years, and revised projections for General Fund (GF) revenue and funding as shown in Section 5 [page 23 refer] and reserves [section 7 pages 30 to 33 refer] of the MTFS document.

iii. Note the changes to the capital plan as set out in Section 6 [pages 24 to 29 refer] and Appendix A [pages 37 to 41 refer] of the MTFS document and agree the new proposals.

Ref.	**Description / £'000s**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
Proposals				-				
SC646	Redevelopment of Cambridge Junction	250	-	-	-	-	-	250
SC658	CCTV infrastructure – additional cost	75	-	-	-	-	-	75
SC691	HR and payroll – new system	20	150	-	-	-	-	170
SC699	Corn Exchange fire doors	37	-	-	-	-		37
SC672	Mill Road redevelopment – development loan to CIP	-	1,142	-	-	-	-	1,142
SC695	Cromwell Road redevelopment – equity contribution	-	329	333	-	-	-	662
SC696	Cromwell Road redevelopment – development loan to CIP	2,376	5,481	1,000	-	-	-	8,857
SC701	Dales Brewery – replacement fire alarm	24	-	-	-	-	-	24

	system						
Total Proposals	**2,782**	**7,102**	**1,333**	**-**	**-**	**-**	**11,217**

iv. Agree changes to GF reserve levels, the prudent minimum balance being set at £5.51m and the target level at £6.61m as detailed in section 7 [pages 30 to 33 refer] and Appendix B [pages 42 and 43 refer] of the officers report.

This page is intentionally left blank

Item

Strategy & Resources 7 October 2019 - Finance and Resources Portfolio: Medium Term Financial Strategy (MTFS)

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

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

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

Key Decision

1. Executive Summary

Overview of Budget-Setting Report

1.1 This report presents and recommends the budget strategy for the 2020/21 budget cycle and specific implications, as outlined in the MTFS October 2019 document, which is attached and to be agreed.

1.2 This report 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 2020/21 budget process the range of assumptions on which the Budget Setting Report (BSR) published in February 2019 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 2020/21 to 2024/25. All references to the recommendations to Appendices, pages and sections relate to MTFS Version 3.0.

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 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 5 to 7 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 20 to 22 refer]. This provides an indication of the net savings requirement, by year for the next five years, and revised projections for General Fund (GF) revenue and funding as shown in Section 5 [page 23 refer] and reserves [section 7 pages 30 to 33 refer] of the MTFS document.

Capital

2.3 To note the changes to the capital plan as set out in Section 6 [pages 24 to 29 refer] and Appendix A [pages 37 to 41 refer] of the MTFS document and agree the new proposals.

Ref.	Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Proposals							**-**
SC646	Redevelopment of Cambridge Junction	250	-	-	-	-	-	250
SC658	CCTV infrastructure – additional cost	75	-	-	-	-	-	75
SC691	HR and payroll – new system	20	150	-	-	-	-	170
SC699	Corn Exchange fire doors	37	-	-	-	-		37
SC672	Mill Road redevelopment – development loan to CIP	-	1,142	-	-	-	-	1,142
SC695	Cromwell Road redevelopment – equity contribution	-	329	333	-	-	-	662
SC696	Cromwell Road redevelopment – development loan to CIP	2,376	5,481	1,000	-	-	-	8,857
SC701	Dales Brewery – replacement fire alarm system	24	-	-	-	-	-	24
	Total Proposals	**2,782**	**7,102**	**1,333**	**-**	**-**	**-**	**11,217**

Reserves

2.4 To agree changes to GF reserve levels, the prudent minimum balance being set at £5.51m and the target level at £6.61m as detailed in section 7 [pages 30 to 33 refer] and Appendix B [pages 42 and 43 refer].

3. Background

3.1 The purpose of this report is to outline the overall financial position of the council and to consider the prospects for the 2020/21 budget process within the context of projections over the medium term. The detailed analysis undertaken to fulfil this is presented in the MTFS October 2019 document appended to this report.

3.2 The document considers the GF revenue position and the council's overall capital plan.

3.3 Revenue forecasts are presented for the five year projection period through to the year 2024/25, demonstrating the sustainability of the council's financial planning with reference to the level of reserves held through 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 existing commitments to 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 2020/21 detailed budget setting process.

4. Implications

4.1 These are incorporated within the document and will be taken account of in the subsequent budget reports.

5. Consultation and communication considerations

5.1 Budget consultation is outlined in the MTFS document [page 7 refers].

6. Background papers

6.1 Background papers used in the preparation of this report:

- MTFS working papers on the 2019/20 and 2020/21 files

7. Appendices

The following item is included in this report:

- MTFS October 2019

8. Inspection of papers

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

Authors' Names:	Caroline Ryba
Authors' Phone Numbers:	01223 - 458134
Authors' Emails:	caroline.ryba@cambridge.gov.uk

O:\accounts\Budget\2019-20\07 Budget Setting Report & Exec Amendments\03 Covering Report\2019-20 Budget Covering Report for S&R CURRENT.docx

Version 3.0
7 October 2019
FINAL

General Fund
Medium Term Financial Strategy

October 2019

2019/20 to 2024/25

Cambridge City Council

Contents

Appendices

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

Cambridge City Council produces two main financial documents produced each year, the Budget Setting Report (BSR) and this, the Medium Term Financial Strategy (MTFS). The BSR is crucial as, when agreed by full Council, it delegates to officers' authority to run the council, providing services to the city and applying charges and fees in accordance with the budget. While not as fundamental, the MTFS fulfils an important role in drawing together a review of financial information available, assumptions and forecasts. This then provides a basis on which to prepare the budget for the year ahead.

In more normal times we would at this point have some certainty of the financial settlement to be made available to us by the government for next year, 2020/21, and the extent to which any increases in Council Tax we may propose to make, will be restricted by capping. But there is in practice considerable uncertainty, even more than in previous years. Some of this has been because various reviews and consultations on possible changes in policy are still awaiting completion. Not that there can be any certainty as to the results because the Government may not apply the findings. For instance, the so-called Fair Funding review, which appears to be heading towards applying a very unfair redistribution of funding towards the shires and away from the big cities. And of course, we have no idea who will be running the country by next February when we will debate and set our budget for 2020/21.

Austerity and Deprivation

The country has now suffered for over nine years from the imposition of the austerity policy of successive governments. Public services in Cambridge have been cut year after year, while at the same time letting market forces dictate rising costs. Failing to regulate markets, such as in energy and private rented housing, has brought great hardship to many, including by forcing public sector workers to accept far lower wages, and especially when coupled with cuts in welfare benefits.

National evidence suggests this has hit lower income households far more than those on higher incomes, and the gap in wealth between rich and poor has widened significantly. Unfortunately, Cambridge is known as having one of the greatest inequalities of any city in the whole country. Parts of our city include people of great wealth while nearby there are pockets of people in poverty and severe deprivation, and we are determined that those people will continue to be a core target for delivery of council services. The poorest in our city need direct assistance and support via community organisations we grant-fund and our extra housing investment. Everyone in Cambridge deserves the opportunity to share in the city's growing prosperity.

Funding by the Government

The September budget claims from the Government of extra billions for councils are not backed for us by the reality, with near nil benefit or extra funds for Cambridge City Council's residents. Although £1bn extra will be provided for social care - which is sorely needed by authorities like our county council who provide those services - the expectation is that it will be Council Tax payers who will be asked to contribute a further £500m for this work through a further Adult Care Precept of 2%. Once again, the Government is relying on regressive types of taxation, in this case Council Tax which every household has to pay, rather than progressive taxes such as income tax and corporation tax where those who earn more pay more.

Only £300m is to be made available to increase baseline funding of local authorities and Cambridge City Council does not expect to receive a penny of this as we have already had our grant cut to zero. It is possible we may get a small increase in funding for work to combat rough sleeping and homelessness, but as only £54m is to be added for this work across the entire country we do not expect to get very much.
Unfortunately, it appears that the austerity agenda is still in place despite Government claims that it is not.

Strategy

This is the context within which we will develop our financial plans. A context in which we can expect limited funding to be provided by the Government, so that developing other income streams will become even more important than it has been over the past few years.

This MTFS identifies the pressures we face in the years ahead. It will enable us to: plan funding important new services and initiatives, finding savings, and increasing income streams invest for the support into the future of services we provide, to protect and enhance the environment of Cambridge, to help the economic development of our city, and to assist in moving it towards a net zero carbon position.

The MTFS will also be used to help draw together the Budget Setting Report for 2020/21 which will be published in January. It embraces the core financial objectives of this Council: sound and prudent financial management, the minimisation of the need for cuts to services, investment for the future, 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 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.

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

The GF MTFS 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 2020/21 to 2029/30) 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 arguably more uncertain now than it was a year ago when the National Audit Office concluded that 'The financial uncertainty created by delayed reforms to the local government financial system risks longer-term value for money'. A recent (May 2019) briefing note prepared by the Institute for Fiscal Studies, 'English council funding: what's happened and what's next?' ends by posing some fundamental questions about what the country needs local councils to deliver and how they should be funded. That these wider questions can be asked at all illustrates unprecedented levels uncertainty and insecurity with regard to future funding that underlies this MTFS.

We need to decide what we want from local government

This note has highlighted big choices about the level and sources of funding, and big questions about how to balance a desire for the funding system to provide incentives for growth, with a desire to ensure service standards do not vary too significantly across the country.

These are not questions, with only one right answer. Opinions can and do differ – both at Westminster and within local government. But the issues at stake are so significant that we cannot keep muddling along.

Take funding levels. Are we willing to raise the additional revenues needed to meet rising costs and demands – let alone improve service provision – over the coming decades? Or are we willing to lower our expectations of what councils can provide, in order to keep taxes down?

A proper national debate is needed on this, which has so far been lacking. Without it, we will default to a situation where the services councils provide are gradually eroded without any explicit decision being taken – until ad hoc funding is found as a response to political pressure. Such an approach would not be conducive to long-term planning by either central government or councils.

How should additional funding be raised and distributed between councils? Raising it via national taxes and then allocating according to need would likely result in service provision being more comparable across councils. And it would be administratively simpler than devolving further tax revenues and powers. But raising revenues locally and letting councils bear more of the change in local revenues would allow different councils to make different decisions on tax and spending levels and give them stronger incentives to grow local tax bases.

So are we willing to accept greater differences in services between different areas in exchange for greater local control? Or should redistribution, ring-fenced funding and common standards be a central feature of the funding system?

Again, a proper debate is needed. Without it, the risk is that we continue with reforms to the funding system that reduce the role of redistribution in order to provide stronger financial incentives for growth, while trying to regulate for common standards in the context of a funding system that is not set up to deliver them.

English council funding: what's happened and what's next? IFS Briefing Note May 2019

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 2019 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 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.

Date	Task
2019	
7 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
17 October	Council considers both GF and HRA MTFS reports
2020	
2 January	Budget Setting Report (BSR) published
3 February	BSR and any budget amendment proposal considered by Strategy & Resources Scrutiny Committee
3 February	The Executive consider and recommend the BSR and Council Tax level to Council
13 February	Council approves Budget Setting Report and sets the level of Council Tax for 2020/21

Section 2
Policy context, priorities and external factors

Local policy context and priorities

Corporate Plan

The council's Corporate Plan was approved in February 2019 at the same time as the budget for 2019/20. 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 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 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. 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. The leaving date is currently expected to be 31 October 2019 but the conditions of that exit, with or without a deal, are unclear. Additionally, there is a possibility that timescales may be extended.

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 for the Consumer Price Index (CPI). The percentage currently applied in the MTFS, based on the Bank of England's August 2019 forecast is 1.8% in 2020/21, increasing to 2.1% in 2021/22, 2.3% in 2022/23 and 2.4% thereafter. Previously the base level of inflation included within forecasts was 2.2% in 2019/20 reducing to 2.0% in 2021/22 and thereafter, reflecting the Government target for CPI. This represents a change in the expected trajectory for interest rates and an expectation that in the longer term, CPI will settle above the 2.0% target level. Inflation rates will be reviewed again for the BSR in February 2020 and if changes in forecasts are significant, adjustments will be made at that point.

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 and it has remained at the level since then.

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 average rates of return around 1.3%. Based on this performance, we have maintained our assumption of 1.3% return, as noted in Section 3. This assumption will be reviewed during budget-setting, as rates are currently volatile with considerable downward pressure.

The council's HRA is entitled to a proportion of interest earned on revenue and capital cash balances invested by the authority. This share was based upon the HRA receiving interest from the GF at the average interest rate earned by the authority across all of its investments. However, the authority has a range of investments with varying levels of risk and associated interest rates. As the GF effectively indemnifies the HRA against downside risk on the value of investments, i.e. it is bearing the risk associated with achieving higher rates, it should benefit from the interest earned at these rates. Therefore, estimates of interest to be paid to the HRA in this MTFS have been based on 0.80%, the current rate earned on term deposit accounts, which have minimal valuation risk.

Interest rates on external borrowing

The council has no GF borrowing. 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.

The council is currently exploring options for the redevelopment of the multi-storey car park on Park Street. These may include external borrowing or leasing arrangements that will put finance lease liabilities, i.e. a form of borrowing, on the council's balance sheet. Accounting standards require these liabilities to be assessed at the council's underlying cost of borrowing, which is likely to be the rate at which the council could borrow from the Public Works Loan Board (PWLB) for a period equal to the duration of the lease. At this stage, the costs of any borrowing are expected to be funded from within the redevelopment scheme.

National policy context

Government spending announcements

The Chancellor's Spring 2019 Statement confirmed that the Government would hold a Spending Review to be concluded alongside the 2019 Autumn Budget (SR19). At that point, the downward pressure on debt interest payments and better than expected performance on tax receipts had provided a 'modest medium-term improvement in public finances. Since then, Brexit has been delayed from 29 March to 31 October and the Prime Minister and Cabinet have changed. Many spending pledges have been made with little information available to date on how they are to be financed.

The uncertainty created by these changes has led to a marked reduction in the value of Sterling against both the Euro and the US Dollar, making financial prediction fraught with difficulty. Various recent policy announcements from Government have provided some indication of the direction for local government funding, but only on a short-term basis.

Local government finance

2020/21 and future years

The government and the local government sector have undertaken considerable work on distribution mechanisms for local government funding including the Fair Funding Review (FFR), consideration of increasing the Business Rates Retention share to 75% and a Business Rates baseline reset. Alongside these, a spending review addressing the quantum of local government funding would enable resetting of the system and provide greater financial certainty for councils and allow them to make financial plans with greater confidence. The working assumption to this point has been that all these elements would be implemented together in 2020/21, as it would be difficult to make decisions on the distribution of funding if the quantum is not known. Additionally, without a funding envelope, damping or other transitional arrangements on the introduction of a new distributional formula would be difficult to design.

However, continued political uncertainty has increased the likelihood that a three-year spending review will not be achievable and that other reforms to the local government system may also be delayed for political and timetabling reasons. Therefore, a single year settlement for 2020/21, based on 2019/20 allocations and underpinned by a one-year spending review is considered likely. The implementation of the FFR and reforms to the Business Rates Retention Scheme (BRRS) would similarly be delayed for a year.

During the drafting of this report, a single-year spending round was announced and delivered on 4 September 2019. This confirmed that reforms to the local government funding systems referred to above will be implemented for 2021/22.

The base assumptions in this MTFS, broadly confirmed by the spending review, are:

- In 2020/21 the council will get the same Settlement Funding Assessment (SFA) in cash terms as it received in 2019/20
- Baseline Funding Levels (BFL) will be indexed in line with the Business Rates multiplier, which will increase at 2.00% p.a.
- 'Negative Revenue Support Grant' will continue to be fully funded

There is considerable uncertainty relating to the SFA for 2021/22 and beyond. The impacts of the government's Fair Funding Review and 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.

The locally retained business rates growth element has been increased in line with growth now achieved. For a number of years, increases in the rating list from new developments have been balanced by premises removed from the list due to regeneration schemes. This no longer appears to be the case. It should be noted that implementation of business rates reform is likely to involve a baseline reset, removing growth and resetting the baseline in line with the outcomes of the FFR.

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Revenue Support Grant (RSG)	-	-	-	-	-
Business rates baseline	4,203	4,287	4,373	4,462	4,552
Total SFA - per 2019/20 finance settlement and as modelled	**4,203**	**4,287**	**4,373**	**4,462**	**4,552**
Locally retained business rates – growth element	**800**	**1,100**	**1,100**	**1,100**	**1,100**

In line with the growth identified above, work on the council's Collection Fund at year end has shown that there are surplus balances that will become available to the council in the current and following years. Subject to audit confirmation, business rate funds of £1.3m are available within 2019/20, with a further £1.6m estimated for 2020/21. Beyond this, changes to the business rates scheme make future amounts too uncertain to quantify. Due to current high levels of uncertainty and financial risk, it is proposed to add these balances into GF reserves. They will then be available, subject to business case and normal budget bidding process, to support the transformation of council services and as possible funding to address any impacts of a no-deal Brexit.

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. Any changes intended for the baseline in 2020/21 will be detailed at the time of the provisional settlement.

2019/20 was the final year of funding agreed through the Spending Review 2015. The next three or four-year spending review was expected in autumn 2019, alongside the Fair Funding Review and a review of business rates retention. However, only a one-year spending round was delivered, and the outcomes of the other reviews have been delayed until next year. Government has indicated that it will review how to incentivise housing growth most effectively alongside these reviews. It is therefore highly 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 assumptions of future growth 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 30% of NHB funding each year to a GCP Investment and Delivery Fund. However, the council's revenue and capital take priority over the contribution to the GCP Investment and Delivery Fund. As this funding stream is expected to undergo significant change in the next two or three years, estimated surpluses will be left uncommitted until amounts are confirmed. NHB receipt estimates are shown below, along with current commitments.

Description / (£000)	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Confirmed NHB funding at February 2019 BSR	**(5,505)**	**(4,144)**	**(2,983)**	**(1,496)**		
Add						
Estimated NHB receipts for 2020/21		(1,316)	(1,316)	(1,316)	(1,316)	
Estimated NHB receipts for 2021/22			(1,379)	(1,379)	(1,379)	(1,379)
Estimated NHB receipts for 2022/23				(1,445)	(1,445)	(1,445)
Estimated NHB receipts for 2023/24					(1,515)	(1,515)
Estimated NHB receipts for 2024/25						(1,588)
Potential New Homes Bonus Total	**(5,505)**	**(5,460)**	**(5,679)**	**(5,637)**	**(5,656)**	**(5,927)**
Commitments against NHB						
Funding for officers supporting growth e.g. within planning	785	785	785	785	785	785
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564	564
Direct revenue funding of capital (DRF)	1,075	1,075	1,075	1,075	1,075	1,075
Contribution to GCP @30%	1,652	1,638	1,704	1,691	1,697	1,778
DRF to reduce internal borrowing NCL4329	1,429					
Total commitments against NHB	**5,505**	**4,062**	**4,128**	**4,115**	**4,121**	**4,202**
NHB (uncommitted) / overcommitted	**0**	**(1,398)**	**(1,551)**	**(1,522)**	**(1,535)**	**(1,725)**

As the future of this funding stream is in doubt, the table below presents a scenario in which currently confirmed amounts are maintained over their expected four-year duration, but no additional amounts are added to these totals. When compared with the table above, this give an indication of the amount of funding that could be lost.

Description / (£000)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Confirmed NHB funding at February 2019 BSR	**(5,505)**	**(4,144)**	**(2,983)**	**(1,496)**		
Commitments against NHB						
Funding for officers supporting growth e.g. within planning	785	785	785	785	785	785
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564	564
Direct revenue funding of capital (DRF)	1,075	1,075	1,075	1,075	1,075	1,075
Contribution to GCP @30%, limited to available funding 2021/22 onwards	1,652	1,243	559	0	0	0
DRF to reduce internal borrowing NCL4329	1,429					
Savings or alternative funding required				(928)	(2,424)	(2,424)
Total commitments against NHB	**5,505**	**3,667**	**2,983**	**1,496**	**0**	**0**
NHB (uncommitted) / overcommitted	**0**	**(477)**	**0**	**0**	**0**	**0**

Council tax

Council tax income in this MTFS is modelled based on a 1.99% increase per property for a band D property. This reflects an announcement within the Spending Round 2020/21 that the referendum limit for council tax increases will be reduced from 3.0% to 2.0%. In previous years, district councils were permitted to increase band D council tax rates by 2.0% or £5, which ever was greater, however, no mention was made of this alternative, so at this point it has been disregarded.

Section 3
Review of key assumptions

Budget forecasts presented in the February 2019 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: **2020/21 - 2.5%** (previously 2.0%) and 2.0% thereafter (no change)	Negotiation of 2020/21 pay awards currently underway.
Employee turnover	4%	In general, employee budgets assume an employee turnover saving of 4.0% 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)	**2020/21 – 1.8%** **2021/22 - 2.1%** **2022/23 – 2.3%** **23/24 and after – 2/4%** (previously 2.2%, 2.1%, 2.0%)	Provisions have been updated in accordance with the 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	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	2020/21 and thereafter 1.30%	Based on current projections
Capital funding contributions	£1.880m	Capital funding contributions at base level of £1.880m per annum with feasibility budget of £94,000, or 5% of that amount. £1.075m is funded from New Homes Bonus so is contingent on the continuity and level of that funding stream
Council Tax increase	**2020/21 onwards 1.99%**	Decreased from 2.99% increase previously assumed, in line with the Spending Round announcement. A 1% change in council tax represents about £90k p.a. for the council
Government grant (SFA)	**For 2020/21, the SFA is assumed to be the same in cash terms as the 2019/20 SFA.**	Government funding beyond 2019/20 has not yet been announced. The expectation is that the implementation of the Fair Funding Review and changes to the Business Rates Retention Scheme will now be delayed until 2021/22. Therefore funding has been assumed at current rates,

Section 4
Review of budgets and savings targets

2018/19 outturn

A favourable variance of £371k *(2017/18: £642k)* after approved carry forward requests of £923k *(2017/18: £1,330k)* was recorded on net service spending in the GF for 2018/19. After variances on government funding, statutory capital accounting adjustments, contributions to/ from earmarked reserves and the application of direct revenue funding for capital have been taken into account, the overall net effect was an increase in the GF reserve of £2,034k *(2017/18: £2,031k decrease)*.

Efforts to control the variance on total staffing costs through the use of a 4% vacancy factor were successful, with a small favourable variance of £165k (0.6% of budget) recorded. In general, the outturn on income was less satisfactory, with variations above and below budget. Income from commercial rents and licensing showed significant upside, with income from bereavement services, community centres and parking falling short of expectations. Other variances were generally small, full details are shown in the outturn overview report to Strategy & Resources scrutiny committee.

2019/20 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 revenue proposals for 2019/20.

Head of Service Engagement

In 2018, 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. These forecasts have been updated and form the basis for detailed planning, particularly for capital expenditure.

As significant savings targets for 2020/21 and future years were identified in BSR 2019, a two-pronged approach has been followed. Firstly, a number of service reviews and savings opportunities have been identified for further work. The results of this work will be brought back for consideration within the budget setting processes for 2020/21 and 2021/22 as appropriate. Alongside this, Heads of Service have been asked to begin the development of budget proposals earlier than before and to develop business cases and detailed proposal documents to allow more thorough consideration and challenge.

Figures modelled in this MTFS contain an estimate of unavoidable revenue pressures and reduced income based on a five-year average. This provides a realistic set of savings targets based on inflated base budgets and estimated funding streams, against which all discretionary budget proposals can be prioritised.

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 unavoidable 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;

Following these changes, the net savings requirements considering unavoidable indicative pressures and reduced income total around £6.9m for the 5-year period, or £1.38m per year.

Description	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Net savings requirement (BSR Feb 2019)	**635**	**635**	**635**	**635**	**598**	**3,138**
Net impact of funding changes, inflation and indicative pressures / reductions in income	345	720	785	895	1,022	3,767
Revised (MTFS) net savings requirement	**980**	**1,355**	**1,420**	**1,530**	**1,620**	**6,905**

The level of net savings requirement identified by this MTFS provides a baseline for detailed budget setting work, with some allowance for unavoidable calls on limited resources. Any additional spending pressures that emerge through the BSR process will increase savings requirements accordingly, whilst reductions in overall spending pressures and increases in income will reduce the savings required.

Use of reserves to support savings requirements

The council's GF reserve balance is above the target levels required (See section 7). This excess could be used to smooth or delay the need to make savings. However, reserves can only be used once, whereas savings, once made, have to recur year on year, i.e. use of reserves cannot permanently reduce the need to make savings.

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	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Expenditure						
Net service budgets - base and inflation	19,725	21,227	22,796	23,818	24,902	26,069
Allowance for unavoidable revenue pressures and reduced income	0	1,000	1,836	2,705	3,608	4,545
Savings delivered from prior years	0	0	(980)	(2,335)	(3,755)	(5,285)
Net service budgets	**19,725**	**22,227**	**23,652**	**24,188**	**24,755**	**25,329**
Capital accounting adjustments	(6,353)	(6,353)	(6,353)	(6,353)	(6,354)	(6,354)
Capital expenditure financed from revenue	2,966	1,979	1,786	1,786	1,786	1,786
Contributions to earmarked funds	3,058	2,888	2,666	2,591	2,597	2,619
Net spending requirement before in year savings	**19,396**	**20,741**	**21,751**	**22,212**	**22,784**	**23,380**
In year savings (required) / delivered	0	(980)	(1,355)	(1,420)	(1,530)	(1,620)
Net spending requirement	**19,396**	**19,761**	**20,396**	**20,792**	**21,254**	**21,760**
Funded by:						
Settlement Funding Assessment (SFA)	(4,179)	(4,287)	(4,373)	(4,461)	(4,549)	(4,641)
Locally Retained Business Rates – Growth Element	(800)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)
Other grants from central government	(1,300)	(1,600)	0	0	0	0
New Homes Bonus (NHB)	(5,504)	(5,460)	(5,678)	(5,636)	(5,656)	(5,728)
Appropriations from earmarked funds	0	0	0	0	0	0
Council Tax	(8,627)	(8,914)	(9,245)	(9,595)	(9,949)	(10,291)
Contributions to / (from)reserves	1,014	1,600	0	0	0	0
Total funding	**(19,396)**	**(19,761)**	**(20,396)**	**(20,792)**	**(21,254)**	**(21,760)**

Section 6
Capital plan

Capital Strategy

The council publishes 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 incorporates:

- 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

An updated capital strategy will be published in February 2020 alongside the Treasury Management Strategy Statement and the Budget Setting Report 2020/21.

Approved capital plan

The capital plan was approved by council in February 2019. Since then the plan has been updated for projects carried forward or rephased from 2018/19 and for new projects totalling £487k, either S106 funded or specifically approved.

Approved since BSR / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Approved at BSR Feb 2019:							
Programmes	682	200	30	30	-	-	942
Projects	20,363	13,975	1,927	-	-	-	36,265
Sub-total	**21,045**	**14,175**	**1,957**	**30**	**-**	**-**	**37,207**
Provisions	96	816	61	-	-	-	973
Total	**21,141**	**14,991**	**2,018**	**30**	**-**	**-**	**38,180**
Changes approved and adjustments made in year:							
Programmes	7,396	-	-	-	-	-	7,396
Projects	7,745	-	-	-	-	-	7,745
Sub-total	**15,141**	**-**	**-**	**-**	**-**	**-**	**15,141**
Provisions	3,520	-	(1)	-	-	-	3,519
Total	**18,661**	**-**	**(1)**	**-**	**-**	**-**	**18,660**
Current approved plan:							
Programmes	8,078	200	30	30	-	-	8,338
Projects	28,108	13,975	1,927	-	-	-	44,010
Sub-total	**36,186**	**14,175**	**1,957**	**30**	**-**	**-**	**52,348**
Provisions	3,616	816	60	-	-	-	4,492
Total	**39,802**	**14,991**	**2,017**	**30**	**-**	**-**	**56,840**

Mid-year capital spending proposals

The tables below list projects that have been approved exceptionally since BSR 2019 and proposals that have been endorsed by the Quality Assurance Group and the Business Transformation Board. The latter are now put forward for funding approval.

Ref.	Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Approved since BSR Feb 2019:							
SC698	Waterbeach solar panels (project completed in 2018/19)	18	-	-	-	-	-	18
PR052	RE:FIT 3 Energy performance improvement	294	-	-	-	-	-	294
PR038	Investment in commercial property portfolio	4,083	-					4,083
SC697	Grant for St John's church improvement (S106)	100	-	-	-	-	-	100
SC703	King's Parade – temporary barriers	35	-	-	-	-	-	35
	Total Approved since BSR Feb 2019	**4,530**	**-**	**-**	**-**	**-**	**-**	**4,530**

Ref.	Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Proposals							**-**
SC646	Redevelopment of Cambridge Junction	250	-	-	-	-	-	250
SC658	CCTV infrastructure – additional cost	75	-	-	-	-	-	75
SC691	HR and payroll – new system	20	150	-	-	-	-	170
SC699	Corn Exchange fire doors	37	-	-	-	-		37
SC672	Mill Road redevelopment – development loan to CIP	-	1,142	-	-	-	-	1,142
SC695	Cromwell Road redevelopment – equity contribution	-	329	333	-	-	-	662
SC696	Cromwell Road redevelopment – development loan to CIP	2,376	5,481	1,000	-	-	-	8,857
SC701	Dales Brewery – replacement fire alarm system	24	-	-	-	-	-	24
	Total Proposals	**2,782**	**7,102**	**1,333**	**-**	**-**	**-**	**11,217**

Proposals

Redevelopment of Cambridge Junction (£250k): Following the successful completion of the feasibility stage, funds are now required to complete a site wide masterplan for the Cambridge Junction redevelopment scheme to RIBA stage 2 in order to be able to submit an application for capital funding to Arts Council England by April 2020. In this phase of the scheme the costs will cover detailed design work which will map the expansion of the performance venue areas to address existing and growth gaps in arts and cultural space provision identified within initial reports, and also could include eight floors of flexible office and studio space above the existing venue. The project will be delivered in phased development to manage the risk of securing further funding.

CCTV infrastructure – additional cost (£75k): This proposal is for additional funding to enable the project to be completed this year. The supplementary capital bid is expected to pay for the extended scope of the CCTV replacement project to incorporate unforeseen changes to the capital works, and costs that are outside of the contract, such as power supplies, changes to the location of the network cabling as well as further works on the Grand Arcade rooftop, all of which are required in order to complete the installation of the CCTV system.

HR and payroll new system (£170k): The capital bid is for the procurement and implementation of a modern and fully integrated cloud-based Human Resources Information System (HRIS). The solution, jointly procured and implemented with South Cambridgeshire District Council and Huntingdonshire District Council, will deliver HR and payroll core transactions over the next 10 years. The system will create efficiency, reduce cost and improve the way HR can support managers and staff across the three authorities. The costs include data migration into the new system, re-engineering of the current processes and go-live support. The scheme is planned to be delivered within 2 years.

Corn Exchange fire doors (£37k): The council provides cultural services at the Cambridge Corn Exchange. A recent Fire Safety report has identified an urgent need to replace the internal fire doors in order to comply with the fire regulations. The cost will be covered by the service maintenance budget, with no call on generally available capital funding.

Mill Road and Cromwell Road redevelopment funding (£10,661k in total): As previously reported, these developments are being delivered by CIP and will generate capital receipts and surpluses for the council on completion. The council is providing equity and development loans to CIP, earning 5% p.a. on these loans. As these schemes progress, revised cost estimates and cash flow profiles become available. This proposal increases the loan amounts to reflect the most recent projections.

Dales Brewery – replacement fire alarm system (£24k): The current system is ineffective and therefore needs to be replaced. The cost will be covered by the service maintenance budget, with no call on generally available capital funding.

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	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
BSR Feb 2019: Funding available from revenue and unapplied	**(293)**	**(1,543)**	**(1,738)**	**(1,756)**	**(1,786)**	**(1,786)**	**(8,902)**
Changes approved and adjustments made in year:							
Spend:							
Approved (net of funding reassigned to these projects)	4,482	-	-	-	-	-	4,482
Proposed	2,782	7,102	1,333	-	-	-	11,217
	7,264	**7,102**	**1,333**	**0**	**0**	**0**	**15,699**
Funding:							
S106	(100)	-	-	-	-	-	(100)
Direct revenue funding (DRF)	(293)	(150)	-	-	-	-	(443)
Capital receipts	(4,083)	-	-	-	-	-	(4,083)
Climate change fund	(235)	-	-	-	-	-	(235)
Existing revenue budgets	(90)	-	-	-	-	-	(90)
Internal borrowing	(2,376)	(6,952)	(1,333)	-	-	-	(10,661)
Balance to be funded from reserves - underspend on completed schemes in 2018/19	(87)	-	-	-	-	-	(87)
	(7,264)	**(7,102)**	**(1,333)**	**0**	**0**	**0**	**(15,699)**
Revised capital funding availability	**-**	**(1,393)**	**(1,738)**	**(1,756)**	**(1,786)**	**(1,786)**	**(8,459)**
Memo: 5% top-slice of DRF – revenue feasibility budget	**94**	**94**	**94**	**94**	**94**	**94**	**564**

Funding has been identified for the majority of schemes proposed, as shown above. However, if all the proposed schemes are approved, additional funding will be required in 2019/20. This could be made available from GF reserves, as miscellaneous underspends from capital schemes completed in 2018/19 were returned to reserves at the end of the year.

Revised plan

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

MTFS Proposals / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Current approved plan – as above:							
Total	**39,802**	**14,991**	**2,017**	**30**	-	-	**56,840**
Changes proposed:							
Programmes	-	-	-	-	-	-	-
Projects	2,782	7,102	**1,333**	-	-	-	11,217
Sub-total	**2,782**	**7,102**	**1,333**	**-**	**-**	**-**	**11,217**
Provisions	-	-	**-**	-	-	-	-
Total	**2,782**	**7,102**	**1,333**	**-**	**-**	**-**	**11,217**
Proposed plan:							
Programmes	7,789	200	30	30	-	-	8,049
Projects	31,179	21,077	3,260	-	-	-	55,516
Sub-total	**38,968**	**21,277**	**3,290**	**30**	-	-	**63,565**
Provisions	3,616	816	60	-	-	-	4,492
Total	**42,584**	**22,093**	**3,350**	**30**	**-**	**-**	**68,057**

Work continues to develop a number of schemes within the Council capital strategy to be brought forward for funding approval through the BSR in February 2020 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, pay increases 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, with the timing and degree of impact difficult to predict;
- 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. A specific risk exists around a claim for charitable status and mandatory relief made by NHS Trusts, where a test case is listed for a hearing in November 2019.
- 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 workplace parking levy;
- 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 vary 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 minimal change is recommended. Theses reserve levels have been included in the calculations of net savings requirements in this report.

General Fund reserves	£m
February 2019 BSR	
- Target level	6.60
- Minimum level	5.50
October 2019 MTFS – Recommended levels	
- Target level	6.61
- PMB	5.51

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

Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Balance as at 1 April (b/fwd)	**(15,415)**	**(16,429)**	**(18,029)**	**(18,029)**	**(18,029)**	**(18,029)**
Contribution (to) / from reserves	(1,014)	(1,600)	0	0	0	0
Balance as at 31 March (c/fwd)	**(16,429)**	**(18,029)**	**(18,029)**	**(18,029)**	**(18,029)**	**(18,029)**

As noted above, the levels of risk to the financial sustainability of the council are considerable and are increased by delays in the delivery of finding reforms and the impact of Brexit uncertainty alongside a worsening global financial outlook. This council is fortunate to have reserves available to fund one-off transformational activity and capital requirements. No specific proposals have been made on the use of reserves pending the outcome of the Fair Funding Review, when a re-basing of budgets with a longer-term view will be possible.

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.

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 2019 £000	Balance at 31 March 2018 £000
Major policy-led funds	11,518	12,442
R&R funds	933	1,868
Statutory and accounting reserves	6,099	4,319
Shared / partnership funds	6,577	5,258
Other – to be closed once committed balances are spent	235	941
Total	**25,362**	**24,828**

Section 8
Budget strategy

General Fund savings requirements

Description	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Net savings requirement (BSR Feb 2019)	**635**	**635**	**635**	**635**	**598**	**3,138**
Net impact of funding changes, inflation and indicative pressures / reductions in income	345	720	785	895	1,022	3,767
Revised (MTFS) net savings requirement	**980**	**1,355**	**1,420**	**1,530**	**1,620**	**6,905**

General Fund budget strategy

Budget process

The GF budget process for 2020/21 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 2020/21 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

- A need to take action to balance the budget in the short term and to ensure financial sustainability for the council in the long term

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 previous years, it is expected that the value of new savings found will decrease over time as services become leaner and more cost effective.

As in previous years, 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. The three-pronged approach to service review and savings delivery initially presented in the council's efficiency plan 2016-2020 is continued:

- transformation programme
- the extension of collaborative working with local partners
- investment to provide regular income streams

As such, BSR 2020 will present budget proposals for savings and increased income, and bids for implementation costs arising from these 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, particularly with the Brexit deadline of 31 October 2019 approaching. 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 continuing 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 review financial and performance monitoring reports council-wide, ensuring greater challenge, visibility and ownership. This process is supported by the new financial management system which

- Provides better tools for budget holders to monitor their income and expenditure.
- Reinforces the financial management responsibilities of budget holders and their support teams
- Enforces 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
    - Implementing a corporate project management system, PM3
    - Providing project management training for project managers and sponsors
    - Improving programme and project monitoring by reviewing and enhancing key programme boards
- 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 risk analysis, 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 2019/20 to 2024/25

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
Capital-GF Projects								
PR030h	Romsey 'town square' public realm improvements (S106)	J Richards	49	0	0	0	0	0
PR030p	Outdoor fitness equipment near astroturf pitch by Abbey Pool (S106)	I Ross	1	0	0	0	0	0
PR031g	Milton Rd Library community meeting space (S106)	J Hanson	100	0	0	0	0	0
PR031q	Bramblefields nature reserve: improve biodiversity & access (S106)	J Richards	5	0	0	0	0	0
PR031r	Chesterton Rec Ground skate and scooter park (S106)	A Wilson	48	0	0	0	0	0
PR032s	Footbridge across Hobson's Brook at Accordia development (S106)	A Wilson	52	0	0	0	0	0
PR032t	Fulbourn Road open space improvements (S106)	A Wilson	10	0	0	0	0	0
PR032w	Accordia open space improvements (S106)	A Wilson	6	0	0	0	0	0
PR032y	Trumpington Rec Ground skate park (S106)	A Wilson	78	0	0	0	0	0
PR032z	Trumpington Rec Ground trim trail and climbing frame (S106)	A Wilson	12	0	0	0	0	0
PR033s	Histon Rd Rec play area: paths, surfacing & landscaping (S106)	A Wilson	1	0	0	0	0	0
PR033t	St Clement's churchyard open space on Bridge Street (S106)	J Hanson	9	0	0	0	0	0
PR040s	Public art grant for Kettle's Yard - Antony Gormley Performance Programme (S106)	N Black	5	0	0	0	0	0
PR040t	Public Art Grant for Cambridge Live - Colours in our community (S106)	N Black	3	0	0	0	0	0
PR040z	Public art grant for Historyworks - Michael Rosen Walking Trails 2 (S106)	N Black	10	0	0	0	0	0
PR041g	Netherhall School: supplementary grant for gym andfitness suite facilities (S106)	I Ross	56	0	0	0	0	0
PR042a	St Clement's Church community grant (S106)	N Black	30	0	0	0	0	0
PR042b	Mill Road cemetery access and main footpath improvements (S106)	A Wilson	20	0	0	0	0	0
PR042b	Museum of Technology meeting space community grant (S106)	J Hanson	2	0	0	0	0	0
PR042c	Grant for Netherhall School meeting space (S106)	J Hanson	24	0	0	0	0	0
PR042d	Romsey Mill community facility grant (S106)	J Hanson	21	0	0	0	0	0
PR042g	To the River - artist in residence (S106)	N Black	85	0	0	0	0	0
PR042h	Public art grant - Cambridge Junction: News News News (S106)	N Black	5	0	0	0	0	0
PR042j	Public art grant - NIE Theatre, tales from the Edge of Town (S106)	N Black	9	0	0	0	0	0
PR042k	Public art grant - Rowan Humberstone: Ecology sculpture (S106)	N Black	15	0	0	0	0	0
PR042l	Public art grant - Faith and Hope (S106)	N Black	20	0	0	0	0	0
PR042m	Public art grant - Chesterton village sign (S106)	N Black	10	0	0	0	0	0

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
PR042n	Public art grant - HistoryWorks: Travellers and Outsiders (S106)	N Black	15	0	0	0	0	0
PR050a	Relocation of services to 130 Cowley Road (OAS)	W Barfield	20	0	0	0	0	0
PR050d	Mobile working (OAS)	W Barfield	52	0	0	0	0	0
PR050e	Cowley Road Compound ex-Park and Ride site (OAS)	W Barfield	27	0	0	0	0	0
PR050f	Guildhall Welfare Improvements (OAS)	W Barfield	189	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	13	0	0	0	0	0
SC571	Procurement of IT System to Manage Community Infrastructure Levy	S Saunders	20	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Queen Anne Terrace car park	S Cleary	193	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	21	0	0	0	0	0
SC605	Replacement Building Access Control System	W Barfield	8	0	0	0	0	0
SC611	Grafton East car park essential roof repair	S Cleary	33	0	0	0	0	0
SC615	Cherry Hinton Grounds improvements Phase 2 (S106)	A Wilson	49	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 Piece (S106)	D Peebles	135	0	0	0	0	0
SC634	Grand Arcade and Queen Anne Terrace car parks sprinkler systems	S Cleary	8	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	46	0	0	0	0	0
SC645	Electric vehicle charging points	J Dicks	415	50	0	0	0	0
SC646	Redevelopment of Cambridge Junction	J Wilson	250	0	0	0	0	0
SC651	Shared ICT waste management software	J Carré	351	0	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	559	0	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 Carré	188	0	0	0	0	0
SC659	My Cambridge City online customer portal	C Norman	154	0	0	0	0	0
SC660	Council Anywhere - desktop transformation	J Carré	329	18	18	0	0	0

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
SC661	Adaptions to Riverside Railings	A Wilson	37	0	0	0	0	0
SC662	Shared Planning Service software and implementation	S Kelly	59	0	0	0	0	0
SC670	Lammas Land car parking infrastructure	A French	27	0	0	0	0	0
SC672	Mill Road Redevelopment - Development Loan to CIP	C Ryba	9,446	2,554	0	0	0	0
SC674	Mill Road Redevelopment - Equity Loan to CIP	C Ryba	4,265	0	0	0	0	0
SC675	Bateman Street tree replacement	A Wilson	17	0	0	0	0	0
SC677	AV equipment upgrade for Committee Rooms and Council Chamber	G Clift	125	0	0	0	0	0
SC678	Crematorium - additional car park	G Theobald	348	0	0	0	0	0
SC679	Crematorium - cafe facilities	G Theobald	323	0	0	0	0	0
SC680	CCTV equipment upgrade	J Carré	30	0	0	0	0	0
SC682	Pay and display equipment upgrade	A Wilson	18	0	0	0	0	0
SC684	Property Management software	P Doggett	100	0	0	0	0	0
SC685	Mobile column lifts at Waterbeach garage	D Cox	24	0	0	0	0	0
SC686	Car park server replacement (LAPE)	S Cleary	20	0	0	0	0	0
SC687	Customer Service Centre improvements	C Norman	61	0	0	0	0	0
SC688	Environmental Health software	J Carré	40	0	0	0	0	0
SC689	Income management software	C Norman	47	0	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0	0
SC691	HRIS new system	D Simpson	20	150	0	0	0	0
SC692	CHUB - community extension to Cherry Hinton library	J Hanson	767	0	0	0	0	0
SC693	Lion Yard shopping centre investment	D Prinsep	4,200	1,800	0	0	0	0
SC694	Meadows Community Hub and Buchan St retail outlet	C Flowers	554	2,168	1,892	0	0	0
SC695	Cromwell Road Redevelopment - equity loan to CIP	C Ryba	1,963	3,037	350	0	0	0
SC696	Cromwell Road Redevelopment - development loan to CIP	C Ryba	3,700	11,300	1,000	0	0	0
SC697	Grant for St John's church improvements (S106)	J Hanson	100	0	0	0	0	0
SC699	Corn Exchange fire doors	J Wilson	37	0	0	0	0	0
SC701	Dales Brewery - fire alarm system	D Prinsep	24	0	0	0	0	0
SC703	King's Parade - temporary barriers	S Hemingway	35	0	0	0	0	0
Capital-GF Projects			**31,179**	**21,077**	**3,260**	**0**	**0**	**0**

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
Capital-Programmes								
PR010	Environmental Improvements Programme	J Richards	70	170	0	0	0	0
PR010a	Environmental Improvements Programme - North Area	J Richards	69	0	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	77	0	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	127	0	0	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	110	0	0	0	0	0
PR037	Local Centres Improvement Programme	J Richards	7	0	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	850	0	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (S106)	T Nicoll	165	0	0	0	0	0
PR038	Investment in commercial property portfolio	J Richards	5,279	0	0	0	0	0
PR039	Minor Highway Improvement Programme	D Prinsep	40	30	30	30	0	0
PR050	Office Accommodation Strategy Phase 2 (OAS)	J Richards	473	0	0	0	0	0
PR051	Building works at the Guildhall to reduce carbon emissions and improve energy efficiency	W Barfield	228	0	0	0	0	0
PR052	RE:FIT 3 Energy performance improvement and carbon reduction programme (Phase 1)	W Barfield	294	0	0	0	0	0
Capital-Programmes			**7,789**	**200**	**30**	**30**	**0**	**0**
Capital-GF Provisions								
PV007	Cycleways	J Richards	397	0	0	0	0	0
PV018	Bus Shelters	J Richards	4	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	0	0	60	0	0	0
PV549	City Centre Cycle Parking	J Richards	2	0	0	0	0	0
PV554	Development Of land at Clay Farm	D Prinsep	393	816	0	0	0	0
PV564	Clay Farm Community Centre -Phase 2 (Construction)	I Ross	0	0	0	0	0	0
PV583	Clay Farm Commercial Property Construction Costs	D Prinsep	20	0	0	0	0	0
PV682	Local investment bond	C Ryba	2,800	0	0	0	0	0
Capital-GF Provisions			**3,616**	**816**	**60**	**0**	**0**	**0**

Total GF Capital Plan	**42,584**	**22,093**	**3,350**	**30**	**0**	**0**

Appendix A(b): Capital Funding 2019/20 to 2023/24

Description	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
External Support						
Developer Contributions	(1,315)	0	0	0	0	0
Other Sources	(733)	(50)	0	0	0	0
Total - External Support	**(2,048)**	**(50)**	**0**	**0**	**0**	**0**
City Council						
Direct Revenue Financing (DRF) - GF Services	(175)	0	0	0	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(5,615)	(1,761)	(1,786)	(1,786)	(1,786)	(1,786)
Earmarked Reserve - Capital Contributions	(4,693)	0	0	0	0	0
Earmarked Reserve - Office Accommodation Strategy	(473)	0	0	0		
Earmarked Reserve - Climate Change Fund	(326)	0	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(1,043)	0	0	0	0	0
Internal Borrowing - Temporary Use of Balances	(23,514)	(21,675)	(3,242)	0	0	0
Usable Capital Receipts	(4,697)	0	(60)	0	0	0
Total - City Council	**(40,536)**	**(23,436)**	**(5,088)**	**(1,786)**	**(1,786)**	**(1,786)**
Total Available Finance	**(42,584)**	**(23,486)**	**(5,088)**	**(1,786)**	**(1,786)**	**(1,786)**
Capital Plan	**42,584**	**22,093**	**3,350**	**30**	**0**	**0**
Net Funding Available	**0**	**(1,393)**	**(1,738)**	**(1,756)**	**(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*	30,540,290	61,081
Premises costs	*Low*	7,482,630	14,965
Transport costs	*Low*	682,730	2,731
Supplies and services	*Low*	24,966,990	12,483
Grants and transfers	*Low*	33,017,710	33,018
Grant income	*Low*	39,918,600	39,919
Other income	*Medium*	54,194,060	812,911
Miscellaneous	*Low*	404,960	607
Total one year operational risk			977,715
Allowing three years cover on operational risk			**2,933,000**

General and specific risks	Amount (£)	Probability (%)	
Unforeseen events	2,000,000	30%	600,000
Legal action - counsel's fees	100,000	50%	50,000
Data Protection breach	500,000	30%	150,000
Capital project overruns	750,000	50%	375,000
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	30%	300,000
Fuel cost inflation - currency fluctuations due to Brexit	100,000	100%	100,000
General risks			**2,575,000**

Prudent Minimum Balance (PMB)	**5,508,000**
Target (PMB + 20%)	**6,610,000**

Operational cost risk profiles					
			Low	*Medium*	*High*
Employee costs		overspend	1.00%	3.00%	5.00%
	30,540,290	probability	20.0%	15.0%	10.0%
		amount at risk	**61,081**	**137,431**	**152,701**
Premises costs		overspend	1.00%	3.00%	5.00%
	7,482,630	probability	20.0%	15.0%	10.0%
		amount at risk	**14,965**	**33,672**	**37,413**
Transport costs		overspend	2.00%	4.00%	6.00%
	682,730	probability	20.0%	15.0%	10.0%
		amount at risk	**2,731**	**4,096**	**4,096**
Supplies and services		overspend	1.00%	3.00%	5.00%
	24,966,990	probability	5.0%	10.0%	15.0%
		amount at risk	**12,483**	**74,901**	**187,252**
Grants and transfers		overspend	1.00%	2.00%	3.00%
	33,017,710	probability	10.0%	7.5%	5.0%
		amount at risk	**33,018**	**49,527**	**49,527**
Grant income		overspend	1.00%	2.00%	3.00%
	39,918,600	probability	10.0%	7.5%	5.0%
		amount at risk	**39,919**	**59,878**	**59,878**
Other income		overspend	5.00%	10.00%	15.00%
	54,194,060	probability	10.0%	15.0%	20.0%
		amount at risk	**270,970**	**812,911**	**1,625,822**
Other		overspend	1.00%	2.00%	3.00%
	404,960	probability	15.0%	10.0%	5.0%
		amount at risk	**607**	**810**	**607**

Appendix C

Principal earmarked and specific funds

Fund	Balance at 1 April 2019 £000	Anticipated contributions £000	Forecast expenditure £000	Forecast balance 31 March 2024 £000
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	(5,626)	(8,449)	14,075	0
Sharing Prosperity Fund	(260)	0	260	0
Climate Change Fund	(368)	(100)	468	0
Asset Replacement Fund	(933)	(5,000)	5,000	933
Bereavement Services Trading Account	(718)	(800)	1,518	0
Local Plan Development Fund	(1,223)	(600)	1,823	0
Office accommodation strategy fund	(900)	0	900	0
Invest for Income	(8,000)	0	8,000	0
A14 Mitigation Fund	(1,500)	0	1,500	0
Cambridge Live Development Plan	(489)	(250)	739	0
Total	**(20,017)**	**(15,199)**	**34,283**	**933**

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

The Local Plan Development Plan Fund is used to fund work with South Cambridgeshire District Council on the joint Local Plan.

This page is intentionally left blank

CIVIC AFFAIRS 24 July 2019
5.30 - 7.00 pm

Present: Councillors McPherson (Chair), Chadwick, Dalzell, Davey and Thornburrow

Officers:
Chief Executive: Antoinette Jackson
Head of Finance: Caroline Ryba
Head of Human Resources: Deborah Simpson
Head of Shared Internal Audit Service: Jonathan Tully
Democratic Services Manager: Gary Clift
Electoral Services Manager: Vicky Breading
Committee Manager: James Goddard

Others Present:
Ernst & Young External Auditor: Suresh Patel
Independent Person: Rob Bennett
Independent Remuneration Panel Member: Jane Phillips

FOR THE INFORMATION OF THE COUNCIL

19/29/Civ Review of Officer Employment Procedure Rules

The Committee received a report from the Head of Human Resources asking Civic Affairs Committee to consider and recommend to Full Council changes to the Officer Employment Procedure Rules in relation to the level of post for which Executive Notification is required.

Unanimously resolved to approve and recommend to Full Council that:

i. Part 41: Officer Employment Procedure Rules be amended to include the following statement:

   Other Employees
   Appointment of employees at head of service level and below is the responsibility of the Head of Paid Service or his/her nominee, and may not be made by Councillors.

ii. 2.1.2 Part 41: Officer Employment Procedure Rules be amended to include the following statement:

Director Posts
A committee of the Council appointed for that purpose will appoint Director level posts. The Executive Notification process will be undertaken for these roles.

iii. The Head of Human Resources and Head of Legal Services be given delegated authority to update Constitution in Part 41: Officer Employment Procedure Rules to include the approved statements.

iv. The Head of Human Resources and Head of Legal Services be given delegated authority to update the Constitution in Part 41: Officer Employment Procedure Rules to modify the remaining paragraphs to simplify and clarify the text in line with the practice of South Cambridgeshire and Huntingdonshire District Councils.

The meeting ended at 7.00 pm

CHAIR

Item

REVIEW OF OFFICER EMPLOYMENT PROCEDURE RULES

To:
Civic Affairs Committee 24/07/19

Report by:
Deborah Simpson, Head of Human Resources
Tel: 01223 - 458101 Email: Deborah.Simpson@cambridge.gov.uk

Wards affected:
All

1. Introduction / Executive Summary

1.1 This report asks Civic Affairs Committee to consider and recommend to Full Council changes to the Officer Employment Procedure Rules in relation to the level of post for which Executive Notification is required.

1.2 The Council's current Constitution (Part 41) requires than when considering the appointment or dismissal of a head of service, Director or Chief Executive level post, the Members of the Executive are consulted. The proposal is to amend the Constitution so that this process would in future only be required for Director and Chief Executive level posts.

1.3 Executive Notification is the process whereby each Member of the Executive is notified of the name and other particulars relevant to the appointment or dismissal to a post at Chief Executive, Strategic

Director or head of service level, including the Monitoring Officer and Section 151 Officer. This takes place prior to any offer of appointment or decision to dismiss being finalised. Each Member of the Executive is asked to respond to the Leader with any material or well-founded objection to the making of the offer of appointment or dismissal. Any objection will be assessed to determine if it is material or not well-founded.

1.4 The Executive notification process is an anomaly in that members of the Executive who are not involved in the decision making process for appointment of employees at head of service level and below, which is the responsibility of the Head of Paid Service or his/her nominee, and may not be made by Councillors, can express a view on a candidate.

1.5 The Leader of the Council and a number of Executive Councillors have asked that the Executive Notification process for heads of service level posts be reviewed.

2. Recommendations

2.1 The Civic Affairs Committee is asked to approve and recommend to Full Council that the:

2.1.1 Part 41: Officer Employment Procedure Rules be amended to include the following statement:

Other Employees

Appointment of employees at head of service level and below is the responsibility of the Head of Paid Service or his/her nominee, and may not be made by Councillors.

2.1.2 Part 41: Officer Employment Procedure Rules be amended to include the following statement:

Director Posts

A committee of the Council appointed for that purpose will appoint Director level posts. The Executive Notification process will be undertaken for these roles.

2.1.3 The Head of Human Resources and Head of Legal Services be given delegated authority to update Constitution in Part 41: Officer Employment Procedure Rules to include the approved statements.

2.1.4 The Head of Human Resources and Head of Legal Services be given delegated authority to update the Constitution in Part 41: Officer Employment Procedure Rules to modify the remaining paragraphs to simplify and clarify the text in line with the practice of South Cambridgeshire and Huntingdonshire District Councils.

3. Background

3.1 The Constitution contains a section, Part 41: Officer Employment Procedure Rules (see Appendix 1) which relates exclusively to the appointment and dismissal of senior posts; Chief Executive, Monitoring Officer (Head of Legal), Section 151 officer (Head of Finance), Strategic Directors and Heads of Service.

3.2.There are currently 16 posts within scope of these procedure rules.

3.3. Appointment or dismissal of the Chief Executive must be agreed by Full Council following a recommendation from the Employment (Senior Officer) Committee (see Appendix 2). In the case of dismissal the Independent Persons would also make a recommendation.

3.4 Appointment of a statutory post (Monitoring Officer or Section 151 Officer) or Head of Service is delegated to the Chief Executive or their representative.

3.5 Dismissal of a statutory post (Monitoring Officer or Section 151 Officer) must be considered by the Employment (Senior Officer) Committee who would make a recommendation to Full Council. The Independent Persons would also make a recommendation.

3.6 Appointment or dismissal of a Strategic Director is determined by the Employment (Senior Officer) Committee.

3.7 In the case of appointment or dismissal for any of the above posts there is the additional stage of Executive Notification.

3.8 Each Council is required to have a section on Officer Employment Procedure Rules in its Constitution. The style and scope of these varies in each Council but all must cover the Head of Paid Service, statutory posts (Monitoring Officer and Section 151 officer) and the most senior level posts. The Council's guidance is seven pages long and is written in the style of the originating legislation.

3.9 South Cambridgeshire District Council's Officer Employment Procedure Rules are three pages long, are clear and easy to read and cover the same matters as the City Council's.

There are differences in the level at which Executive Notification for appointment takes place, which is for the Head of Paid Service, Directors, Chief Financial Officer and Monitoring Officer only. Appointment of officers below Director is the responsibility of the Head of Paid Service or their nominee.

Executive Notification is required for the dismissal of the Head of Paid Service, Executive Directors, Monitoring Officer or Chief Finance Officer.

Dismissal of posts below Director is the responsibility of the Head of Paid Service or their nominee.

3.10 Huntingdonshire District Council's Officer Employment Procedure Rules are four pages long, are clear and easy to read and cover the same matters as the City Council's.

There are differences in the level at which Executive Notification for appointment takes place, which is for Head of Paid Service or Chief Officers only. Appointment of heads of service is the responsibility of the Head of Paid Service (Managing Director, or their nominee).

Dismissal of heads of service (other than statutory officers) is the responsibility of the Head of Paid Service (Managing Director, or their nominee).

Cabinet Notification is required for the dismissal of a Chief Officer, Monitoring Officer or Section 151 Officer.

3.11 It is proposed that Executive Notification be carried out for the appointment of Chief Executive and Director level posts only and for the dismissal of Chief Executive, Director, Monitoring Officer and Section 151 Officer posts only and that the Constitution be amended.

4. Implications

a) Financial Implications

There are no financial implications relating to this proposal.

b) Staffing Implications

This report relates to the Executive Notification process for the appointment or dismissal of senior officers.

c) Equality and Poverty Implications

There are no equality or poverty implications relating to this proposal.

d) Environmental Implications

There are no environmental implications relating to this proposal.

e) Procurement Implications

There are no procurement implications relating to this proposal.

f) Community Safety Implications

There are no community safety implications relating to this proposal.

Consultation and communication considerations

The Leader of the Council, Executive Councillors, the Chief Executive, Head of Legal and Head of Finance have been consulted about these proposals.

If approved the changes to Executive Notification will require the Constitution to be updated in Part 41: Officer Employment Procedure Rules.

5. Background papers

Background papers used in the preparation of this report:

- The Council's Constitution - https://www.cambridge.gov.uk/media/6726/constitution-october-2018.pdf
- The Constitution of South Cambridgeshire District Council http://scambs.moderngov.co.uk/documents/s106709/08%20-%20Officer%20Employment%20Rules.pdf

- The Constitution of Huntingdonshire District Council https://www.huntingdonshire.gov.uk/media/3744/constitution.pdf

6. Appendices

Appendix 1 shows Part 41:Officer Employment Procedure Rules of the Council's Constitution.

Appendix 2 shows the terms of reference of the Employment (Senior Officer) Committee.

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Deborah Simpson, Head of Human Resources, tel: 01223 - 458101, email: deborah.simpson@cambridge.gov.uk.

Part 4I: Officer Employment Procedure Rules

Recruitment and appointment

1. Standing Orders Regarding Appointment And Dismissal Of Staff

1.1 In this Part -

- "the 1989 Act" means the Local Government and Housing Act 1989;
- "the 2000 Act" means the Local Government Act 2000;
- "disciplinary action" has the same meaning as in the Local Authorities (Standing Orders) (England) Regulations 2001;
- "executive" and "executive leader" have the same meaning as in Part II of the 2000 Act;
- "member of staff" means a person appointed to or holding a paid office or employment under the Council; and
- "proper officer" means an officer appointed by the Council for the purposes of the provisions in this Part.

1.2 Subject to paragraphs 1.3 and 1.7, the function of appointment and dismissal of, and taking disciplinary action against, a member of staff of the Council must be discharged, on behalf of the Council, by the officer designated under section 4(1) of the 1989 Act (designation and reports of head of paid service) as the head of the Council's paid service or by an officer nominated by him.

1.3 Paragraph 1.2 shall not apply to the appointment or dismissal of, or disciplinary action against -

1. the officer designated as the head of the Council's paid service;
2. a statutory chief officer within the meaning of section 2(6) of the 1989 Act (politically restricted posts);
3. a non-statutory chief officer within the meaning of section 2(7) of the 1989 Act;
4. a deputy chief officer within the meaning of section 2(8) of the 1989 Act; or
5. a person appointed in pursuance of section 9 of the 1989 Act (assistants for political groups).

1.4.1 Where a committee, sub-committee or officer is discharging, on behalf of the Council, the function of the appointment or dismissal of an officer designated as the head of the Council's paid service, the Council must approve that appointment before an offer of appointment is made to him or, as the case may be, must approve that dismissal before notice of dismissal is given to him.

1.4.2 Where a committee or a sub-committee of the Council is discharging, on behalf of the Council, the function of the appointment or dismissal of any officer referred to in sub-paragraph 1, 2, 3 or 4 of paragraph 1.3, at least one member of the executive must be a member of that committee or sub-committee.

1.5.1 In this paragraph, "appointor" means, in relation to the appointment of a person as an officer of the Council, the Council or, where a committee, sub-committee or officer is discharging the function of appointment on behalf of the Council, that committee, sub-committee or officer, as the case may be.

1.5.2 An offer of an appointment as an officer referred to in sub-paragraph 1,2,3, or 4 of paragraph 1.3 must not be made by the appointor until –

1. the appointor has notified the proper officer of the name of the person to whom the appointor wishes to make the offer and any other particulars which the appointor considers are relevant to the appointment;

2. the proper officer has notified every member of the executive of the Council of –

   a) the name of the person to whom the appointor wishes to make the offer;
   b) any other particulars relevant to the appointment which the appointor has notified to the proper officer; and
   c) the period within which any objection to the making of the offer is to be made by the executive leader on behalf of the executive to the proper officer; and

3. either –

   a) the executive leader has, within the period specified in the notice under sub-paragraph 2.b), notified the Cambridge City Council appointor that neither he nor any other member of the executive has any objection to the making of the offer;

b) the proper officer has notified the appointor that no objection was received by him within that period from the executive leader; or

c) the appointor is satisfied that any objection received from the executive leader within that period is not material or is not well-founded.

1.6.1 In this paragraph, "dismissor" means, in relation to the dismissal of an officer of the Council, the Council or, where a committee, sub-committee or another officer is discharging the function of dismissal on behalf of the Council, that committee, sub-committee or other officer, as the case may be.

1.6.2 Notice of the dismissal of an officer referred to in sub-paragraph 1, 2, 3 or 4 of paragraph 1.3 must not be given by the dismissor until -

1. the dismissor has notified the proper officer of the name of the person who the dismissor wishes to dismiss and any other particulars which the dismissor considers are relevant to the dismissal;

2. the proper officer has notified every member of the executive of the Council of –

    a) the name of the person who the dismissor wishes to dismiss;
    b) any other particulars relevant to the dismissal which the dismissor has notified to the proper officer; and
    c) the period within which any objection to the dismissal is to be made by the executive leader on behalf of the executive to the proper officer; and

3. either –

    a) the executive leader has, within the period specified in the notice under sub-paragraph 2 c), notified the dismissor that neither he nor any other member of the executive has any objection to the dismissal;
    b) the proper officer has notified the dismissor that no objection was received by him within that period from the executive leader; or
    c) the dismissor is satisfied that any objection received from the executive leader within that period is not material or is not well-founded.

1.7 Nothing in paragraph 1.2 shall prevent a person from serving as a member of any committee or sub-committee established by the Council to consider an appeal by –

1. another person against any decision relating to the appointment of that other person as a member of staff of the Council; or

2. a member of staff of the Council against any decision relating to the dismissal of, or taking disciplinary action against, that member of staff.

2 Disciplinary Action Against Chief Finance Officer, Head Of Paid Service And Monitoring Officer

2.1 In the following paragraphs—

(a) *"the 2011 Act"* means the Localism Act 2011(b);
(b) *"chief finance officer"*, *"disciplinary action"*, *"head of the authority's paid service"* and *"monitoring officer"* have the same meaning as in regulation 2 of the Local Authorities (Standing Orders) (England) Regulations 2001;
(c) *"independent person"* means a person appointed under section 28(7) of the 2011 Act;
(d) *"local government elector"* means a person registered as a local government elector in the register of electors in the authority's area in accordance with the Representation of the People Acts;
(e) *"the Panel"* means a committee appointed by the authority under section 102(4) of the Local Government Act 1972 for the purposes of advising the authority on matters relating to the dismissal of relevant officers of the authority;
(f) *"relevant meeting"* means a meeting of the authority to consider whether or not to approve a proposal to dismiss a relevant officer; and
(g) *"relevant officer"* means the chief finance officer, head of the authority's paid service or monitoring officer, as the case may be.

2.2 A relevant officer may not be dismissed by an authority unless the procedure set out in the following paragraphs is complied with.

2.3 The authority must invite relevant independent persons to be considered for appointment to the Panel, with a view to appointing at least two such persons to the Panel.

2.4 In paragraph 3*"relevant independent person"* means any independent person who has been appointed by the authority or, where there are fewer than two such persons, such independent persons as have been appointed by another authority or authorities as the authority considers appropriate.

2.5 Subject to paragraph 2.6, the authority must appoint to the Panel such relevant independent persons who have accepted an invitation issued in accordance with paragraph 3 in accordance with the following priority order—

(a) a relevant independent person who has been appointed by the authority and who is a local government elector;
(b) any other relevant independent person who has been appointed by the authority;
(c) a relevant independent person who has been appointed by another authority or authorities.

2.6 An authority is not required to appoint more than two relevant independent persons in accordance with paragraph 5 but may do so.

2.7 The authority must appoint any Panel at least 20 working days before the relevant meeting.

2.8 Before the taking of a vote at the relevant meeting on whether or not to approve such a dismissal, the authority must take into account, in particular—
(a) any advice, views or recommendations of the Panel;
(b) the conclusions of any investigation into the proposed dismissal; and
(c) any representations from the relevant officer.

2.9 Any remuneration, allowances or fees paid by the authority to an independent person appointed to the Panel must not exceed the level of remuneration, allowances or fees payable to that independent person in respect of that person's role as independent person under the 2011 Act

3. Declarations

3.1 The Council will draw up a statement requiring any candidate for appointment as an officer to state in writing whether they are the parent, grandparent, partner, child, stepchild, adopted child, grandchild, brother, sister, uncle, aunt, nephew or niece of an existing councillor or officer of the Council; or of the partner of such persons.

3.2 No candidate so related to a councillor or an officer will be appointed without the Council of the relevant chief officer or an officer nominated by him/her.

4. Seeking support for appointment.

4.1 Subject to Rule 4.3, the Council will disqualify any applicant who directly or indirectly seeks the support of any councillor for any appointment with the Council. The content of this paragraph will be included in any recruitment information.

4.2 Subject to Rule 4.3, no councillor will seek support for any person for any appointment with the Council.

4.3 Nothing in Rules 4.1 and 4.2 above will preclude a councillor from giving a written reference for a candidate for submission with an application for appointment.

5. Recruitment of head of paid service and chief officers

5.1 Where the Council proposes to appoint a chief officer and it is not proposed that the appointment be made exclusively from among their existing officers, the Council will:

1. draw up a statement specifying:
   a) the duties of the officer concerned; and
   b) any qualifications or qualities to be sought in the person to be appointed;
2. make arrangements for the post to be advertised in such a way as is likely to bring it to the attention of persons who are qualified to apply for it; and
3. make arrangements for a copy of the statement mentioned in paragraph (1) to be sent to any person on request.

6. Appointment of head of paid service

6.1 The full council will approve the appointment of the head of paid service following the recommendation of such an appointment by a committee or sub-committee of the Council. That committee or sub-committee must include at least one member of the executive.

6.2 The full Council may only make or approve the appointment of the head of paid service where no well-founded objection has been made by any member of the Executive.

7. Appointment of chief officers

7.1 A committee or sub-committee of the Council will appoint chief officers. That committee or sub-committee must include at least one member of the executive.

7.2 An offer of employment as a chief officer shall only be made where no well-founded objection has been received from the member(s) of the Executive who is (are) also a member of that committee or sub-committee.

8. Other appointments

8.1 Appointment of officers below chief officer (except political assistants to political groups) is the responsibility of the head of paid service or his/her nominee, and may not be made by councillors.

9. Dismissal

9.1 The head of the paid service, monitoring officer and chief finance officer can only be dismissed by the full council.

Employment (Senior Officer) Committee

Appointed by:	From time to time in accordance with the wishes of the political groups.
Membership:	6 members allocated between political groups in accordance with the rules on political balance set out in the Local Government and Housing Act 1989
Chair/Vice Chair:	To be appointed by the members of the Committee.
Decision making:	By the majority of members present and voting. The Chair has a casting vote if required.
Terms of Reference:	1. To deal with the recruitment to the post of Chief Executive and to recommend a selected applicant to Council for appointment. 2. To recruit, appoint, take disciplinary action against and dismiss Directors 3. To suspend and keep under review the Chief Executive, Directors, the Monitoring Officer or section 151 Chief Finance Officer whilst an investigation takes place into alleged misconduct. 4. To take disciplinary action short of dismissal against the Chief Executive, the Monitoring Officer or section 151 Chief Finance Officer. 5. To consider and if necessary recommend to Council to dismiss or terminate the employment of the Chief Executive, the Monitoring Officer or section 151 Chief Finance Officer. 6. To make recommendations to Council with regard to proposals for salary or severance packages of £100,000 or more

Note: The committee will be governed by the provisions contained within Part 4I of the Constitution (Officer Employment Procedure Rules)