Cambridge City Council

Notice of Council

Date: Thursday, 22 October 2020

Time: 6.00 pm

Venue: This is a virtual meeting via Microsoft Teams

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

Dear Councillor,

A meeting of Cambridge City Council will be held virtually via Microsoft Teams on Thursday, 22 October 2020 at 6.00 pm and I hereby summon you to attend.

Dated 14 October 2020

Yours faithfully

Andrew Grant

Interim Chief Executive

Agenda

1 Minutes (Pages 7 - 40)

2 Mayor's announcements

3 Petitions

For each petition the petition organiser will be given 5 minutes to present the petition at the meeting and the petition will then be discussed by Councillors for a maximum of 15 minutes.

3a Review of Open Spaces Strategy

A petition has been received containing over 500 valid signatures stating the following:

We call on Cambridge City Council to carry out an early review of its

Open Spaces strategy, updating its inventory of what the city has already, re-affirming the requirement for generous new provision integral to future developments and – not only protecting existing open space – but exploring options to provide more where there is insufficient in some of the city's already built-up areas.

3b Cambridge Will Act for Refugees

We the undersigned petition the council to 1) commit to extending the current Council refugee resettlement program to receive an additional 125 refugees or asylum seekers from abroad. 2) communicate to relevant agencies and departments in the UK Government, and through public statements, Cambridge City Council's willingness to welcome and support more refugees in Cambridge, especially, but not exclusively, refugees on the Greek islands who are stuck in unsafe and inhumane camps as well as through the UK Resettlement Scheme. 3) invite district councils within Cambridgeshire to join and collaborate with Cambridge City Council to commit to accept additional resettled refugees within their districts, as previously demonstrated by South Cambridgeshire District Council in 2019. 4) where possible, make council housing available to people resettled through this scheme. 5) commit to working with local agencies, residents, landlords and charities to resolve any barriers to resettlement or support.

Justification:
As a city, we continue to express solidarity and compassion for refugees around the world. We want our City Council to continue to live up to their previous commitment to be a 'city of sanctuary' by inviting and welcoming more refugees to share our diverse city with us.

The current scheme has successfully resettled around 125 refugees over 5 years to Cambridge from various countries and nationalities. The resettlement scheme has allowed us to welcome some of the most vulnerable of the millions of refugees worldwide. However, this cannot be a one-time solution: we must continue to show that Cambridge welcomes refugees.

We are particularly appalled by the treatment and experiences of an estimated 27,000 refugees trapped in camps on the Aegean Islands in Greece, as highlighted by the Europe Must Act campaign. Refugees in these camps face inadequate sanitary conditions, minimal running water and cramped living conditions. This is especially acute in light of the current pandemic: it is impossible to isolate, social distance and even wash your hands frequently in the camps. There are already 35 cases of Covid-19 amongst the Moria population.

The devastating fire in Moria which raged between 7th-9th September has given this situation new urgency. All have lost their homes; many have lost their life possessions. 40% of the affected people are children. The 35 known Covid-19 cases are now dispersed amongst the 13,000 people sleeping on the street.

The fire was a direct result of the conditions in the camp which Europe has consistently ignored for four years. The UK was instrumental in forming the policies which created these camps.

Therefore, although neither the EU nor the UK Government has committed to a process for local authorities to accept refugees evacuated from the camps, we would like Cambridge City Council to make clear it's wish for the UK to participate in such a process and the City Council's willingness to receive refugees from the camps in Greece, in addition to refugees resettled from other places. The mayor and city council of Berlin have already committed to receive 15,000 people in this manner.

We would like to express great pride in the work done by the City Council and local charities and residents in resettling, welcoming and supporting refugees in Cambridge and ask that you keep going and don't let us down now.

4	Public questions time	
5	To consider the recommendations of the Executive for adoption	
5a	Housing Revenue Account Medium Term Financial Strategy 2020/21 (Executive Councillor for Housing)	(Pages 41 - 136)
5b	Treasury Management Half Yearly Update Report 2020/21 (Executive Councillor for Finance and Resources)	(Pages 137 - 156)
5c	General Fund Medium Term Financial Strategy (MTFS) October 2020 (Executive Councillor for Finance and Resources)	(Pages 157 - 210)
6	To deal with oral questions	
7	To consider the following notices of motion, notice of	

which has been given by:

7a Councillor Matthews: Trans rights are human rights

Trans women are women. Trans men are men. Non-binary individuals are non-binary.

The Council notes that despite 3 years of promises and consultations by successive Conservative governments that have created a storm of anti-trans disinformation, hatred, and violence, the Government has scrapped its plans to reform the Gender Recognition Act. It now suggests that those reforms aren't a priority for the transgender community despite overwhelming support to de-medicalise the process, removing the spousal veto, and allowing non-binary individuals to gain legal recognition.

The Council thanks the representatives and campaigners from the Kite Trust, Dhiverse, and the Encompass Network, that met with cross-party councillors and officers—and expresses its optimism that despite the Government, ongoing talks will reinforce and develop empathy and inclusivity in Cambridge.

The Council will—alongside this continuing work to push for local progress—show solidarity that Cambridge will always be inclusive to transgender people by:

- Flying the Progress Pride flag as soon as possible, and at every occasion where the Pride flag would previously have been flown; the progress pride flag also represents LGBT+ communities of colour in line with our commitment to support the BLM movement.
- Stating publicly that trans rights are human rights.
- Facilitating and strongly encouraging all Councillors to attend Safer Spaces training.

The Council also recommits to ensuring a welcoming, inclusive, and respectful relationship with all groups recognised under The Equality Act.

8 Written questions

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

Information for the public

Details how to observe the Committee meeting will be published no later than 24 hours before the meeting.

Members of the public are welcome to view the live stream of this meeting, except during the consideration of exempt or confidential items, by following the link to be published on the Council's website.

Any person who participates in the meeting in accordance with the Council's public speaking time, is deemed to have consented to being recorded and to the use of those images (where participating via video conference) and/or sound recordings for webcast purposes. When speaking, members of the public should not disclose any personal information of any individual as this might infringe the rights of that individual and breach the Data Protection Act.

If members of the public wish to address the committee please contact Democratic Services by 12 noon two working days before the meeting.

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

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COUNCIL 16 July 2020
4.00 - 4.15 pm

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

FOR THE INFORMATION OF THE COUNCIL

20/70/CNL Recommendations of the Employment (Senior Officer) Committee - 30 June 2020

Council RESOLVED to exclude the public by virtue of paragraphs 1 and 2 of part 1 of schedule 12A of the Local Government Act 1972.

Cllr Herbert, Chair of the Employment (Senior Officer) Committee updated the Council on the Committee's work on the recruitment of a Chief Executive. The recruitment exercise had been rigorous and taken place over a longer period than anticipated because of practicalities surrounding ways of working since lockdown in late March under Covid-19.
A candidate had been selected for recommendation to the Council but they withdrew from the recruitment process before this meeitng. This was obviously a disappointment to the Committee which had gone through a rigorous and thorough recruitment process.
A further meeting of the Committee was held on Wednesday and it was agreed the post will be re-advertised and there will now be a need to recruit an interim Chief Executive to cover the period between when the current Chief Executive leaves and a successor starts. That work will begin as soon as possible.

The meeting ended at 4.15 pm

CHAIR

COUNCIL

16 July 2020
4.15 - 10.28 pm

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

FOR THE INFORMATION OF THE COUNCIL

20/71/CNL Minutes

The minutes of the 28 May 2020 were confirmed as a correct record and signed by the Mayor.

20/72/CNL Mayor's announcements

Apologies were received from Councillor Summerbell.

The Mayor commented that his duties were not as they would usually be as all public gatherings had been put on hold. The Mayor had spent many hours with the Mayoress in the city visiting crisis food hubs, traders on the market and independent shops. He had also taken part in Teams meetings with cadets and charities. He would continue to visit as many people and businesses as he was able to.

The Mayor asked members to consider charities at this difficult time and also highlight the Mayors' Charities for the year; Magpas Air Ambulance and SERV Suffolk and Cambridgeshire https://www.cambridge.gov.uk/mayoral-charities. Fundraising events were planned but unfortunately these were dependent on restrictions being eased.

VJ day was taking place on the 15 August more details would follow.

Name	Item	Interest
Councillor Moore	20/74/cnclb	Personal: Her children attend Netherhall School which has received a number of grants.

20/73/CNL Public questions time

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

1.
   i. He was a resident of West Chesterton, Governor of Chesterton Community College, volunteer at Cambridge Central Mosque and had set up 2 COVID-19 appeals.
   ii. He wanted to address the lack of engagement with food banks by BAME families, asylum seekers, refugees and migrant communities.
   iii. He had set up Cambridge City Food bank appeal, which had raised £19,000 and went directly to the food bank. Speaking with the food bank there was a lack of engagement with these communities and the food available was sometimes generic and did not meet dietary, religious or cultural requirements. This had led to a second appeal, the Cambridge Muslim COVID-19 response, which identified a significant un-met need for these communities, many of whom had no recourse to public funds and had fallen through the cracks.
   iv. Since April his group had spent £4000 through a hardship appeal for specialist food which food banks and other providers were not doing. There were 138 beneficiaries, 60% was on-going support and 40% had been helped in the last month; the number of beneficiaries was increasing. Support was mainly requested in CB4 postcodes but there were growing requests in the immediate areas. As a crowder funder he had only been able to do this with the support of the Cambridge Ethnic Community Forum and Al Amin Stores in Mill Road. Most donations had come in Ramadan during the peak of the pandemic, and donations had since reduced.
   v. He hoped this un-met and un-known need would be addressed.
   vi. In light of the significant scaling down of support for BAME communities by volunteer organisations such as the Cambridge Central Mosque (post Ramadan), Mutual Aid Groups, other stakeholders and Crowdfunder's like himself, funds would run out in weeks.
   vii. Asked what financial support the Council would provide to BAME communities now that the number of cases and referrals for assistance (food and utilities) was increasing when support was diminishing.

   The Executive Councillor for Communities responded:

   i. Wanted to express thanks for the fundraising and food provision which the Muslim community had provided especially during Ramadam.
   ii. Cambridge City Council had been working with Cambridge Sustainable Food as part of the Food Poverty Alliance. This help was available to

everyone and welcomed people to approach Cambridge Sustainable Food or one of the local food hubs.

iii. Cambridge Sustainable Food provision was largely vegetarian or vegan. Dietary needs are requested when people sign up and they were happy to respond to cultural needs when prompted.
iv. Cambridge Sustainable Food was working with food hubs to try and find out more information about what people would like which wasn't currently available.
v. The Council had made funding available as part of the COVID-19 relief effort, which included a contribution towards the Cambridge Community Foundation Fund and the Ethnic Community Forum.
vi. A meeting with officers could be set up to investigate whether there was any unspent and unallocated community grant funding.
vii. She was aware economic hardships from COVID-19 were not over and would welcome discussions in the context of the question with cultural and faith leaders to discuss additional needs in the BAME community.

The following supplementary points were made:

i. Thanked the Executive Councillor for her words and would pass on her thanks to colleagues.
ii. Commented that this needed to be an educational lesson for many. He thought it unlikely that the 138 people would have gone to food banks in the first place, although they did a fantastic job they did not have specialist food. It was generally dried food or contained a list of items which would not encourage people to go to the food bank. People who had attended the food bank had returned the food as it did not meet their dietary, cultural or religious requirements. There was a gap and un-met need which needed to be filled.
iii. There were a number of people not going to food banks for a variety of reasons, these were not secular and people may feel uncomfortable going to them.
iv. Needed to encourage people to donate more specialist food across the city.
v. Pleased it had been acknowledged there was a problem then something could be done about it.
vi. Noted that this situation would be on-going and a long-term issue.

Councillor Collis responded with the following:

i. She thought it would be useful to invite the public speaker to an online meeting of the Food Poverty Alliance. There were other faith leaders involved in the alliance and she would contact the public speaker outside of the meeting to take the matter forward.

2.
i. He was a resident of East Chesterton and asked if the Executive Councillor for open spaces agreed that there are far too few green and open spaces in East Chesterton and that those we have must be maintained, supported and improved wherever possible?

The Executive Councillor for Planning Policy and Open Spaces responded:

i. She cared enormously for parks and open spaces and she sought to look after protected open space and where possible preserve and extend them.
ii. Acknowledged that East Chesterton Ward had less open space than other wards. On average in Cambridge there was 6.2 hectares of open space per 1000 inhabitants, while East Chesterton had 2.9 hectares of open space per 1000 inhabitants, which was lower than the average and only 60% of that space was publicly accessible which put the ward below the recommended level of 2.4 hectares of space for play and sports per 1000.
iii. Residents would have access to open space across Cambridge but this wasn’t enough. Finding new space in wards was hard. The Council would do everything it could to support maintain and improve the land it had.
iv. Decisions to reduce protected open space were never taken lightly.
v. The commitment to East Chesterton was demonstrated by the recently allocated s106 funding for Logan’s Meadow. The Council intended to register Logan’s Meadow as a nature reserve and undertake works to improve the area and expand it.
vi. She welcomed suggestions for other things which could be done and would continue to monitor the situation in the ward.

The following supplementary points were made:

i. Can you ensure that the green space in East Chesterton, known as five trees, which is between Fen Road and Cam Causeway won’t be encroached upon by any redevelopment e.g: at the former care home at 73 Fen Road and any other development in the area which would reduce the amenity and open space.

The Executive Councillor for Planning Policy an Open Spaces responded:

i. She wasn't aware of any planning applications at this location and if there were any the fact that open space was less in East Chesterton than elsewhere would be a material consideration in determining any application. She would support that this area be maintained as protected open space.

20/74/CNL To consider the recommendations of the Executive for adoption

4a 2019/20 Revenue and Capital Outturn, Carry Forwards and Significant Variances – Housing Revenue Account (Executive Councillor for Housing)

Resolved (by 26 votes to 0) to:

Approve the carry forward requests of £6,560,000 in HRA and General Fund Housing capital budgets and associated resources from 2019/20 into 2020/21 and beyond 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 Annual Treasury Management (Outturn) Report 2019/20 (Executive Councillor for Finance & Resources)

Resolved (unanimously) to:

Approve the report with the Council's actual Prudential and Treasury Indicators for 2019/20.

4c 2019/20 General Fund Revenue and Capital Outturn, Carry Forwards and Significant Variances (Executive Councillor for Finance and Resources)

Resolved (by 27 votes to 0) to:

i. Approve carry forward requests totalling £1,070,060 revenue funding from 2019/20 to 2020/21, as detailed in Appendix C of the officer's report.

ii. Carry forward requests of £27,634k capital resources from 2019/20 to 2020/21 to fund rephased net capital spending, as detailed in Appendix D of the officer's report.

iii. To fund the overspend of two capital schemes – Lammas Land Car Parking and Barnwell Business Park remedial projects totalling £29,757 from reserves.

iv. Transfer the Bateman Street tree replacement underspend of £17k to the Environmental Improvements programme – South.

v. Transfer the underspend of £24k on Grafton East car park essential roof repair project to Structural Holding Repairs & Lift Refurbishment - Queen Anne project which is renamed Car Park Structural Holding Repairs.

4d Interim Update to Medium Term Financial Strategy (Executive Councillor for Finance and Resources)

Councillor Dalzell proposed and Councillor Matthews seconded the following amendment to the recommendations, additional text is underlined, and deleted text is ~~struck through~~.

i. Note the forecast impact of the Covid-19 crisis on the council's finances
ii. Approve changes to 2020/21 GF revenue and capital budgets as set out in Section 7 and Appendices 1 and 2, with the exception of the following items which would delay or remove contributions supporting the council's priority to address the climate and biodiversity emergencies, which demand an urgent response (as set out in the officer's report contained in the Information Pack):

Revenue (ref Appendix 1)

B4621	Partnership work on climate change research and projects - defer half to following year (B4621)
B4626	Providing consultancy advice on Cutting Carbon Emissions in Current Building Stock - stop project (B4626)
B4640	Climate Change communication and community engagement - defer half to following year (B4640)
B4645	Double current wildflower meadows - delay one year (B4645)
B4662	Street trees fund - delay one year and spread total budget over 4 years (duration of tree canopy project) (B4662)

Capital (ref Appendix 2)

SC724	Provision of extra electric charging points
PR017	Vehicle Replacement Programme

iii. Approve the use of earmarked reserves, as set out in Section 7 and Appendix 3 (as set out in the officer's report contained within the Information Pack)
iv. Note the revised savings requirements identified in Section 8 of the officer's report as contained within the Information Pack.

On a show of hands the amendment was lost by 14 votes to 27

Resolved (by 27 votes to 0) to:

i. Note the forecast impact of the Covid-19 crisis on the council's finances.
ii. Approve changes to the 2020/21 GF revenue and capital budgets as set out in Section 7 and Appendices 1 and 2 of the officer's report contained in the council agenda.
iii. Approve the use of earmarked reserves, as set out in Section 7 and Appendix 3 of the officer's report contained in the council agenda.
iv. Note the revised savings requirements identified in Section 8 of the officer's report contained in the council agenda.

20/75/CNL To consider the recommendations of Committees for adoption

5a Civic Affairs Committee: Joint Development Control Committee

Resolved (by 39 votes to 0) to:

i. Dissolve the JDCC pursuant to section 101 (5) Local Government Act 1972 and cease all delegations to the same with effect from 31 July 2020; and
ii. Establish a new joint planning committee between Cambridge City Council and South Cambridgeshire District Council (to be called the Joint Development Control Committee) with the Terms of Reference as updated in the Information Pack and to delegate functions to the joint committee and officers as set out therein, pursuant to section 101 (5) and section 102 Local Government Act 1972 with effect from 1 August 2020
iii. Agree that any ongoing planning matters or any other continuing action relating to development covered by the terms of reference as updated in

the Information Pack which would otherwise fall to be determined by the previous Committee will, after 31 July 2020, transfer to the newly formed Joint Development Control Committee for determination

iv. Authorise the Joint Director of Planning and Economic Development, in consultation with the Chair and Vice Chair of the Committee, to decide whether to refer any development control matters for determination by the Joint Development Control Committee where the boundary of the site concerned overlaps or is adjacent to the boundary between Cambridge City Council and South Cambridgeshire District Council

v. Authorise the Monitoring Officer to make any consequential amendments to the Council's constitution arising from the above decisions

vi. Appoint 6 members (and substitutes) from Cambridge City Council and South Cambridgeshire District Council to serve upon the new Joint Development Control Committee from August 2020.

5b Employment (Senior Officer) Committee: Estates and Facilities Restructure: Associated Exit Costs

Resolved (by 39 votes to 0) to:

Agree the termination costs arising from redundancy in the post in the Estates and Facilities Team.

20/76/CNL To deal with oral questions

1. Councillor Price to the Executive Councillor for Strategy and External Partnerships

You've raised concerns that the Mayor has been spending most of his time during the pandemic trying to take over the GCP. What is the latest position.

The Executive Councillor responded that the Combined Authority Mayor had fully endorsed the work of the Greater Cambridge Partnership (GCP) up until January 2020. The main local transport routes had been endorsed in the Local Transport Plan, which the Mayor had led on. Everyone wanted to see us working in partnership. He hoped to link transport routes with the Cambridgeshire Metro. He wanted fast reliable public transport linking jobs, housing and the city centre.

2. Councillor Dalzell to the Executive Councillor for Transport and Community Safety

With schemes being introduced across Cambridge by the County Council to encourage walking and cycling, can the Executive Councillor confirm if there has been any progress in recruiting the long vacant role of Active Travel Officer?

The Executive Councillor responded that the Council's Environmental Services Team were working closely with the GCP, County Council and other important partners on the Government's 'Build Back Better' road map for Cambridge which included various interventions to promote active travel. In light of the pressures faced by the council, the recruitment of the Active Travel Officer was currently on hold and the function was being resourced within the existing capacity in the Streets and Open Spaces Team. COVID -19 had had an impact on commuting levels with many people working from home and the number of people using public transport had reduced.

3. Councillor Pippas to the Executive Councillor for Climate Change, Environment & City Centre

Tourism is one of the three main sources of income for Cambridge. What does the executive councillor propose to do to re-start the tourist trade and protect the local jobs that rely on that trade?

The Executive Councillor responded that the initial priority had been to support the safe reopening of the city centre, with the aim of giving visitors and residents the confidence to return and enjoy Cambridge. To achieve this a city centre recovery task group had been set up, which included the City Council, County Council, GCP, Cambridge BID, the Police and Stagecoach to develop a recovery plan. The recovery plan had 3 main areas of interrelated activity: highway, business and visitor management this was based on the overriding principle of 'Build Back Better'.

The city's retail sector had successfully been opened on 14 June and the hospitality sector on the 4 July. Measures implemented to date included the installation of temporary highway barriers to widen narrow pavements, pedestrian management signage, customer queue management stickers and window posters for businesses. A city centre stewardship plan had been implemented which involved the deployment of city centre stewards who were easily identifiable to provide a friendly face to assist with navigation.

4. Councillor Ashton to the Executive Councillor for Housing

Can the Executive Councillor confirm that the Council does not supply the personal data of homeless people with no recourse to public funds to the Home Office and Immigration Enforcement without their consent?

The Executive Councillor confirmed that details of immigration enforcement was not shared without consent. The question was important as around 1/6th of people who had sought the council's help during the COVID-19 crisis were people who did not have recourse to public funds. The Council would do everything it could for people who did not have access to social security support. The Council had run a successful Ministry of Housing scheme last year which allowed people to live rent free for 6 months whilst they took steps to settle their immigration status. The Council were looking to do something similar this year.

5. From Councillor Davey to the Executive Councillor for Climate Change, Environment & City Centre

How do you think the city can best encourage more people to spend time and spend more money in the city centre?

The Executive Councillor responded that the best way to attract visitors back to the city centre was to have a well run city centre which felt safe and welcoming.

The Council was now moving on to medium and long-term action to make the city centre a more attractive place for visitors. This included the increased pedestrianisation of streets and improved cycle access infrastructure. There were currently plans being put in place for increasing the number of outdoor tables and chairs for the hospitality sector through the introduction of experimental traffic regulation orders, which may require temporarily closing roads to vehicle access, whilst still accommodating emergency access and business access for deliveries over an 18 month period. Where temporary measures were shown to be effective then the council would seek to make them permanent.

The council would also be working on a domestic marketing plan aimed at the UK market to encourage more visitors to come to Cambridge in the future.

6. From Councillor Chadwick to the Executive Councillor for Climate Change, Environment and City Centre.

With the imminent introduction of compulsory face coverings in shops what is the city council doing to support shops in the city to aid compliance and ensure availability of suitable coverings?

The Executive Councillor responded that she was pleased that Central Government was responding to scientific evidence that face masks and face coverings helped to stop the spread of COVID-19. The policy was particularly valuable to shop workers as the death rate of sales assistants was 75% higher among men and 60% higher among women than in the general population. If an individual without an exemption refused to wear a face covering then a shop could refuse them entry and call the police if people refused to comply. The police had the formal enforcement powers and could issue a fine, although enforcement was a last resort.

7. Councillor Matthews to the Executive Councillor for Communities.
The Government has been reported and quoted as seeking to abandon the proposed, widely welcomed changes to the Gender Recognition Act, and also as considering legislation that would remove existing rights for the trans community; will the Executive Councillor join me in condemning the Government's plans, closely monitor the situation with us and respond accordingly, and agree to include the "Progress Pride" flag as part of Cambridge's Pride celebrations to inclusively represent the BAME LGBTQ+ and trans communities?

The Executive Councillor responded that she was a vocal trans ally, the current Gender Recognition Act had significant problems and needed reform. She expressed concerns regarding rumours that current equality provisions were going to be reduced. The Council was fully committed to equality and inclusion, this included LGBTQIA+ inclusion, the diversity pledge, LGBT+ history month, support of Cambridge Pride and participation in the Safer Spaces Initiative. With regards to the 'Progress Pride' flag, she would want to consult the BAME LGBTQIA+ communities to see if they wanted to include the flag as part of Cambridge's Pride celebrations.

8. From Councillor Collis to the Executive Councillor for Communities
What has been done to support the wellbeing of the bereavement services staff at this difficult time?

The Executive Councillor expressed her thanks to the Team at the Crematorium and Bereavement Services. The team had had to accept a new 'business as usual' with social distancing rules and requirements. She also thanked the senior managers for creating a supportive working environment for staff. Colleagues had access to PAM assist, which was an external support service to all employees available 24/7 and 365 days a year. This service also provided access to clinical and depressional expertise giving them the opportunity to talk about their work concerns without having to go through their line managers if they didn't feel able to do so.

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 Gehring to the Executive Councillor for Executive Councillor for Transport and Community Safety.

Does the Council think car sharing is a useful addition for our sustainable transport mix?

10. Councillor McGerty to the Executive Councillor for Planning Policy and Open Spaces

In light of significant delays, could the Executive Councillor provide an updated schedule for delivery of the new Nightingale Recreation Ground Pavilion?

11. Councillor Baigent to the Executive Councillor for Planning Policy and Open Spaces

Shortly after she was elected the executive councillor for planning policy talked about transparency and community engagement in the planning process. Can she tell us how this will be shown in the development of the new local plan, given its importance?

12. From Councillor O'Reilly to the Executive Councillor for Communities

What is the council doing to mitigate for the cancellation of face to face live events over the summer?

13. Councillor Bick to the Executive Councillor for Finance & Resources

Why is the City Council so dramatically underspending its apprenticeship funding?

14. Councillor Porrer to the Executive Councillor for Planning Policy and Open Spaces

Could the Executive Councillor update members on whether or not the city council has now stopped using herbicides on our city verges under our contract with the county council, as discussed at the last meeting in May 2020?

15. From Councillor McQueen to the Executive Councillor for Communities

What steps are the council taking to support those people on universal credit?

16. From Councillor Thittala to the Executive Councillor for Communities

During the lockdown, my friends and family cooked vegetarian food, and delivered 70-80 through the mutual aid support, and response was very positive because it was vegetarian food. Could the executive councillor tell us what work is being done to ensure that the food served as part of the Covid relief and holiday lunch efforts is sensitive to cultural and dietary needs?

17. From the Councillor Todd-Jones to the Executive Councillor for Finance and Resources

What has the council been able to do to support businesses, charities and other not for profit organisations in Cambridge who have lost income and/or incurred extra costs as a result of the Covid19 lockdown?

18. From Councillor Payne to the Executive Councillor for Communities

The work of the mutual aid groups across the city has been of vital importance throughout the lockdown, and this has received cross-party recognition and thanks. Although the lockdown is loosening, the impact of Covid-19 continues, and many people will still be in need of support. Could the Executive Councillor please confirm what support the Council will offer to the mutual aid groups on a longer term basis?

19. Councillor Bird to the Executive Councillor for Planning Policy and Open Spaces

Thank the executive councillor for open spaces for opening playgrounds on July 4. What measures are in place to ensure that children are safe?

20. From Councillor Hadley to the Executive Councillor for Climate Change, Environment & City Centre

At a time when we are trying to show that Cambridge is open for business but still maintain social distancing, what measures can be taken to make the city more attractive to residents and visitors?

21. From Councillor Martinelli to the Executive Councillor for Housing

Does the Executive Councillor believe the Council has failed its tenants at the Kingsway flats in Arbury?

22. Councillor Smart to the Executive Councillor for Strategy and External Partnerships

What are the main targets in the city's recovery plans?

23. From Councillor Cantrill for the Executive Councillor for Communities

The recently announced Green Homes Grant launches in September which gives eligible homeowners up to £5'000 towards energy efficiency improvements in their homes. In the light of the climate emergency, what will the city council do to promote this scheme to residents and ensure strong uptake?

24. From Councillor Barnett to the Executive Councillor for Communities

Will Jesus Green pool be open this summer?

20/77/CNL To consider the following notices of motion, notice of which has been given by:

7a Councillor Payne: Refugee Resettlement

Councillor Payne proposed and Councillor Chadwick seconded the following motion:

Council notes:

- The imminent end of the 2016 Syrian Vulnerable Persons Resettlement Scheme and the success in surpassing the target of resettling 100 Syrian refugees, with the help of the Cambridge Refugee Resettlement Campaign and the participation of South Cambs District Council.

- The imminent start of the Government's new resettlement scheme, as reaffirmed by the Home Secretary on 19th June 2020, which commits to resettling 5000 refugees in the first year, under the same five-year funding arrangement currently provided by the Vulnerable Person's Resettlement Scheme and the Vulnerable Children's Resettlement Scheme.
- The awful experiences of an estimated 50,000 refugees trapped in camps on the Aegean islands in Greece, highlighted by the Europe Must Act campaign.
- The creation of the City of Sanctuary Local Authority Network, providing a structure for councils to work more closely together.
- That Cambridge benefits from committed charitable organisations supporting refugee resettlement, including Cambridge City of Sanctuary, CamCRAG, Cambridge Refugee Resettlement Campaign and Cambridge Ethnic Community Forum.

Council believes:

- Cambridge has a duty to the rest of the world, and should remain committed to being a city of sanctuary.
- That partnership is the best way to expedite the refugee resettlement process and find the best outcomes.
- That the covid-19 pandemic should accelerate all efforts to resettle refugees given the health risks presented by the refugee camps.

Council will:

- Renew its commitment to Cambridge being a City of Sanctuary.
- Enshrine the City of Sanctuary aims in the corporate plan and begin a periodic report to committee about progress with resettlement.
- Commit to resettling 150 refugees under the UKRS by 2025.
- Write to the County Council and South and East Cambridgeshire District Councils, to request support and unequivocal partnership in this.
- Establish a multi-agency forum to enable interchange between the councils involved in resettlement and third sector and organisations.
- Review the 2016 resettlement scheme and prepare a report to go to the Environment and Community Scrutiny Committee within the next year, to identify the learning achieved.
- Apply to join the City of Sanctuary Local Authority Network.
- Update the council website to clarify the resettlement situation, and provide updated details of ways to help.

On a show of hands Council agreed by a simple majority to suspend Council Procedure Rules 23.3 to permit amendments to be moved where no, or inadequate notice had been given.

Councillor Massey proposed and Councillor Bird seconded the following amendment to motion (deleted text ~~struck through~~ and additional text underlined):

Council notes:

- The success of Cambridge city council's Syrian Vulnerable persons Resettlement scheme which has exceeded its target of resettling 100 persons, having to date resettled 121 Syrian refugees with the help of its partners Cambridge Refugee Resettlement Campaign and South Cambridgeshire District Council. Cambridge City Council has been cited many times by the Home Office as a best practice approach to the resettlement.
- ~~The imminent end of the 2016 Syrian Vulnerable Persons Resettlement Scheme and the success in surpassing the target of resettling 100 Syrian refugees, with the help of the Cambridge Refugee Resettlement Campaign and the participation of South Cambs District Council~~.
- The imminent start of the Government's new resettlement scheme, as reaffirmed by the Home Secretary on 19th June 2020, which commits to resettling 5000 refugees in the first year, under the same five-year funding arrangement currently provided by the Vulnerable Person's Resettlement Scheme and the Vulnerable Children's Resettlement Scheme.
- The awful experiences of an estimated 50,000 refugees trapped in camps on the Aegean islands in Greece, highlighted by the Europe Must Act campaign.
- ~~The creation of the City of Sanctuary Local Authority Network, providing a structure for councils to work more closely together.~~
- That Cambridge is City of Sanctuary, and that the City Council is a signatory to this.
- That Cambridge benefits from committed charitable and community organisations supporting refugee resettlement, including Cambridge City of Sanctuary, Cambridge Convoy Refugee Action Group CamCRAG, Cambridge Refugee Resettlement Campaign and Cambridge Ethnic Community Forum.

Council believes:

- ~~Cambridge has a duty to the rest of the world, and should remain committed to being a city of sanctuary.~~
- Cambridge is a proudly international city, with a rightly strong sense of responsibility to the rest of the world, and should remain committed to being a city of sanctuary.
- ~~That p~~ Partnership is the best way to expedite the refugee resettlement process and find the best outcomes.
- ~~That t~~ The covid-19 pandemic should accelerate all efforts to resettle refugees given the health risks presented by the refugee camps.

Council will:

- ~~Renew its commitment to Cambridge being a City of Sanctuary.~~
- Reaffirm its commitment to Cambridge being a City of Sanctuary including exploring greater ties with the City of Sanctuary Local Authority Network, including becoming a local authority partner.
- ~~Enshrine the City of Sanctuary aims in the corporate plan and begin a periodic report to committee about progress with resettlement.~~
- ~~Commit to resettling 150 refugees under the UKRS by 2025.~~
- Continue to report to the Environment and Communities Committee about progress with resettlement.
- Commits to being bold and ambitious in extending our work in this area, resettling as many refuges and other asylum seekers as it is able to do so effectively.
- Develop its plan in conjunction with our existing multi-agency partners, including Cambridge Ethnic Community Forum, The Cambridge Refugee Resettlement Campaign and South Cambridgeshire District Council.
- Write to the County Council ~~and South~~ and East Cambridgeshire District Councils, to request support and unequivocal partnership in this region, as we will be able to achieve so much more if all local authorities work together.
- ~~Establish a multi-agency forum to enable interchange between the councils involved in resettlement and third sector and organisations~~.
- ~~Review the 2016 resettlement scheme and prepare a report to go to the Environment and Community Scrutiny Committee within the next year, to identify the learning achieved.~~
- ~~Apply to join the City of Sanctuary Local Authority Network.~~
- Update the council website to clarify the resettlement situation, and provide updated details of ways to help.

On a show of hands the amendment was carried by 25 votes to 12.

Resolved (by 37 votes to 0) that:

Council notes:

- The success of Cambridge city council's Syrian Vulnerable persons Resettlement scheme which has exceeded its target of resettling 100 persons, having to date resettled 121 Syrian refugees with the help of its partners Cambridge Refugee Resettlement Campaign and South Cambridgeshire District Council. Cambridge City Council has been cited many times by the Home Office as a best practice approach to the resettlement.
- The imminent start of the Government's new resettlement scheme, as reaffirmed by the Home Secretary on 19th June 2020, which commits to resettling 5000 refugees in the first year, under the same five-year funding arrangement currently provided by the Vulnerable Person's Resettlement Scheme and the Vulnerable Children's Resettlement Scheme.
- The awful experiences of an estimated 50,000 refugees trapped in camps on the Aegean islands in Greece, highlighted by the Europe Must Act campaign.
- That Cambridge is City of Sanctuary, and that the City Council is a signatory to this.
- That Cambridge benefits from committed charitable and community organisations supporting refugee resettlement, including Cambridge City of Sanctuary, Cambridge Convoy Refugee Action Group CamCRAG, Cambridge Refugee Resettlement Campaign and Cambridge Ethnic Community Forum.

Council believes:

- Cambridge is a proudly international city, with a rightly strong sense of responsibility to the rest of the world, and should remain committed to being a city of sanctuary.
- Partnership is the best way to expedite the refugee resettlement process and find the best outcomes.
- The covid-19 pandemic should accelerate all efforts to resettle refugees given the health risks presented by the refugee camps.

Council will:

- Reaffirm its commitment to Cambridge being a City of Sanctuary including exploring greater ties with the City of Sanctuary Local Authority Network, including becoming a local authority partner.

- Continue to report to the Environment and Communities Committee about progress with resettlement.
- Commits to being bold and ambitious in extending our work in this area, resettling as many refuges and other asylum seekers as it is able to do so effectively.
- Develop its plan in conjunction with our existing multi-agency partners, including Cambridge Ethnic Community Forum, The Cambridge Refugee Resettlement Campaign and South Cambridgeshire District Council.
- Write to the County Council and East Cambridgeshire District Councils, to request support and unequivocal partnership in this region, as we will be able to achieve so much more if all local authorities work together.
- Update the council website to clarify the resettlement situation, and provide updated details of ways to help.

7b Councillor Matthews: Littering in Public Places
Councillor Matthews proposed and Councillor Tunnacliffe seconded the following motion:

Council notes that despite the best efforts of council staff under existing arrangements, public places in the city are suffering an inundation of litter coinciding with the Covid pandemic.

It welcomes the demonstrated importance of our open spaces for people to relax and enjoy themselves over this period but regrets that the contract of trust is not working between the city and some users over their care.

Council calls for an urgent, co-ordinated local response campaign.

It believes this should embrace a combination of high profile public awareness, enhanced and focused enforcement activity, an intensification of collection frequency in response to warm weather days and improved type and capacity of bins in places of high footfall and concentrated leisure activity across the city.

It requests the relevant Executive Councillor to rapidly bring together a small cross-party group of members to sense-check plans from council officers, enlisting support from other agencies including the Police and from the volunteer sector.

On a show of hands Council agreed to suspend Council Procedure Rules 23.3 (unanimously) to permit amendments to be moved where no, or inadequate notice had been given.

Councillor Moore proposed and Councillor Price seconded the following amendment to motion (deleted text ~~struck through~~ and additional text underlined):

Council notes; ~~that despite the best efforts of council staff under existing arrangements, public places in the city are suffering an inundation of litter coinciding with the Covid pandemic.~~

~~It welcomes~~

- the demonstrated importance of our open spaces for people to relax and enjoy themselves over this period ~~but regrets that the contract of trust is not working between the city and some users over their care. Council calls for an urgent, co-ordinated local response campaign.~~

~~It believes this should embrace a combination of:~~

- ~~High profile public awareness,~~
- ~~Enhanced and focused enforcement activity,~~
- ~~An intensification of collection frequency in response to warm weather days; and~~
- ~~Improved type and capacity of bins in places of high footfall and concentrated leisure activity across the city.~~

~~It requests the relevant Executive Councillor to rapidly bring together a small cross-party group of members to sense-check plans from council officers, enlisting support from other agencies including the Police and from the volunteer sector.”~~

- That our streets and Open Spaces team have been working throughout lockdown keeping Cambridge clean and safe.
- That during lockdown our operatives updated their work schedule to focus their efforts on busier residential areas and open spaces whilst the city centre was very quiet.
- That our Streets and Open Spaces team work seven days a week starting at 6am to clean up the city before residents go out to school and work.
- That our enforcement teams have been working throughout lockdown supporting Environmental Health and the Police to manage lockdown restrictions using the policy of engage, explain, encourage, enforce.

- The increase in litter related to Covid-19 such as face masks and disposable gloves, which defeats the purpose of wearing them and also poses a health risk to our staff and residents.
- Since lockdown restrictions have been eased, open spaces and beauty spots across England, including many beaches, have seen a disappointing increase in litter. In Cambridge this has been seen on Jesus Green, Parkers Piece, Midsummer Common and around Mill Pond.
- That in preparation for this increase in litter, additional large bins with new signage, including information on anti-littering and social distancing were put at the entrances to key sites. These have been supplemented with an additional number of wheeled bins at locations experiencing above normal volumes of littering.
- The damage caused to green spaces, including moorland and forest fires by irresponsible use of disposable barbeques.
- The harm caused to wildlife, pets and farm animals by litter, as seen by the death of a cow on Grantchester Meadows in South Cambridgeshire caused by a discarded plastic bag.

This council;

- Will be taking part in the Keep Britain Tidy Great British September Clean to replace the Great British Spring clean which had to be cancelled due to Covid-19.
- Will be carrying out a planned review of our litter bins which has been delayed due to the pandemic but will be reported back this coming autumn/winter.
- Will be taking part in the Keep Britain Tidy - Love Parks Week, which this year is going to be a new summer-long campaign to reduce anti-social behaviour in parks, based on research and behavioural insights.
- Is planning a new anti-littering campaign.
- Is seeking to engage with local retail and hospitality businesses where we have evidence of a link between the litter and their business activity.
- Is continuing to recruit community volunteers to help improve our streets and open spaces, including by litter picking.
- Will be trialling a small refuse vehicle to use on our parks and open spaces which will increase the type and size of bin we will be able to use.
- Is defining new targets to achieve a reduction in the amount of waste generated, by supporting and educating residents to reduce, reuse and recycle more.

#Don’tTrashCambridge #Don’tBeATosser

On a show of hands the amendment was carried by 25 votes to 11.

Resolved (by 36 votes to 0) that:

Council notes;

- the demonstrated importance of our open spaces for people to relax and enjoy themselves over this period
- That our streets and Open Spaces team have been working throughout lockdown keeping Cambridge clean and safe.
- That during lockdown our operatives updated their work schedule to focus their efforts on busier residential areas and open spaces whilst the city centre was very quiet.
- That our Streets and Open Spaces team work seven days a week starting at 6am to clean up the city before residents go out to school and work.
- That our enforcement teams have been working throughout lockdown supporting Environmental Health and the Police to manage lockdown restrictions using the policy of engage, explain, encourage, enforce.
- The increase in litter related to Covid-19 such as face masks and disposable gloves, which defeats the purpose of wearing them and also poses a health risk to our staff and residents.
- Since lockdown restrictions have been eased, open spaces and beauty spots across England, including many beaches, have seen a disappointing increase in litter. In Cambridge this has been seen on Jesus Green, Parkers Piece, Midsummer Common and around Mill Pond.
- That in preparation for this increase in litter, additional large bins with new signage, including information on anti-littering and social distancing were put at the entrances to key sites. These have been supplemented with an additional number of wheeled bins at locations experiencing above normal volumes of littering.
- The damage caused to green spaces, including moorland and forest fires by irresponsible use of disposable barbeques.
- The harm caused to wildlife, pets and farm animals by litter, as seen by the death of a cow on Grantchester Meadows in South Cambridgeshire caused by a discarded plastic bag.

This council;

- Will be taking part in the Keep Britain Tidy Great British September Clean to replace the Great British Spring clean which had to be cancelled due to Covid-19.
- Will be carrying out a planned review of our litter bins which has been delayed due to the pandemic but will be reported back this coming autumn/winter.
- Will be taking part in the Keep Britain Tidy - Love Parks Week, which this year is going to be a new summer-long campaign to reduce anti-social behaviour in parks, based on research and behavioural insights.
- Is planning a new anti-littering campaign.
- Is seeking to engage with local retail and hospitality businesses where we have evidence of a link between the litter and their business activity.
- Is continuing to recruit community volunteers to help improve our streets and open spaces, including by litter picking.
- Will be trialling a small refuse vehicle to use on our parks and open spaces which will increase the type and size of bin we will be able to use.
- Is defining new targets to achieve a reduction in the amount of waste generated, by supporting and educating residents to reduce, reuse and recycle more.

#Don’tTrashCambridge #Don’tBeATosser

7c Councillor Porrer: Black Lives Matter
The movers and seconders of motions 7c and 7d sought Council’s approval to withdraw these motions under Council Procedure Rule 27.

A composite joint motion to replace motions 7c and 7d and set out in the Information Pack was proposed by Councillor Thittala and seconded by Councillor Porrer.

Council notes:

1. On May 25th 2020 George Floyd was killed by a Policeman in Minneapolis. His death provoked widespread protests under the ‘Black lives Matter’ movement across the world, fuelling a desire to tackle systemic racism, including peaceful demonstrations in Cambridge.

2. The Home Office report in December 2018 identified that 26% of instances of police using firearms in the UK are against black people, despite black people making up only 3.3% of the population. 51% of young men in custody in the UK are from black, Asian or minority ethnic (BAME) backgrounds, despite these groups making up only 14% of the UK population.

3. The 2017 Lammy Report, which concluded that "BAME individuals still face bias, including overt discrimination, in parts of the justice system".

4. Data from Stop Watch, which shows that in 2018/2019 Cambridgeshire Police subjected black people to stop and search at a rate 6 times higher than white people.

Cambridge City Council expresses its solidarity with the Black Lives Matter movement and believes:

A. Racism in all forms, both structural and individual, continues to be a serious problem throughout the UK, including in Cambridge.

B. Although progress has been made in combatting racism, much more work is needed to eradicate it entirely.

C. This Council welcomes our duty as a public leader to actively spearhead that work locally.

Council resolves to meet the challenge head on with immediate action to:

Request from the Director of Public Health a report on the impact of the Covid-19 pandemic on BAME communities in Cambridge by the end of 2020, to be reviewed in the Environment and Community scrutiny committee, and shared with BAME community representatives.

Request that the Leader of the Council will write to the Prime Minster and seek written confirmation of the measures which are being put in place nationally to ensure that the BAME community are not disproportionately affected as a result of the Covid-19 pandemic

Whilst noting the progress made previously, requests that the City Council reviews the Single Equality Scheme, prior to a reaffirmation of the scheme with particular and specific reference to the employment, recruitment and retention of staff with particular emphasis on enhancing consultation and representation of BAME staff.

Require all Councillors to attend a briefing on Equality and Diversity during the first year of their term, to better understand their duties relating to the Public

Sector Equality Duty, Equality Impact assessments and also to be updated on key areas that the Council is currently working on.

Work with partners across the city including the County Council and Combined Authority to produce a toolkit for businesses to help broaden their understanding of race inequality in the workplace, including but not limited to materials, signposts to relevant local groups and training that can be provided for staff, and links to relevant networks.

Ask the Police & Crime Commissioner to report to the Police and Crime panel on the measures which have been put in place to eliminate the disproportionality of BAME people affected by the use of stop and search powers seen locally and nationally and how often are these measures are reviewed; and to provide a regular report as to initiatives and progress.

Whilst recognising the established dialogue between existing local BAME community groups such as the Cambridge Ethnic Community Forum, for the City Council, and other local public service organisations to review their own involvement, and to encourage enhanced comment and feedback on further areas for improvement within our control. This work to be initiated by the end of September 2020 with a report to the relevant Committees by May 2021.

Welcome the work already being undertaken by our partners in the Cambridge Food Poverty Alliance to ensure that the food provided meets the needs of all those using the food hubs or receiving meals, including those with specific religious, health or cultural requirements, and note that this prioritises talking to the recipients themselves about their needs. In addition, council commits to exploring ways in which this commitment can be advertised amongst all communities in the City, to ensure that they know they can request food confidently knowing it will meet their needs.

Resolved (by 36 votes to 0) to support the motion.

7e Councillor Collis: Free School Meals
Councillor Collis proposed and Councillor Davies seconded the following motion:

Council notes that the lockdown period between March and May 2020 saw an unprecedented 142% increase in the number of Cambridge residents claiming unemployment benefits. Council also notes the subsequent rise in the number of Cambridge families falling into food poverty over the same period, with an additional 199 children claiming Free School Meals Vouchers (compared with a total increase of 514 new claims between May 2019 and May 2020).

Council notes the well-documented problems with the Free School Meals voucher scheme system and welcomes the intervention of our local MPs on behalf of schools, parents and their children.

Council also welcomes the national campaign led by Manchester United and England footballer Marcus Rashford, whose eloquence in using his own personal experience of food poverty as a child to persuade the government to make a U-turn on its proposal to stop issuing Free School Meals vouchers over the summer holidays.

Council notes with thanks the responsiveness of both council officers and partners in the Food Poverty Alliance, who have worked together to address this rise in food poverty by;

- supporting ward based mutual aid groups to identify residents needing help
- establishing eight community food hubs across the city
- adapting the holiday lunches provision into a service providing delivery of meals and shopping bags to vulnerable families

This directly meets several of the five main aims in the FPA's action plan, endorsed by council in October 2019 particularly (2) ensuring there is emergency support so that people in Cambridge do not go hungry and promoting and (3) supporting community responses to food poverty.

Council also notes with thanks the work of the volunteers who have put in hundreds of hours during the COVID-19 outbreak to support residents, both at the community food hubs and those who have cooked, packed and delivered thousands of meals across the city.

Cambridge City Council therefore resolves to;

- continue to work with officers and the FPA to monitor the extent of food poverty and support needs of the community
- monitor the government's new COVID Summer Food Fund and any issues for local families
- continue to work with the FPA to identify, as we emerge into the recovery period, long-term, sustainable solutions to food poverty

Resolved (by 36 votes to 0) to support the motion.

20/78/CNL Written questions

Members were asked to note the written questions and answers that had been placed in the information pack and published on the council meeting webpage.

The meeting ended at 10.28 pm

MAYOR

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COUNCIL

3 September 2020
6.15 - 6.45 pm

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

FOR THE INFORMATION OF THE COUNCIL

20/79/CNL Apologies for absence and declarations of interest

Apologies were received from Councillors Barnett, Davey, McGerty. There were no declarations of interest.

20/80/CNL Recommendations of the Employment (Senior Officer) Committee - 20 August 2020

Council RESOLVED to exclude the public by virtue of paragraphs 1 and 2 of part 1 of schedule 12A of the Local Government Act 1972.

Following a report to Council on 16 July 2020, Councillor Herbert reported that the Employment (Senior Officer) Committee recommended that Andrew Grant be appointed as the Council's Interim Chief Executive whilst the recruitment of a permanent Chief Executive is undertaken.

RESOLVED-

That Andrew Grant is appointed the Council's Interim Chief Executive

The meeting ended at 6.45 pm

MAYOR

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COUNCIL 29 September 2020
7.30 - 8.15 pm

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

FOR THE INFORMATION OF THE COUNCIL

20/80/CNL Apologies for absence and declarations of interest

Apologies for absence were received from Councillors Ashton and Sargeant. There were no declarations of interest.

20/81/CNL To consider the following notice of motion, notice of which has been given by:

Proposed by Councillor Herbert and seconded by Councillor Bick:

The Council puts on record its very warm appreciation of Antoinette Jackson's leadership as Chief Executive for the past eleven years, noting particularly the respect and affection received from Councillors of all political persuasions and from the Council's wide reach of partner organisations and individuals.

A number of other Members spoke in support of the Motion.

The Chief Executive replied thanking Members of the Council for their kind words and expressing her gratitude for, and pride of, her time at the City Council.

RESOLVED (unanimously)

To support the Motion

The meeting ended at 8.15 pm

CHAIR

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HOUSING SCRUTINY COMMITTEE
24 SEPTEMBER 2020
5.30 – 10.36pm

Present: Councillors Todd-Jones (Chair), Bird, Hadley, McGerty, Martinelli Porrer, Sheil, Thittala

Tenant/Leaseholder Representatives: Diane Best, Christabella Amiteye, Diana Minns (Vice Chair), Mandy Powell-Hardy and Colin Stevens

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 approved by 5 votes to 0 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 officer's 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, Section 106 Funding and HRA borrowing.
iii. Extend the existing delegated authority to the Strategic Director in consultation with the Executive Councillor for Housing to approve use of Council land as sites for rough sleeper next steps POD's on an individual basis based on the criteria as set out in the Housing

Development Options for Homeless People report to Housing Scrutiny Committee in January 2020.

Item

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY 2020/21

CAMBRIDGE CITY COUNCIL

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 financial planning documents produced each year for housing landlord services provided by Cambridge City Council.

1.2 The 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 national and local 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.

- 2020/21 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, including the impact of the coronavirus pandemic, as introduced in Section 5, detailed in Appendix D and D (1) of the document and summarised in Appendices G (1) and G (2).

2.2 Approve that delegated authority be given to the Strategic Director to be in a position to confirm that the authority can 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 22 October 2020.

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, Section 106 Funding and HRA borrowing.

2.5 Extend the existing delegated authority to the Strategic Director in consultation with the Executive Councillor for Housing to approve use of Council land as sites for rough sleeper next steps POD's on an individual basis based on the criteria as set out in the Housing Development Options for Homeless People report to Housing Scrutiny Committee in January 2020.

3. Background

3.1. The Housing Revenue Account budget was set for 2020/21 as part of 2020/21 HRA Budget Setting Report, approving a net use of reserves in the year of £3,997,780.

3.2 This figure was amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2019/20 into 2020/21 as part of the closedown process for 2019/20. Following these changes, the increased sum of £5,429,080 was anticipated to be taken from reserves for the year.

3.3 Following approval of the 2019/20 outturn report, and as a direct result of the coronavirus pandemic, delegation was given to the Head of Finance to remove the 2020/21 budgetary inflation in respect of non-pay and non-contractual expenditure across the HRA. This exercise reduced the budgeted call on HRA reserves in 2020/21 by £281,860, resulting in a net call on reserves of £5,147,220 for the year.

3.4 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 2020/21 and beyond.

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

3.6 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 replaced with the assumption that the sum of £657,580,449 is incorporated between 2020/21 and 2031/32 to facilitate the delivery of a net 1,000 council rented homes over this period. As described in the report itself, the funding assumes the delivery of 1,933 dwellings, with 1,200 gross council rented homes (200 of which are assumed as re-provision of existing homes), 500 of these being market units and 233 being built out as shared ownership homes to assist in funding the council rented properties.

3.7 A separate report is presented as part of this committee cycle, which provides the context surrounding the proposed 1,000 homes programme, which includes a mixture of land acquisition, joint venture / section 106 sites, off the shelf purchases and redevelopment of some existing HRA homes, with the assumption that the authority can secure Homes England grant funding to support the housing delivery.

3.8 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.

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

4. Implications

(a) Financial Implications

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

(b) Staffing Implications

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

(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 2021/22 HRA budget process and preparation of the 2021/22 HRA Budget Setting Report.

(d) Environmental Implications

There are no adverse environmental implications anticipated as a result of changes proposed in this report. The incorporated option for the inclusion of the delivery of 1,000 new affordable rented homes is for the homes to be built to Passivhaus standards, which will positively impact the environment.

(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 2019)

(b) Housing Revenue Account Budget Setting Report (February 2020)

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:

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Council

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

CAMBRIDGE
CITY COUNCIL

September 2020

2020/21 to 2049/50

Cambridge City Council

Contents

Appendices

Section 1
Introduction and Local Context

Foreword by the Executive Councillor

This edition of City Council's Housing Revenue Account (HRA) Medium-Term Financial Strategy (MTFS) is produced in unprecedented circumstances. The coronavirus pandemic has affected the lives of every one of us. It has, therefore, had an inevitable impact on the day-to-day management of the HRA, as well as the financial assumptions which underpinned the budget agreed at the start of the year.

From the outset of the pandemic, we were clear that no council tenant would be at risk of eviction if they had difficulties in paying their rent as a consequence of coronavirus and, prior to the Government legislating for the ban on evictions, made a public statement to that effect. Even if the Government were to rescind the ban, our policy will be unchanged. As anticipated, there has been an increase in the percentage of rent not collected each month compared with previous years. The budget shortfall, resulting from the reduction in anticipated rent revenue, has been filled through use of HRA reserves – not by cutting important services and projects. That is the right and proper thing to do for our tenants, especially those who are presently in financial difficulty.

The council has made significant progress since 2017 in producing a pipeline of new build projects, part funded by the £70 million devolution grant, and remain on track to build a net total of 546 new council homes by 2022 as part of this programme. These 546 (622 in total) net new homes are on top of a total of 291 rented and 24 shared ownership homes completed as part of the previous rolling programme that resulted from the 2012 decision to permit stock holding authorities to self-finance their HRA's. Despite these impressive figures, 1,600 households remain on our housing needs register. We must redouble our efforts in committing to a house building programme for the long-term that meets the existing and future housing needs of our city. That is why our new objective is to build a further one thousand net new council homes by 2032.

This MTFS provides the blueprint to show how these homes can be financed, allowing the council to take full advantage of the removal of the HRA borrowing cap. The blueprint recognises, too, that the new programme will assist with the construction of other homes of different tenures required to fulfil the city's overall housing need – including shared ownership and market sale options – which, in turn, will cross-subsidise the financing of the new council homes.

The assumed costs of each of the new council homes are based on an assumption they will be built to Passivhaus standards. While it must be stated that, for technical reasons or due to the physical constraints of a site, it might not be possible for every house on every scheme to conform to Passivhaus standards, it is our ambition that as many as possible will be ultra-low carbon. And, with the cost of ultra-low carbon homes falling dramatically over recent years, we aspire to be in a position to construct zero carbon homes well before the target end date of the new programme.

As with previous years, this report accounts for revisions and amendments to the HRA capital and revenue budgets required in-year, ahead of the 2021/22 Budget Setting Report. It also acknowledges the council's bid to the Government's 'Next Steps' fund to assist our important work in supporting former rough sleepers. At the time of writing a decision has not yet been made on the bid. If successful, the funding awarded will allow the HRA to purchase ten one-bed properties from the open market as well as the purchase and placement of an additional ten modular homes. These homes will help turn lives around, breaking the cycle of homelessness which many previously had endured.

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 required 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 long-term financially viable Housing Revenue Account. Both revenue and capital investment is reviewed, 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**. The HRA Medium Term Financial Strategy reviews and re-states the budget for the 2020/21, 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 2021/22 to 2029/30, in the context of the 30-year plan.

This report is being prepared in unprecedented times, with the full social and financial impact of the coronavirus pandemic still unclear. This iteration therefore includes a number of assumptions that are based upon less knowledge or historical evidence than would usually be the case. Where assumptions have been made in this regard, it has been made clear that this is the case.

Responding to the initial impact of the coronavirus pandemic has, as expected, had a negative financial impact for the HRA, with financial forecasts for the HRA over the longer-term taking the current situation into consideration. To facilitate additional investment in further new homes, it will be necessary for the HRA to borrow greater resource than previously anticipated, 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 detriment the financial stability of the longer-term HRA Business Plan.

This iteration of the HRA Business Plan includes the assumption that the HRA will seek to deliver 1,000 additional rented homes over the 10 year period after the Devolution 500 Programme has concluded, recognising the need to deliver an element of shared ownership and market housing alongside the rented homes to ensure financial viability and an appropriate tenure mix on larger sites. The HRA will need to borrow significantly to make this level of investment possible. The earmarking of resource as part of part of this iteration of the business plan is merely indicative at this stage and is included based upon a number of key assumptions. In reality the detailed programme, as it is brought forward for decision may contain a different mix of site types, scheme compositions, build standards, delivery vehicles and grant levels, all of which will necessitate ongoing review of costs and the associated borrowing. As the programme is developed, existing HRA sites, land acquisitions, off the shelf purchase opportunities and joint venture developments will be explored. This detail will allow the authority to determine the build standard which each site can be built to, taking into consideration any site constraints. The success of the authority in obtaining grant to support the delivery of these homes is also key, and failure to obtain grant would necessitate a reduction in build standard or build programme.

Timetable

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

Date	Task
2020	
24 September	Executive Councillor for Housing considers HRA Medium Term Financial Strategy incorporating Housing Scrutiny Committee views in recommendations to Council
22 October	Council considers HRA Medium Term Financial Strategy
2021	
19 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
25 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 1/4/2020	Estimated Stock Numbers as at 1/4/2021
General Housing	6,464	6,437
Sheltered Housing	512	512
Supported Housing	17	17
Temporary Housing (Individual Units)	70	90
Temporary Housing (HMO's / EA)	24	24
Miscellaneous Leased Dwellings	19	19
Shared Ownership Dwellings	97	97
Total Dwellings	**7,203**	**7,196**

Property Type (Including Shared Ownership)	Actual Stock Numbers as at 1/4/2020	Estimated Stock Numbers as at 1/4/2021
Bedsits	94	94
1 Bed	1,725	1,727
2 Bed	2,522	2,515
3 Bed	2,239	2,237
4 Bed	102	102
5 Bed	7	7
6 Bed	2	2
Sheltered Housing	512	512
Total Dwellings	**7,203**	**7,196**

Leasehold Stock

At 1st April 2020, the Council retained the freehold and managed the leases for 1,196 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
2019/20	7,084	(29)	(14)	10	55	7,106
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
Total		(384)	(272)	0	398	

Section 3
The National Policy Context and External Factors

External Factors

In strategic decision making, it is critical that all financial assumptions are reviewed, including taking account of external factors, outside of the control of the organisation and that the financial projections are adjusted in light of any changes or trends in these. There has been a significant impact on the economy as a result of the coronavirus pandemic, and this results in an enhanced level of uncertainty in the forecast of external factors in this iteration of the HRA Business Plan.

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 a reduction in the rate from the government's target of 2.1% in July 2019 to a low of 0.5% in May 2020, which has not been seen since mid-2016, before a slight recovery to 1% by July 2020.

The Office for Budget Responsibility (OBR) is predicting a return to the Bank of England's target level for CPI of 2% in the medium-term, but with continued low levels in the short-term, before recovery is experienced during 2021. The Bank of England, in their letter to the Chancellor of June 2020, predict a further dip in the inflation rate in the short-term, before recovery is experienced during 2021. They predicted a continuation of rates at around 0.5% into 2020/21, with an increase back to 2% by 2022.

Ongoing uncertainty, as a result of a combination of factors which include exit from the European Union and the coronavirus pandemic, make it difficult to accurately predict in which direction this index may move in the short or medium term.

With this in mind, forecasts for the rate of base inflation have been amended (based upon the Bank of England projections) as part of the Medium-Term Financial Review, from 2.1% to 0.9% for 2021/22, rising to 2% from 2022/23 on an ongoing basis. This will be reviewed again as part of the HRA Budget Setting Report in January 2021.

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, now due from November 2022 for both contracts, 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 lower rate of growth than previously assumed, with a growth rate of 1.2% for 2021/22, increased to 4.2%, 5.1% and 4.9% in the following 3 years. Taking an average of these rates of growth for the forecast three years gives rise to an annual increase of 3.9%. It must be noted, however, that this index is currently impacted by a limited amount of available tender data as a result of the coronavirus pandemic and may be subject to future review in the way in which it is arrived at.

On a similar average basis, the assumptions for CPI over the same period are 1.7%, a difference of 2.2%. 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 1.1% has been incorporated into the business plan forecasts for the next 2 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 cash balances invested by the authority. The rate of interest assumed for 2020/21 in the HRA Budget Setting Report was 0.8%, based upon the HRA clawing back interest from the General Fund on investments with minimal risk. This recognises that the General Fund bears the risk, but also benefits from the reward, of the higher risk investments made by the Council.

As a result of the recent coronavirus pandemic, the Bank of England base rate fell from 0.75% to 0.25% on 13 March 2020, and then to 0.1% from 23 March 2020. The next review of the rate is due on 17 September 2020. The reduction in the base rate results in a reduction in the rates that the authority can expect to earn on its investments. The HRA Medium Term Financial Strategy has been constructed on the basis that the HRA claws back interest at a rate of 0.6% from 2020/21 on an ongoing basis. Compared with the previous assumption of 0.8%. 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%.

With no cap on HRA borrowing, subject to financial viability and the ability to support the borrowing, the authority can borrow to invest in the provision of affordable housing with no external constraint currently.

The only risk to the HRA's ability to borrow resides in the outcome of a government consultation, which ended on 31 July 2020, which proposes that any authority making an investment that is classified as an 'investment asset primarily for yield', will not be able to access loans from the PWLB in the financial year in which it makes this investment. If this is implemented, there is the potential for any investment decisions made by the General Fund to detriment the HRA's ability to borrow from the PWLB in any given year. This would not stop the HRA borrowing but would mean that an alternative lending source would need to be identified, with rates potentially not being as preferential.

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. On 12 March 2020, a concessionary rate for borrowing from the PWLB was announced by Treasury, with a reduction from the standard PWLB rates of 100 basis points (or 1%), subject to Section 151 Officer confirmation that the borrowing will be used to finance HRA capital expenditure. Based upon the rates available at the time of drafting this report, a revised rate of 1.69% (2.69% less 100 basis points) has been incorporated into any borrowing assumptions from 2020/21 onwards. It should be noted that this rate is reviewed and can change twice each day.

Right to Buy Sales

In 2019/20, 64 right to buy applications were received and recorded, compared with 60 in 2018/19. A total of 17 applications have been received in the first 5 months of 2020/21. This demonstrates the anticipated fall in interest over the last 5 months as a direct result of the coronavirus pandemic, but the last financial year's interest overall supports a more stable position.

In 2019/20, 29 of the applications proceeded to completion of the sale of the property, compared with 27 in 2018/19. In the first 5 months of 2020/21, 4 sales have completed, again supporting the view that although overall interest has now stabilised, the pandemic has slowed or halted activity for a short period.

It is difficult to predict future sales, particularly at the current time whilst there is such uncertainty in the economy. It is considered prudent to reduce the assumption for sales in 2020/21 from the 30 previously assumed, to 22, recognising an anticipated 50% reduction in activity for the first six months of the year, but retaining the assumption of 25 sales per annum from 2021/22 onwards, from when the economy and housing market may begin to recover.

Right to Buy Receipts

At 31 March 2020, the authority held £10,634,511 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 still unable to directly use 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 a reduction in the Bank of England base rate to 0.1% from 20 March 2020, any penalty interest payable on receipts not re-invested appropriately is currently at a rate of 4.1%.

The 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.

- Defer 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.

Although the outcome of the consultation is still awaited at the time of writing this report, the authority has entered into a minor variation to the retention agreement, proffered by government as a direct result of the coronavirus pandemic, which removes the quarterly deadlines for reinvestment of receipts for 30 June 2020 and 30 September 2020, and rolls up what needs to be spent in the deadline on 31 December 2020. This offers a small window of opportunity for local authorities to catch up any backlog of investment caused by lockdown in April and May 2020.

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 September 2020 (December 2020 under the revised retention agreement).

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

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

The latest regulations include:

- 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 amended to require 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 2020, but with the ability to re-set the rent at up to 80% of market rent upon re-let.

The authority has now submitted its first formal data set to the Regulator of Social Housing and awaits feedback.

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.

The long-awaited Housing White Paper is now expected later this year. 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.

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'.

Although the legislation has still not been repealed, our business plan 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. New tenants, and existing tenants who have a change in circumstances, need to apply for Universal Credit. 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.

Tenants in temporary, specified or supported accommodation continue to receive Housing Benefit for their housing costs.

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.

The coronavirus pandemic has seen an increase in the number of tenants transitioning to Universal Credit as individual's circumstances change, and nationally there has been a steep rise in the number of claims overall as a direct result of the situation.

The authority had 1,437 HRA tenants claiming Universal Credit at the beginning of August 2020, with 912 (63%) of these demonstrating rent arrears at an average arrear of £835.21.

From early 2020 to December 2023, a process of managed migration will move the remaining Housing Benefit claimants to Universal Credit. Details of how and when are still being considered by government.

Benefit Cap

Those impacted by the Benefit Cap continue to be supported by Cambridge Citizens Advice and Cambridge Housing Society, who look at ways to help those affected into work. Others receive short term Discretionary Housing Payments (DHPs) to support them until they are able to improve their circumstances. DHPs are still 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 remains steady. DHPs continue to be also used to support tenants affected by the Removal of the Spare Room Subsidy, with similar 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.

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 is no longer contracted to deliver care and support services in the extra care housing at Ditchburn Place. The contract was awarded to Radis from the end of February 2020 and council staff transferred under the TUPE regulations to work for Radis from 24 February 2020. The City Council has worked proactively with Radis to ensure a smooth transition for both residents and staff and continues to work with Radis as landlord for the properties.

Section 4
Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

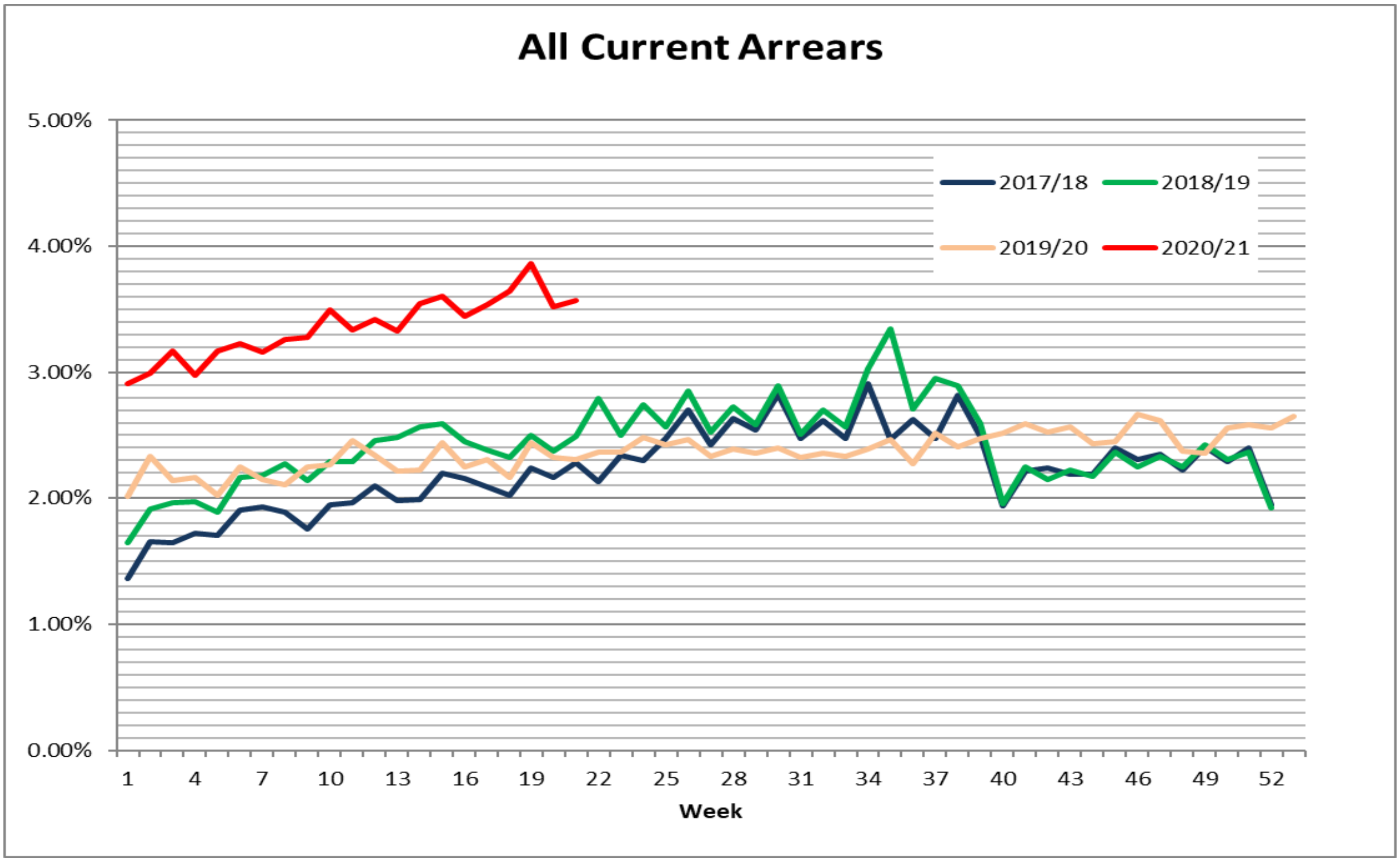
Rent collection performance dipped in 2019/20, with 98.8% of the value of rent due, collected in the year, compared with 99.6% in the previous year.

As a result, the level of arrears at year end increased quite significantly during 2019/20, with arrears of just under £1.1 million at 31 March 2020. 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)
31/3/2016	£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
31/3/2020	£1,091,161	2.7%	£915,885

Performance in the collection of current tenant debt dipped by 31 March 2020, in part as a result of the transition from Housing Benefit to Universal Credit for a number of tenants. The impact for residents of direct payment is being actively managed, with Increased staffing in this area, focussed on working with residents to mitigate the ongoing impact on arrears levels.

The position has worsened much further during the early part of 2020/21, anticipated to be as a direct result of the coronavirus pandemic, with arrears increasing to in the region of £1.5 million (3.57% of the annual rent due) by August 2020.



The Income Management Team continue to work proactively with all tenants, but particularly with those affected by the benefit changes or impacted by the coronavirus pandemic

As part of the Orchard Housing Management System Implementation Project, the authority has now gone live with Income Analytics, which is an analysis and rent arrears recovery tool. The tool helps to identify high risk arrears and identify trends at a very early stage, facilitating staff sending bulk texts or e-mails to tenants who fall into particular arrears categories, making chasing arrears more efficient. The system went live at the beginning of June 2020, and officers are monitoring its effectiveness.

The Income Management Team has been expanded in recent years as the rollout of Universal Credit picks up pace. An additional part-time officer is being recruited currently for a fixed term period to provide dedicated additional support to those transitioning from Housing Benefit to Universal Credit. Funding is also retained to meet the additional direct costs of collecting the rent directly, ie; cash collection costs.

Tackling former tenant arrears continues to be challenging, but with the level of former tenant arrears being maintained at similar levels in March 2020, to those experienced in March 2019. Debt that is not realistically collectable is still recommended for write off and provision is currently made in the Housing Revenue Account to write off 88.1% of former tenant debt. Any decision to do this is not taken until all avenues for collection have been exhausted.

The annual contribution to the bad debt provision was 1.5% from 2020/21 when the HRA budget was set in January 2020. The assumption has been reviewed as part of this iteration of the business plan, taking account of the current social and economic situation, with the resulting recommendation to increase the level of contribution to the bad debt provision for 2020/21 to 4.5%, before returning to the previous assumption of 1.5% from 2021/22. The level of provision for the longer term will be reviewed again once the authority has more experience of payment performance locally after the full rollout of Universal Credit.

At 31 March 2020 the total provision for bad debt stood at £1,482,310.47 representing 74% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2019/20 was £635,949 representing a void loss of 1.68%, compared with £723,954 in 2018/19, representing a void loss of 1.91%.

The value of rent lost through void dwellings during 2019/20 was lower than in 2018/19 but was still higher than the 1% target recognised as part of the 2019/20 HRA Budget Setting Report of January 2020.

Some of the key contributors to the higher void levels in 2019/20 remained the completion of refurbishment works at Ditchburn Place coupled with the transfer of care services to Radis (£83,000), the hard to sell shared ownership housing at Virido, which was later converted to council rented accommodation (£48,000), and vacant homes on redevelopment sites (£62,000), which are held vacant or used on a temporary basis until the entire scheme vacated.

If the impact of the irregular void transactions (detailed above) are removed from the statistics, the void performance in general voids for 2019/20 would have been 1.2%. This has however been recovered during 2020/21 to date, with an average void loss of 1.02%, when irregular voids are removed. As a result of this, it is recommended to retain the longer-term assumption of 1% in this iteration of the business plan.

The Repairs Review, with the resulting restructure being implemented during 2020/21 seeks to improve general void performance, and the long-term assumption will be reviewed again in future iterations of the plan when any further improvement can be demonstrated.

Rent Setting

Rent levels continue to be 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 returned to a position where rents can be increased by up to a maximum of inflation plus 1%, using the Consumer Price Index (CPI) at the preceding September as the measure of inflation.

In respect of affordable rented homes, the same inflation plus 1% ruling applies 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 from the point of introduction.

The Local Housing Allowance is usually reviewed annually with new rates notified to the authority on 31 January each year. As a direct result of the coronavirus pandemic, there was a second review of the rates for 2020/21, announced in late March 2020, with the charges summarised in the table below:

Property Size	2019/20 LHA Rate	2020/21 LHA rate January 2020	2020/21 LHA rate March 2020
Shared Room	80.52	81.89	97.00
1 Bed	133.72	135.99	178.36
2 Bed	153.79	156.40	195.62
3 Bed	178.71	181.75	218.63
4 Bed	238.38	242.43	299.18

The additional increase in March 2020 saw an average increase of 24% applied to the original 2020/21 rates, bringing rates much closer to market rent levels in an attempt by government to mitigate the impact on private renters and landlords. The increase in rates was intended to ensure that those claiming financial assistance towards their rent could claim at a level nearer to the market rent that they may be paying and was not a lever for landlords to increase the rents that they are charging.

In the HRA, the rents charged for 2020/21 have continued to be based upon the original Local Housing Allowance levels announced in January 2020 to ensure that the rents remain as affordable as possible for those who are not entitled to government financial assistance through Housing Benefit or Universal Credit. Consideration will need to be given to the level that rent and charges are capped at in respect of future new build sites, striking a balance between financial viability for the Council and affordability for tenants.

All local authority rent levels are now governed by the Regulator of Social Housing instead of being controlled by DWP through the limit rent system as they were 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 2020/21 across the general housing stock was £104.48, with the average actual rent charged being £100.86. By April 2020, 29.5% of the social rented housing stock was being charged at target rent levels, compared with 25% in April of the previous year, so closing the gap remains a slows process.

The gap between actual and target rent levels in the general housing stock now equates to an annual loss of income of approximately £1,271,600 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement of 2012, where convergence was assumed.

There were 351 new build properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at 1st April 2020 and 24 affordable shared ownership homes.

Reserves

Housing Revenue Account General Reserves

Reserves are held to help manage risks, including changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies, such as uninsured damage to the housing stock, unanticipated major repairs or events such as the recent coronavirus pandemic. The coronavirus pandemic has highlighted the forethought in the prudent level of reserves that the HRA holds, allowing the authority time to respond to the crisis, without the need to make impulsive or ill thought through decisions.

Reserves are also used to 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, to allow funding of 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 2019/20, and 2020/21 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	**2019/20 £'000**	**2020/21 £'000**
Opening General HRA Reserves	**(11,620)**	**(15,083)**
Budgeted Changes in HRA Reserves		
Original Budget (Approved in February)	(1,404)	3,998
Carry Forwards (Approved in June)	772	1,431
COVID-19 Inflation Review (Approved in June)	0	(282)
MTFS Mid-Year Review (Approved in September)	499	836
MTFS Mid-Year – Review of Ear-Marked Reserves	0	(396)
Budget Setting Report Revised Budget (February)	(146)	-
Estimated Closing General HRA Reserves	**(11,899)**	**(9,496)**
Actual Changes in HRA Reserves		
Opening General HRA Reserves	**(11,620)**	
Actual Outturn variance for the Year (Reported in June and amended during final accounts process)	(3,463)	-
Contribution from Ear-Marked Reserves	-	-
Actual Closing General HRA Reserves	**(15,083)**	**-**

The original budget for 2020/21 approved a net call on general reserves of £3,997,780, and also incorporated use of £3,905,000 previously set-aside for potential debt repayment or re-investment, to allow a total revenue contribution to fund capital expenditure of £14,182,120 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 2019/20, and the anticipated financial impact of the coronavirus for the HRA, with changes either already approved, or proposed as part of this review, in an attempt to help mitigate the impact.

This iteration of the business plan includes changes in estimated rental income for 2020/21, in interest due for the year based upon revised cash balance and interest rate 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 estimates. Changes have also been incorporated to reflect the latest retrospective pay offer for 2020/21 of 2.75%, and to incorporate some changes in response to the coronavirus pandemic. Additional resource has also been incorporated in respect of the repairs service.

The final general HRA reserves position reported at 31 March 2020 was £15,082,981.

The revised projection of the use of general reserves in the current year (2020/21) now indicates that there is expected to be a net call on reserves of £5,983,200, which would leave a balance of £9,495,691 at 31st March 2021 after the transfer of £395,910 of ear-marked reserves into general reserves as highlighted above.

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.

In response to the coronavirus pandemic, these reserves have been reviewed to determine whether there is scope to release any of the reserve to help mitigate the impact on the HRA in 2020/21, without materially affecting services being delivered.

One area where the review has highlighted the potential to return funds to general reserves is in respect of some of the repairs and renewals funds, where items due for replacement from the fund have lasted longer than their estimated life, and as such the fund accumulated is more than may be required to replace the item. See **Appendix D (1)** for the results of the review and **Appendix I** for detail of existing balances held.

Section 5
Detailed Review of Revenue Budgets

COVID-19 Impact and 2020/21 Mid-Year Budget Changes

As part of the HRA Medium Term Financial Strategy, there is not usually any 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.

However, as a direct result of the coronavirus pandemic, it has been necessary to review the HRA revenue budget for 2020/21 to explore ways in which the authority can mitigate the financial impact for the HRA. An increase in rent arrears, and therefore potentially the bad debt that is likely to result from this, is the biggest single factor affecting the HRA. This is of course, coupled with the impact of additional costs in respect of PPE and health and safety equipment and the impact on the business of reduced services delivered within the home, such as repairs.

A small number of staff have been furloughed across the HRA, in respect of both the repairs service, where only emergency repairs were being undertaken during April and May and in respect of the cashiering function at 171 Arbury Road, where the building has been shut to the public. For the period to August 2020, the HRA claimed £115,000 through the government's furlough scheme, with only one member of staff still furloughed at the end of that period.

As part of the 2019/20 HRA Outturn Report, presented to Housing Scrutiny Committee in June 2020, permission was sought to remove inflation from the 2020/21 non-pay and non-contractual budgets. Following approval, these changes were made, resulting in a reduction in the HRA revenue budgets for 2020/21 of £281,860 on an ongoing basis.

As highlighted in Section 4, a review of all ear-marked reserves was also undertaken, with proposals incorporated as part of this report to return £395,910 of resource to general reserves.

The bids and savings approved as part of the 2020/21 budget process have also been reviewed, with a view to removing or delaying investment in any bids that may not be business critical and challenging whether savings approved are still deliverable considering the pandemic.

A number of changes have been identified, which include:

- Removal of the £52,000 over-provision in pension deficit costs that was verbally identified when the budget was approved in January 2020 once final figures were known, and where a delegation to the Section 151 Officer to make the budgetary amendments was given.
- Delaying the recruitment of the Tenancy Auditor until 2021/22, recognising that access to tenants' homes will be limited for some time, and that the pilot should be undertaken when results can be accurately measured.
- Recognition that increased income in respect of garages (£35,670) and service charges (£18,100) will not be realised in 2020/21 due to difficulties in letting void properties during the pandemic.

Other changes that have been incorporated for 2020/21 as part of the mid-year strategic review include:

- A reduction in depreciation of £324,300 based upon the latest stock projections and depreciable asset values.
- An increase in anticipated rental income of £64,050, recognising the impact of the coronavirus pandemic on both the authority's ability to re-let vacant properties, the delay in taking handover of some of the new build homes anticipated in early 2020/21

and the retention and continued use, of homes ear-marked for vacation and demolition for redevelopment.

- An increase in the value of contribution to the bad debt provision for 2020/21, recognising the anticipated impact of the coronavirus pandemic upon the authority's ability to fully recover rent.

- An increase in the base level of pay assumed for 2020/21, assuming the latest offer by the employer of 2.75% is agreed following consultation with unions, followed by 2.5% for 2021/22, before returning to the previous assumption of 2% per annum.

- A reduction in the anticipated interest received on cash balances for 2020/21, as although the level of balances held is higher due to underspending in 2019/20, the rates of interest available to the authority have fallen and the cashflow impact of rent deemed uncollectable in 2020/21 needs to be factored into the forecasts.

- A reduction in the level of interest payable by the HRA, with internal borrowing from the General Fund reduced until the completion of the scheme at Cromwell Road due to the accounting treatment of the land value and land transfer.

- An increase of £81,800 in the budget from 2020/21 onwards to allow expansion of an annual programme of 5,729 fire door inspections in HRA properties and associated communal areas to confirm that each door is operating as expected. If changes in legislation require these inspections to be undertaken more frequently (quarterly for example) a bid will be made as part of the HRA budget process for 2021/22, assuming the legislation has been passed.

- Inclusion of £360,000 in 2021/22 to expand the programme of heat detector installations, to ensure that they are inter-linked with smoke detectors in all properties. In some instances, this requires the replacement of the smoke detector at the same time to ensure compatibility.

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 ongoing to increase the breadth and quality 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 2020 at 93%, compared with 89% achieving the desired standard at 31 March 2019. There were 515 properties that were considered to be non-decent (in addition to 1,022 refusals), with another 217 estimated to become non-decent during 2020/21.

Stock Investment

A major review of the investment need in the housing stock was undertaken in 2019/20, culminating in the approval of an updated 5-Year Asset Management Strategy in September / October 2019.

Within the Asset Management Strategy, the authority confirmed a commitment to return to a partial investment standard across the housing stock, as opposed to working towards the previously adopted basic decent homes standard, alongside a commitment to improving the energy efficiency of the stock thus reducing the carbon footprint. A return to a partial investment standard saw the lives of doors to flats reduced from 40 to 30, pitched roof coverings reduced from 60 to 50 and both PVCU and timber windows in flats reduced from 40 to 30 years.

As part of the Asset Management Strategy, a programme of new initiatives and actions was identified, which included aspirations to (subject to funding bids when costs have been quantified in some cases):

- Implement a new rolling programme of stock condition surveys so properties are inspected every five years
- Continue the programme of structural surveys of flats blocks and implement survey programme for older flats and houses with structural concrete elements
- Reduce the electrical inspection cycle to five years in line with best practice
- Implementation of "Orchard Asset" asset management software – including development of the compliance and energy modules
- Develop a methodology which identifies high cost investment properties across the stock and calculates net present values – using new software in Orchard Asset
- Implement a programme of estate investment projects
- Establish a programme of re-inspection of asbestos containing materials and implement a new asbestos register based within Orchard Asset
- Implement an annual programme to inspect fire doors to flats and communal areas (including the replacement of non-compliant fire doors)
- Review maintenance requirements for flat roofs and sheds replacement and repair
- Develop a replacement programmes for lifts, door entry systems, communal entrance doors, fire systems, automatic doors, and communal lighting.
- Review the cyclical decoration programme and reduce the external masonry painting programme to a 7- year cycle to tie in with the painting and repair cycle.

Following updated Fire Risk Assessments and revised fire safety regulations, a number of measures are being implemented to improve fire safety. All dwellings are having heat detectors installed in kitchens and this programme is expected to be completed by March 2022. We are also increasing the level of fire protection in upstairs maisonettes and installing emergency lighting in blocks of flats.

The installation of heat detectors in all properties over a three-year period necessitates additional work to existing fire detection systems in dwellings. This includes replacing and interlinking existing smoke detectors. Additional revenue resource of £360,000 has been requested as detailed in Section 5 of this report to complete the programme of work by the end of March 2022.

Funding of £450,000 (£200,000 in 2020/21 and £250,000 in 2021/22) has also been incorporated into this iteration of the business plan to allow for enhanced fire alarm systems to be installed at Kingsway, Princess Court and Hanover Court, following the recommendations for the latest firs risk assessments.

Additional capital resource of £3,000,000 (inclusive of contractor overheads) is also requested in 2021/22, as part of this HRA Medium Term Financial Strategy, to undertake remedial structural works to balconies and walkways at blocks of flats at Princess and Hanover Court and a number of block of flats in the South Arbury area including Cockerel Road, Rutland Close, Brackley Close, Fordwich Close, and Perse Way. There is the potential for similar investment to be required in other blocks of similar age and construction, but until further specialist surveys have been completed, this can't be confirmed or quantified. Further capital bids will need to be made as part of the 2021/22 budget process to allow further works to be undertaken if they are required.

Further analysis is still 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.

From a delivery perspective planned maintenance investment is currently broadly split between two main contractors. Foster Property Maintenance are responsible for the delivery of the majority of external planned works to the housing stock, blocks and estates, whilst TSG Building Services deliver the majority of internal planned investment. The contract with TSG has been extended to November 2022, and the contract with Fosters runs until July 2022, with the potential to extend for a further 3 years. A significant amount of work is procured via one-off contracts and this includes large structural works projects and energy efficiency works.

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 increasing energy efficiency, 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.

Additional resources were identified in the budget for 2020/21, to accelerate work on our stock and to collect the data required for the development of up a more detailed programme of investment in improving energy efficiency and environmental sustainability of our Council housing stock. This will inform a strategy for the improvement of energy in Council homes and consideration of future policies, for example in relation to heating sources. Although at this stage the financial impact of such a strategy cannot be included in the MTFS, there has been significant work undertaken to start collecting and analysing energy efficiency data across the housing stock.

Across the stock, we have not yet modelled a full programme for all of the existing stock. The scale of the task is very large indeed, and the Council is likely to need to enter into borrowing to be able to deliver on its aspirations in relation to existing Council rented homes. The Asset Management Team have been working closely with the Housing Development Team to analyse the performance and associated maintenance and tenant based costs of the renewable technologies being considered for heating sources within the new build properties to establish what might be viable to replace gas as a heating source in our existing homes.

Work has started to identify and put in place measures to raise Council dwellings with the lowest energy efficiency ratings (EPC rating of E, F and G) to at least a C rating in 2020/21. We are also implementing projects to identify the work and associated costs to improve the energy efficiency of all our older solid wall properties (the majority of these are currently D rated.) A separate report to Housing Scrutiny Committee in this committee cycle identifies a programme of works to 70 homes (1935 build type) to improve them to a B rating by undertaking external wall insulation and solar panels. There are in the region of 1,000 further homes that could benefit from this investment, subject to proof of concept and approval of resource in future years. Work is underway to better understand the challenges posed by other building types in Cambridge, and what is possible in terms of improving the SAP rating (ideally to B), reducing carbon emissions and tenant bills.

It must be noted though, that upgrading existing homes does not lead to an increase in rental income, unlike the new build programme where the costs of borrowing can be met by new income from the newly constructed homes.

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 2020.
- Re-phasing of expenditure anticipated to take place in 2019/20, into 2020/21 and beyond, as approved in June / July 2020.
- Inclusion of £200,000 in 2020/21 (for Kingsway) and £250,000 in 2021/22 (for Princess and Hanover Courts) to install fire alarms in line with the latest fire risk assessment recommendations.
- Inclusion of £3,000,000 (including contractor overheads of £298,000) of resource in 2021/22 to allow remedial structural works to be carried out in identified flat blocks across the city.
- Re-phasing of budget of £1,625,000 for heating and boiler installations between 2020/21 and 2021/22 or 2023/24 in line with revised project delivery timelines.
- Virement between decent homes budgets for heating, doors and HHSRS in 2020/21 in line with works orders raised in year.

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 and the planned development programme.

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, to ensure prudency and to avoid reliance on a receipt that may not materialise.

During 2019/20, the HRA did not acquire or dispose of any properties on the open market, outside of the HRA redevelopment programme. Three properties were acquired in 2019/20 as part of the redevelopments at Colville Road and Campkin Road, with a further four having completed in 2020/21 to date. There were still four properties left to acquire on these sites at the time of writing this report.

Other disposals or acquisitions in 2020/21 to date, including the acquisition of land for potential future development include:

Acquisition / Disposal	Comment	Status
2 Bed House	Sale of 2 bedroom property in the south of the city to secure vacant possession of a development site	In progress
1 Bed Flat	Purchase on open market of a 1 bedroom flat in an existing HRA block in the south of the city	Complete
Land at Fen Road	Purchase of a plot in the north of the city - 3,000 square metres of land with development potential	Complete

Acquisition / Disposal	Comment	Status
Land at Ditton Fields	Purchase of a property and adjoining land plot in the south of the city with planning permission for a single dwelling on the land plot	Complete
Land at Queensmeadow	Purchase of a small land parcel in the south of the city	In progress
10 existing market dwellings and 10 POD's *	Purchase of 10 homes on the open market and the purchase and placement of 10 POD's to house rough sleepers as part of the MHCLG Next Steps Programme, subject to MHCLG Grant approval.	Grant bid submitted

* At the time of writing this report, a bid had been submitted to MHCLG for the acquisition of 10 existing market dwellings and 10 POD's, at a total capital cost of £4,474,200, with a request for grant of £2,573,700. This leaves the HRA to meet £1,900,500 of the up-front capital cost, which will be repaid over the life of the assets from the net revenue stream. The budget has been incorporated into the capital plan to allow officers to proceed if the grant bid is successful, but expenditure will not be incurred if the grant is not awarded. If the scheme progresses, the units will be let at either social rents, or the higher (post COVID) Local Housing Allowance rates, depending upon what is agreed as part of the grant approval. Once the bid outcome is known, potential sites for the location of the POD's will be considered, in line with the delegation process for the existing POD programme, which allows approval of location by the Strategic Director, subject to Executive Councillor and Ward Councillor consultation.

New Build

General Approach

The Council's approach to building new homes is continually evolving, with consideration being given to the building and energy efficiency standards against which the authority will build going forward.

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

The Council has recently commissioned a review of the housing delivery to date and the delivery vehicles adopted to achieve the delivery of new homes. Outcomes of the review will be reported to Housing Scrutiny Committee in January 2021 and will inform recommendations on the delivery of the next New Homes Programme, for the period from 2022 onwards.

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 2020 onwards are:

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

Potential new build schemes are identified and strategically considered, with initial communication to potentially affected residents taking place. Once detailed feasibility work has been carried out, schemes are presented to Housing Scrutiny Committee for formal consideration and approval, based upon indicative costs. Schemes are 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 along with any fees and costs to secure vacant possession form the final budget for each scheme.

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

New Build Schemes Completed – Devolution 500 Programme Onwards

At the time of writing this report 80 new homes had been completed since the beginning of 2018 as part of the Devolution 500 Programme, with a net gain of 53 council rented homes.

The table below details the new build schemes completed as part of this programme to date:

Scheme	Date Completed	Total Social Housing / SO Units	Gain in Social Housing Units	External Funding Source	Percentage Social Housing on Site
Uphall Road	February 2018	2	2	RTB Receipts & Devolution Grant	100%
Nuns Way/Cameron Road	September 2019	7	7	RTB Receipts & Devolution Grant	100%
Wiles Close	September 2019	3	3	RTB Receipts & Devolution Grant	100%
Ditchburn Place	September 2019	2	2	RTB Receipts & Devolution Grant	100%
Queensmeadow	June 2020	2	2	RTB Receipts & Devolution Grant	100%
Anstey Way	June 2020	56	29	RTB Receipts & Devolution Grant	100%
Colville Road Garages	July 2020	3	3	RTB Receipts & Devolution Grant	100%
Gunhild Way	July 2020	2	2	RTB Receipts & Devolution Grant	100%
Wulfstan Way	September 2020	3	3	RTB Receipts & Devolution Grant	100%
Total		**80**	**53**		

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
Markham Close	5	5	1,186,650	(355,990)	(830,660)	0
Kingsway	4	4	410,000	(123,000)	(287,000)	0
Akeman Street	14	12	4,526,720	(910,680)	(2,124,920)	1,491,120
Ventress Close	15	13	3,689,920	(783,910)	(1,828,600)	1,077,410
Cromwell Road	118	118	24,865,800	(7,459,740)	(17,406,060)	0
Total	**274**	**270**				

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 or section 106 sites, where the intention is for the HRA to deliver or purchase the affordable housing.

The table below details the latest budget requirements either approved or for approval as part of the HRA Medium Term Financial Strategy and the assumed number of new homes which can be delivered, recognising that this may still be 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 or design and build contract 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
Colville Road II	69	49	15,690,580	(3,040,130)	(7,093,200)	5,557,250
Meadows and Buchan	106	106	27,318,760	(3,958,930)	(13,141,130)	10,218,700
Clerk Maxwell Road	14	14	2,746,760	(824,030)	(1,922,730)	0
Campkin Road	75	50	17,421,260	(3,114,990)	(1,750,000)	12,556,270
L2	30	30	6,207,000	0	0	6,207,000
Colville Road III	47	29	11,103,200	0	0	11,103,200
Histon Road	7	7	1,513,000	0	0	1,513,000
Total	**352**	**289**				

As part of this report, scheme specific budgets have been separately identified for the HRA to acquire the affordable housing on the site at L2, to redevelop the site to be referred to as Colville Road III, and to acquire 7 affordable homes as part of a development in Histon Road, in line with the scheme specific reports being presented to Housing Scrutiny Committee in this committee cycle. These schemes could be counted towards the new programme from 2022 onwards.

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 date	2
Kendal Way	In-fill	Planning expired	2

Scheme	Site Type	Status	Potential New Build Units
Colville Road II	Existing HRA Housing	Planning approved	69
Meadows and Buchan	Community Facility	Planning resolution	106
Clerk Maxwell Road	Section 106 Site	Planning approved	14
Campkin Road	Existing HRA Housing	Planning approved	75
L2	CIP Acquisition	Pre-planning	30
Colville Road III	Existing HRA Housing	Site Feasibility	47
Histon Road	Section 106 Site	Planning approved	7

Tedder Way

This scheme is under review due to access and boundary issues but will be subject to external tender to allow delivery once a planning decision has been made.

Kendal Way

An unresolved boundary dispute has been ongoing for sufficient time that the planning permission for this site has now lapsed. The scheme is now subject to review.

Colville Road II

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 all of the secure households having moved at the time of writing this report, and to buy back 4 leasehold flats, with 3 of these purchases having completed to date.

The scheme was granted planning by the Planning Committee on 6 November 2019 and start on site is anticipated by October 2020.

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 scheme proposes new homes on both sites, 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.

Following a second public consultation the revised scheme has now received planning committee approval.

Clerk Maxwell

This scheme would see the HRA acquire the 14 affordable homes on an existing Hill Residential development site. The scheme was re-submitted for planning in December 2019, and planning approval has now been granted.

Campkin Road

To secure vacant possession for the re-development of the site at Campkin Road it is necessary to re-locate a total of 25 tenants, with 21 of the secure households having moved at the time of writing this report, and to buy back 7 leasehold flats, with 4 of these purchases having completed to date.

The scheme was granted planning permission in May 2020. Start o site is anticipated in October 2020, subject to having secured vacant possession.

L2

This site was purchased by the Cambridge Investment Partnership in December 2019, with planning permission for 64 homes. It is anticipated that the scheme can be revised to deliver up to 75 homes, with the HRA acquiring the 30 (40%) affordable homes on the site. Subject to obtaining revived planning consent, it is estimated that start on site could be in April 2021.

Colville Road III

This site currently comprises 15 tenanted HRA properties, 2 leasehold flats, a flat that has already been repurchased by the HRA and is being let on a temporary basis and 4 shops. The proposed development, which is the subject of a separate report in this committee cycle would see the provision of 47 new or replacement homes alongside the reprovision of the commercial space.

It should be noted that the commercial property that currently exists on the site of the Colville Road III development is held in the Council's General Fund, with the benefit of the rental income also being recorded there. Officers are exploring the most appropriate route to both identify the true costs that should be borne by the General Fund and to subsequently account for and finance this expenditure. At this stage the full scheme cost has been incorporated into the HRA Medium Term Financial Strategy and Housing Capital Plan, to allow the scheme to proceed. A delegation to the Section 151 Officer, in consultation with the Executive Councillor for Strategy and Resources and the Executive Councillor for Housing, is requested in the scheme specific report to allow the most appropriate valuation basis, funding route and accounting treatment for the value of the commercial units being provided to be determined.

Histon Road (The Mews)

This site is being developed by Laragh Homes, to deliver 17 private and 10 affordable homes off Histon Road. Cambridge City Council have been offered the opportunity to acquire 7 of the affordable homes, all 2 bedroom properties, with the other 3 affordable homes forming part of the Cambridgeshire and Peterborough Combined Authority £100,000 home programme.

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 of 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 is still awaiting the outcome of a government consultation. 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.

Future New Build

After completion of the Devolution 500 Programme, the authority is committed to continue a programme to deliver 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.

Considerable work has been done to begin to develop the new build housing programme which will follow after the completion of the Devolution 500 Programme, with an aspirational target to deliver 1,000 net additional rented homes over the following 10 years.

A number of options are being explored to give an indication of what may be possible, which include a mix of developing HRA or Council owned land, acquiring land on the open market, acquiring the affordable housing on Section 106 sites and working with a development partner or as part of a joint venture to develop larger sites in the city. A number of scenarios are also under consideration to demonstrate how a net 1,000 council rented homes could be delivered, using a mx of market sale, shared ownership and council rented homes to ensure financial viability. Differing levels of energy efficiency have also been explored, with options for building to Passivhaus standards costed into the assumptions currently, so that the impact of the additional up-front investment can be clearly articulated. The scenarios modelled also include assumptions about whether the authority may be able to secure Homes England grant to help finance the delivery of new homes.

A separate report is presented to the committee cycle in respect of the principles for the potential 1,000 New Build Programme, and some high-level assumptions from modelled scenarios have been modelled as part of this iteration of the business plan.

This MTFS includes provision for one new build scenario, whilst recognising that further work needs to be done on exploring options, including in relation to the sites available. As such, this report provides the financial underpinning of a broad strategic commitment to the delivery of a 1,000 homes new-build programme from 2022, and set of key strategic aims, using the assumptions below.

The key assumptions made in respect of the modelling for the purpose of this plan are as follows:

- 1,000 net additional council rented homes are delivered over the 10-year period following the Devolution 500 Programme
- To deliver 1,000 net new council rented homes in mixed communities, we will deliver 1,200 gross rented homes and develop other tenures where required (current assumption is that we will also build and own 233 shared ownership homes and build 500 homes for market sale)
- We will develop using a range of tools with our modelled assumption including a mix of 37% delivered via Joint Venture or Section 106, 21% land led schemes, 33% built on existing HRA sites and 8% of the shelf purchases
- A build cost of £2,950 per square metre, which assumes building to Passivhaus standards, by allowing a £500 uplift per square metre on the standard rate of £2,450
- A land acquisition costs for land led schemes of £75,000 per plot
- New homes are all let at council affordable rent levels using the pre-COVID-19 Local Housing Allowance levels as a cap in line with current policy
- Retained right to buy receipts would continue to be available for re-investment at the rate of £2,800,000 per annum and that they can be used in addition to Homes England Grant. (This will require a positive outcome from the MHCLG RTB Consultation)
- Borrowing has been assumed at 1.7%, based upon the current PWLB HRA Certainty Rate

- Initial modelling by Redloft has been undertaken on the assumption that 1,200 gross council rented homes are built and this assumption has been complimented in the HRA business plan with the assumption that in order to deliver 400 of these new homes on HRA land, there would be a need to demolish 200 existing properties as part of the site regeneration schemes. The loss of 200 existing homes has been built into the HRA financial forecasts, delivering a net gain of 1,000 rented homes
- Investment profile is spread equally across the 10-year programme (bar £3,000,000 incorporated into 2020/21 and 2021/22 for land acquisition and early investment)

Assumptions for the financial modelling for this iteration of the business plan – 1,200 (1,000 net) Council Rented and 233 Shared Ownership homes at Passivhaus Standard, with Homes England Grant of £70,000 per unit for rented and £28,000 per unit for shared ownership homes.

- This would require £335,000,000 of borrowing, against total investment of approximately £658,000,000, 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 25% of the original HRA Self-Financing housing debt.

Work is ongoing to identify and explore potential HRA sites and land acquisition opportunities that could be included within the 1,000 Programme. Sites and schemes will be brought forward for formal consideration and approval individually as opportunities arise.

This iteration of the business plan has incorporated this option, for the purpose of ensuring that resource is ear-marked to provide a framework to allow the 1,000 Programme to be further developed. This does not provide assurance that the programme will be delivered in accordance with the assumptions made initially and will require revision as the programme develops and detailed decisions are taken.

Taking into consideration site constraints and the delivery vehicle adopted for each scheme as it is identified for inclusion in the programme, different recommendations may be made in respect of tenure mix and sustainability standards. The option currently incorporated into the plan assumes new homes will be built to Passivhaus standard wherever possible, but there is an intention to move towards zero-carbon during the life of the programme, where it is feasible and viable to do so.

This proposal is however dependent upon securing Homes England Grant funding for all of the council rented and shared ownership units, and failure to achieve this will mean that the programme will need to be reviewed to identify alternative sources of funding, to increase the amount of market sale or shared ownership housing provided, to reduce build standards or to reduce the number of council rented homes delivered overall.

Any opportunity to secure additional future funding through the Combined Authority, Homes England or MHCLG is being fully explored, as this will mitigate the amount of resource that the HRA needs to borrow.

The need for the HRA to borrow significant sums of money over the 10-year period requires a review of borrowing options. Currently, the PWLB is offering a preferential rate for lending to the HRA, but this resource may be limited in value or may expire before the end of the 10-year programme. It is prudent for the authority to explore other borrowing routes to ensure that any borrowing decisions are made with the benefit of comprehensive market information.

The initial resource ear-marked in the business plan will be reviewed and re-profiled as the programme develops, with detailed borrowing options being explored and decisions being made as part of the medium term financial strategy or budget setting process for any year in which borrowing is deemed necessary. The first year that borrowing is currently anticipated is 2022/23.

The Housing Capital Investment Plan, an updated version of which is attached at **Appendix H**, incorporates the funding for the net 1,000 new homes and the new build schemes as identified in the tables above, recognising gross spend on each council housing scheme, land values, grant and any right to buy receipts separately, arriving at the net 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 2020.
- Re-phasing of expenditure anticipated to take place in 2019209 into 2020/21 and beyond, as approved in June / July 2020.
- Re-allocation of new build budget between the unallocated / generic new build budget and individual scheme specific budgets of £6,207,000 for the acquisition of the affordable housing on the site at L2, assuming scheme specific approval is granted at this Housing Scrutiny Committee in September 2020.
- Inclusion of resource to facilitate the new 1,000 New Homes Programme, recognising that significant borrowing will be required to allow this to happen.
- Inclusion of budget of £11,104,000 to facilitate the development of the existing HRA site at Colville Road III, with the scheme to be the first scheme identified as part of the new 1,000 homes programme. The scheme will utilise the last of the 2021/22 £10,000,000 of resource identified for new build homes, with the balance to be funded from resource ear-marked as part of the new programme from 2022/23.
- Inclusion of budget of £1,513,000 to acquire 7 affordable homes on a development site off Histon Road, assuming scheme specific approval is granted at this Housing Scrutiny Committee in September 2020.
- Inclusion of a budget of £4,474,200, with assumed MHCLG grant of £2,573,700 towards this, to allow the acquisition of 10 dwellings and 10 POD's to move rough sleepers on from hotel accommodation.
- 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 into 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 2021/22 will incorporate the changes both agreed and proposed as part of this iteration of the business plan, to help to mitigate the financial impact of the coronavirus pandemic. The budget process itself will remain broadly similar to that for previous years in terms of timing and detailed administration.

Incorporation of savings in both revenue and capital expenditure from 2019/20 at the outturn position improved the base position for the HRA from April 2020. Unfortunately, and as is the case for many businesses, the coronavirus pandemic has negatively impacted the financial projections for 2020/21 and beyond.

Further challenges have been identified, over and above those resulting from the pandemic, with an increased investment need in the existing housing stock in respect of both health and safety and fire safety works. Resource has been incorporated as part of this iteration of the business plan to inspect fire doors, install heat detectors that are linked to smoke detectors and to tackle structural failures in some flat blocks.

For 2020/21 the HRA Medium Term Financial Strategy incorporates changes in the anticipated rental income for the current year, in the contribution to the bad debt provision as a result of an increase in rent arrears, changes in anticipated interest earned in year from a revenue perspective and in depreciation of the housing stock, alongside some changes in operational budgets.

The report also proposes release of some ear-marked reserves back into general reserves and some changes in operational budgets, in mitigation of the impact of the coronavirus pandemic.

Changes in the capital programme in respect of the budget now required for specific new build schemes have been incorporated, with budgets adjusted or re-phased as schemes reach the next milestone in the development process. Budget to create a framework to allow the programme of 1,000 net new council rented homes to be developed further has also been incorporated as part of this iteration of the business plan.

This ensures that the level of investment is more than sufficient for that required to avoid paying any retained right to buy receipts to Central Government, with the associated interest penalty, instead ensuring these receipts can be re-invested in the locality.

The requirement to borrow in future years in order to deliver the 1,000 new council rented homes that the HRA is seeking to provide has been incorporated into the business plan to demonstrate that the HRA can fully support the ongoing costs of borrowing with the initial assumptions made. As borrowing is required, borrowing routes need to be explored and clear assumptions need to be made around whether the existing borrowing should be repaid at maturity or re-financed. These decisions will materially impact the financial forecasts for the HRA and drive the requirement to identify any savings in future iterations of the business plan. The HRA needs to be able to clearly demonstrate that borrowing is undertaken in order to finance a new asset, and not simply to plug a budget gap.

There is an assumption built into this iteration of the business plan, that in order to deliver 1,000 new council rented homes, the authority will be successful in securing significant sums of grant funding from Homes England. Failure to achieve this will require a significant review of both the proposed development programme and the HRA business plan.

In advance of the need to borrow, and to ensure prudency in an uncertain financial climate, 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 continue to face.

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 2021/22 budget bids and savings process, to ensure that these can be weighed up against any strategic re-investment proposed.

Approach to HRA Savings

In line with the budget strategy outlined in the 2019/20 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 (now £136,000 per annum) efficiency target is considered prudent in light of continued uncertainty in both the economy generally and in a number of areas of national housing policy, and allows resource to be identified for strategic reinvestment in other areas of the housing service. 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 again for 2022/23 onwards, once the longer-term impacts of the pandemic are clear and there is further clarity at a national level around housing policy.

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

Retention of strategic reinvestment funding, now at £136,000 per annum, funded from any efficiency savings identified, for the next 5 year period, from 2021/22, 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 crisis or 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.

As part of the 2021/22 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. A key challenge, exacerbated by the delays caused by the coronavirus pandemic, 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 4.1%, calculated from the quarter in which they were originally received.

Once the borrowing options have been explored in order to facilitate the delivery of new council homes, the longer-term assumption that the authority attempts to set-aside resource for the repayment at least 25% of the self-financing housing debt by the point at which the loan portfolio begins to reach maturity will be reviewed. The authority will review and reconsider its approach to debt set-aside once the detailed borrowing requirements for the future new build programme have been confirmed, retaining the base assumption in the interim.

The position for the HRA will be reviewed again as part of the January 2021 HRA Budget Setting Report, with a view to continuing to maximise 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 2020/21 and 2029/30, 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.

HRA MTFS Conclusions

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

The need to react to the negative impact of the coronavirus pandemic has resulted in recognition that there will be an increase in rent arrears and associated bad debt, with budgets having been reviewed and reduced in some areas in an attempt to mitigate the initial impact. The position will need to be reviewed again once any longer-term impact is clear.

Delivery against some of the key assumptions is critical to the success of the housing business plan, with the assumption of continued rent increases at CPI plus 1% for a further 4 years being one of the critical assumptions included.

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. The transition from Housing Benefit to Universal Credit has been accelerated by the coronavirus pandemic, which has prompted new claims and an increase in changes of circumstance.

Another key risk remains the authority's ability to invest retained right to buy receipts within the required timescales, with the anticipated relaxing of these constraints not yet confirmed. Sufficient schemes are approved in the pipeline to ensure that receipts can be reinvested, but there are still risks if schemes are delayed in any way, with recent events having exacerbated this.

A key uncertainty still exists in respect of the investment need that may arise once the review of the decent homes standard identified as part of the Housing Green Paper, has concluded.

The incorporation of an initial budget to allow the development of a programme to deliver 1,000 new council rented homes identifies the need to ensure that the HRA can borrow as efficiently as possible and demonstrate affordability for the borrowing over the life of the business plan.

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
Changes in national housing or rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies • Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible
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 has just been replaced	• Project Board for system replacement are aware of the potential need for further changes to IT systems and have discussed this with suppliers as part of the implementation process • Fixed term tenancies may now not be compulsory, 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 The financial impact of the coronavirus pandemic is far greater, and longer lasting, than anticipated in 2020/21	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 • Ongoing monthly review of key parameters whist the impact f the coronavirus pandemic is uncertain.

Risk Area & Issue arising	Controls / Mitigation Action
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework
Failure to deliver Major Housing / Development Projects, i.e. return on capital investment, project on time etc.	• 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 • Council has procured an independent review of new build delivery

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 or the Coronavirus pandemic	• 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 in the economic environment cause a significant reduction in the number of right to buy sales, reducing the resource available to finance the capital investment programme	• Sensitivities modelled so potential impacts are understood • Business plan is regularly reviewed allowing reallocation of resource or consideration of borrowing if required
Changes to the right to buy rules 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 planned capital investment from the sale of assets	• Policy on applying general capital receipts for strategic disposals only at point of receipt • Regular review of mix of new build delivered to ensure that assumptions around shared ownership and market sale are realistic

Appendix B

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	**0.9% for 2021/22, then 2% ongoing**	**General inflation on expenditure included at 0.9% for 2021/22, then 2% ongoing, per Bank of England) forecasts of May 2020.**	**Amended**
Capital and Planned Repairs Inflation	**CPI plus 1.1%**	**Based upon the mix of BCIS and CPI forecasts for next 2 years, using averages over this period. Reverts to CPI after 2 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.	Retained
Pay Inflation	**1.5% Pay Progression & Pay Inflation at 2.75% for 2020/21, 2.5% for 2021/22 then 2% from 2022/23**	**Assume allowance for increments at 1.5% and cost of living pay inflation at 2.75% for 2020/21, 2.5% for 2021/22, 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 4 years from 2021/22, then CPI plus 0.5% from 2025/26	Rent increases of up to CPI plus 1% for 4 further 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 4 years from 2021/22, then	Affordable rents to be reviewed annually in line with Local Housing Allowance, ensuring that they match the LHA unless	Retained

Key Area	Assumption	Comment	Status
	CPI plus 0.5% from 2025/26	it rises above CPI plus 1%, in which case the lower will apply.	
Rent Convergence	Voids Only	Ability to move to target rent achieved only through movement of void properties directly to target rent.	Retained
External Lending Interest Rate	**0.6%**	**Interest rates based on latest market projections, recognising that the HRA will benefit from low risk investments only**	**Amended**
Internal Lending Interest Rate	**0.6%**	**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	**1.69%**	**Assumes additional borrowing using PWLB HRA certainty rates.**	**Amended**
Internal Borrowing Interest Rate	**1.69%**	**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	**22, then 25 sales ongoing**	**The impact of the coronavirus pandemic is expected to result in a decline in activity for 2020/21. Assume 22 in 2020/21 then 25 sales annually ongoing.**	**Amended**
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for one receipts included, and ear-marked for direct new build spend. Debt repayment proportion assumed to be set-aside.	Retained
Void Rates	1% ongoing	Assume an ongoing void rate of 1% from 2020/21, recognising recent standard void performance.	Retained
Bad Debts	**4.5% for 2020/21, then 1.5% from**	**Bad debt provision increased to 4.5% for 2020/21 as a result of the coronavirus pandemic, then 1.5% ongoing reflecting**	**Amended**

Key Area	Assumption	Comment	Status
	2021/22 ongoing	**the requirement to collect 100% of rent directly through Universal Credit .**	
Savings Target	£136,000 (4% of general and repairs administrative expenditure)	Retain an efficiency target of £136,000 from 2021/22 for 5 years. Allows strategic reinvestment or alternatively a response to pressure from national housing policy change.	Retained
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Strategic Investment Fund	£136,000	Housing Strategic Investment Fund included from 2021/22 for 5 years at the same value as the savings target.	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)
31/03/2016	1,591,834.76	13,136,139.23	43,787,130.78	31/03/2019	54,012,650.36	16,203,795.11	-	-
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	-	-
30/09/2016	1,874,821.59	17,274,833.75	57,582,779.17	30/09/2019	61,400,261.17	18,420,078.35	-	-
31/12/2016	1,320,457.44	18,595,291.19	61,984,303.97	31/12/2019	66,415,285.15	19,924,585.55	-	-
31/03/2017	1,313,143.16	19,908,434.35	66,361,447.83	31/03/2020	76,190,083.40	22,857,025.02	-	-
30/06/2017	2,045,445.56	21,953,879.91	73,179,599.70	30/06/2020	79,116,964.89	23,735,089.47	-	-
30/09/2017	1,779,600.43	23,733,480.34	79,111,601.13	30/09/2020			-	-
31/12/2017	2,229,968.03	25,963,448.37	86,544,827.90	31/12/2020			2,228,358.90	7,427,863.01
31/03/2018	646,869.52	26,610,317.89	88,701,059.63	31/03/2021			2,875,228.42	9,584,094.75
30/06/2018	1,556,719.56	28,167,037.45	93,890,124.83	30/06/2021			4,431,947.98	14,773,159.95
30/09/2018	557,803.20	28,724,840.65	95,749,468.83	30/09/2021			4,989,751.18	16,632,503.95
31/12/2018	1,210,892.84	29,935,733.49	99,785,778.30	30/12/2021			6,200,644.02	20,668,813.41
31/03/2019	209,910.09	30,145,643.58	100,485,478.60	31/03/2022			6,410,554.11	21,368,513.71
30/06/2019	1,408,403.81	31,554,047.39	105,180,157.97	30/06/2022			7,818,957.92	26,063,193.08
30/09/2019	711,247.45	32,265,294.84	107,550,982.80	30/09/2022			8,530,205.37	28,434,017.91
31/12/2019	317,598.07	32,582,892.91	108,609,643.03	30/12/2022			8,847,803.44	29,492,678.15
31/03/2020	908,642.82	33,491,535.73	111,638,452.43	31/03/2023			9,756,446.26	32,521,487.55
30/06/2020	544,986.29	34,036,522.02	113,455,073.40	30/06/2023			10,301,432.55	34,338,108.51

Appendix D

2020/21 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2020/21 Budget (£)	Budget Amendment in 2021/22 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		**5,147,220**		
HRA General Management				
Tenancy Auditor	Defer appointment of Tenancy Auditor until 2021/22, when access to homes may be easier	(44,300)	44,300	One-off funding
Pay Review 2020/21	Funding to allow for 2.75% pay award for 2020/21 as per the latest employer offer	22,640	22,640	Built into base for future years
Pension Deficit Funding	Reduce pension deficit funding in line with contribution levels confirmed by pension provider	(52,000)	(52,000)	Built into base for future years
Total HRA General Management		**(73,660)**		
HRA Repairs				
Fire Door Inspections	Funding to allow for a one-off inspection of fire doors to ensure effective operation	81.800	81,800	Built into base for future years
Heat and Smoke Detectors	Increased funding for smoke detectors to allow linking to the new heat detectors for maximum effectiveness of operation	0	360,000	One-off funding
Total HRA Repairs		**81,800**		
HRA Summary Account				
Bad Debt Provision	Increase in bad debt provision linked to increase in arrears resulting from the coronavirus pandemic	1,140,930	0	One-off additional contribution
Rent Income	Increase in rental income for 2020/21 due to retention and continued temporary re-let of homes identified for demolition and redevelopment	(64,050)	Incorporated into base assumptions	Built into base for future years
Dwelling Depreciation	Reduction in the estimated level of depreciation based upon the	(324,300)		Built into base for future years

Area of Income / Expenditure	Description	Budget Amendment in 2020/21 Budget (£)	Budget Amendment in 2021/22 Budget (£)	Comment
	latest stock numbers and property values		Incorporated into base assumptions	
Interest earned on HRA Balances	The HRA will benefit from a lower rate of interest based upon current market projections	76,000	Incorporated into base assumptions	Built into base for future years
Interest paid on Borrowing	Reduction in interest used for calculation of interest payable on notional internal borrowing from the General Fund, with borrowing reduced until Cromwell Road is completed	(54,510)	Incorporated into base assumptions	Built into base for future years
Service Charges	Reduction in service charges predominantly due to reduced building cleaning services as a result of the coronavirus pandemic	18,100	0	One-off
Garage Rent	Reduction in garage rent due to inability to let vacant garages for a period during lockdown as a result of the coronavirus pandemic	35,670	0	One-off
Total HRA Summary		**827,840**		
Revised use of / (contribution to) HRA Reserves post MTFS		**5,983,200**		

Appendix D (1)

2020/21 HRA Mid-Year Ear-Marked Reserves Budget Adjustments

HRA Ear-Marked Reserve	Revenue / Capital Reserve	Description	Balance as at 1/4/2020	Potential use of reserve	Impact of use of reserve or justification for retention
Repairs & Renewals Funds	Revenue Reserve	Funds set-aside predominantly for the refurbishment of HRA offices, for the replacement of furniture, fixtures and fittings in HRA offices and for the replacement of housing IT.	2,504,845	395,910	A high-level review of IT and office investment requirements indicates the ability to reduce the reserve balances held. This reduction does assume no reconfiguration of the reception area at 171 Arbury Road is undertaken, with any future changes agreed being subject to a bid as part of the HRA MTFS or HRA BSR.
Tenants Survey	Revenue Reserve	Funds accumulated to allow a periodic tenants survey to be conducted, with a survey to be undertaken during 2020/21.	47,490	0	Survey currently being tendered for 3-year contract, with 2 surveys to be conducted within the 3-year period. Review as part of HRA BSR once final prices are known.
Debt Set-Aside or Re-Investment Reserve	Revenue Reserve	Rental surpluses from prior years, set-aside to allow for redemption of debt or re-investment in council housing.	14,704,510		Resource is fully committed to fund the future decent homes and new build investment programmes.
Major Repairs Reserve	Capital Reserve	Funds accumulated by virtue of the statutory requirement to depreciate the housing stock, with the fund required to be invested in council housing (existing stock or new supply).	9,787,889	0	Fund is fully committed to fund the future decent homes and new build investment programmes.

Debt Set-Aside or Re-Investment Reserve	Capital Reserve	Element of right to buy receipts that the authority is permitted to retain to allow redemption of the HRA self-financing debt on the dwelling sold. Can be used to redeem debt or re-invest in council housing.	9,855,562	0	Use of fund is statutorily limited. Current assumption is that the fund is set-aside towards redemption of HRA debt. The resource could alternatively be used to invest in new build homes, reducing the need to borrow, but recognising the need to re-finance existing debt at maturity instead.
			36,900,296	395,910	

Appendix E

2020/21 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	**66,358**	**61,110**	**41,705**	**30,449**	**31,709**
General Fund Housing					
Adjustment to budget for DFG's in line with Better Care Fund Grant received	(31)	25	25	25	25
Decent Homes and Other HRA Stock Investment					
Re-phase investment in heating and boilers in line with works procured	(1,625)	950	0	675	0
Vire budget for heating and boilers into other decent homes work elements in line with work orders raised in 2020/21	(325)	0	0	0	0
Vire budget to HHSRS from heating and boilers line with work orders raised in 2020/21	189	0	0	0	0
Vire budget to Doors from heating and boilers line with work orders raised in 2020/21	136	0	0	0	0
Include budget for additional wall structure and balcony works in flat blocks	0	2,702	0	0	0
Include budget for fire alarms at Kingsway, Princess and Hanover Court	200	250	0	0	0
Adjust funding for Contractor Overheads following re-phasing of heating and boiler budgets and addition of balcony works budget	(178)	429	0	74	0
Adjustment to allocation for new build decent homes work to recognise delays and additions in the programme	(144)	178	(39)	202	331
New Build					
Re-phase budget for Tedder Way	(378)	378	0	0	0
Re-phase budget for Kendal Way	(300)	300	0	0	0
Re-phase budget for Akeman Street	115	(115)	0	0	0
Re-phase budget for Cromwell Road	46	(1,088)	844	198	0
Re-phase budget for Colville Road	(7,699)	4,060	3,639	0	0
Re-phase budget for Meadows and Buchan Street	531	(541)	(494)	504	0
Re-phase budget for Clerk Maxwell	(1,539)	1,539	0	0	0
Re-phase budget for Campkin Road	(3,575)	(1,650)	5,225	0	0
Include scheme specific budget for L2	1,303	3,104	1,800	0	0

Area of Expenditure And Change	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Include scheme specific budget for Colville Road III	1,017	2,522	5,043	2,522	0
Include scheme specific budget for Histon Road	151	832	530	0	0
Include budget for Rough Sleeper Next Steps Acquisitions	4,474	0	0	0	0
Remove previously ear-marked resource for new build to allow L2, Colville Road III and new 1,000 Programme	0	(10,000)	(10,000)	(10,000)	(10,000)
Include budget for new 1,000 Programme	1,000	2,000	57,715	63,236	65,758
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	0	(106)	(336)	(597)	208
Total Housing Capital Plan Expenditure post HRA MTFS	59,726	66,879	105,657	87,288	88,031

Appendix F

New Build Investment Cashflow

New Build / Re-Development Scheme	2020/21 £'0000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
New Build / Acquisition / Re-Development Cash Expenditure										
Anstey Way	100	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	10	378	0	0	0	0	0	0	0	0
Kendal Way	45	300	0	0	0	0	0	0	0	0
Queensmeadow	28	0	0	0	0	0	0	0	0	0
Wulfstan Way	289	0	0	0	0	0	0	0	0	0
Akeman Street	2,566	68	0	0	0	0	0	0	0	0
Ventress Close	1,479	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	113	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	8,899	2,747	0	0	0	0	0	0	0	0
Gunhild Way	129	0	0	0	0	0	0	0	0	0
Markham Close	116	0	0	0	0	0	0	0	0	0
Cromwell Road	3,503	3,791	3,263	198	0	0	0	0	0	0
Kingsway Clinic Conversion	331	0	0	0	0	0	0	0	0	0
Colville Road	2,940	8,000	3,639	0	0	0	0	0	0	0
Meadows and Buchan Street	3,373	11,077	10,336	1,847	0	0	0	0	0	0
Clerk Maxwell Road	604	2,143	0	0	0	0	0	0	0	0
Campkin Road	4,560	6,995	5,225	0	0	0	0	0	0	0
Hill POD Homes	140	0	0	0	0	0	0	0	0	0
L2	1,303	3,104	1,800	0	0	0	0	0	0	0

New Build / Re-Development Scheme	2020/21 £'0000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Colville Road III	1,017	2,522	5,043	2,522	0	0	0	0	0	0
Histon Road	151	832	530	0	0	0	0	0	0	0
Rough Sleeper Acquisitions	4,474	0	0	0	0	0	0	0	0	0
Keepmoat Defect Management	28	0	0	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	2,482	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	1,000	2,000	57,715	63,236	65,758	65,758	65,758	65,758	65,758	65,758
Total New Build/ Re-Development Expenditure	**39,680**	**43,957**	**87,551**	**67,803**	**65,758**	**65,758**	**65,758**	**65,758**	**65,758**	**65,758**
New Build Devolution Grant Funding / MHCLG Rough Sleeper Next Steps Grant Funding										
Anstey Way	(36)	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites	(7)	(265)	0	0	0	0	0	0	0	0
Kendal Way	(31)	(210)	0	0	0	0	0	0	0	0
Queensmeadow	(20)	0	0	0	0	0	0	0	0	0
Wulfstan Way	(202)	0	0	0	0	0	0	0	0	0
Akeman Street	(1,191)	(12)	0	0	0	0	0	0	0	0
Ventress Close	(876)	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	(79)	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(6,229)	(1,923)	0	0	0	0	0	0	0	0
Gunhild Way	(90)	0	0	0	0	0	0	0	0	0
Markham Close	(81)	0	0	0	0	0	0	0	0	0
Cromwell Road	(2,452)	(2,654)	(2,284)	(139)	0	0	0	0	0	0
Kingsway Clinic Conversion	(232)	0	0	0	0	0	0	0	0	0
Colville Road	(1,139)	(3,977)	(1,809)	0	0	0	0	0	0	0
Meadows and Buchan Street	(2,361)	(7,754)	(2,193)	(353)	0	0	0	0	0	0
Clerk Maxwell Road	(423)	(1,500)	0	0	0	0	0	0	0	0
Rough Sleeper Acquisitions	(2,574)	0	0	0	0	0	0	0	0	0
Total New Build / Re-Development Funding	**(18,024)**	**(18,295)**	**(6,286)**	**(492)**	**0**	**0**	**0**	**0**	**0**	**0**

New Build / Re-Development Scheme	2020/21 £'0000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Use of Retained Right to Buy Funding										
Anstey Way	(16)	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites	(3)	(113)	0	0	0	0	0	0	0	0
Kendal Way	(14)	(90)	0	0	0	0	0	0	0	0
Queensmeadow	(8)	0	0	0	0	0	0	0	0	0
Wulfstan Way	(87)	0	0	0	0	0	0	0	0	0
Akeman Street	(511)	(5)	0	0	0	0	0	0	0	0
Ventress Close	(375)	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	(34)	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(2,670)	(824)	0	0	0	0	0	0	0	0
Gunhild Way	(39)	0	0	0	0	0	0	0	0	0
Markham Close	(35)	0	0	0	0	0	0	0	0	0
Cromwell Road	(1,051)	(1,137)	(979)	(59)	0	0	0	0	0	0
Kingsway Clinic Conversion	(99)	0	0	0	0	0	0	0	0	0
Colville Road	(488)	(1,704)	(775)	0	0	0	0	0	0	0
Meadows and Buchan Street	(1,011)	(367)	(2,016)	(361)	0	0	0	0	0	0
Clerk Maxwell Road	(181)	(643)	0	0	0	0	0	0	0	0
Campkin Road	(601)	(1,399)	(1,045)	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	(360)	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	0	0	0	(2,400)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)
Total Use of Retained Right to Buy Funding	**(7,583)**	**(6,282)**	**(4,815)**	**(2,820)**	**(2,800)**	**(2,800)**	**(2,800)**	**(2,800)**	**(2,800)**	**(2,800)**
Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts	**14,073**	**19,380**	**19,141**	**33,873**	**33,005**	**32,716**	**35,522**	**34,902**	**32,617**	**28,034**
Total HRA Borrowing	**0**	**0**	**57,309**	**30,618**	**29,953**	**30,242**	**27,436**	**28,056**	**30,341**	**34,924**

Appendix G (1)

HRA Summary Forecast 2020/21 to 2024/25

Description	2020/21 £0	2021/22 £0	2022/23 £0	2023/24 £0	2024/25 £0
Income					
Rental Income (Dwellings)	(38,006,650)	(39,182,680)	(40,968,380)	(44,184,180)	(46,470,970)
Rental Income (Other)	(1,256,680)	(1,303,980)	(1,330,060)	(1,356,660)	(1,383,800)
Service Charges	(3,028,520)	(3,071,990)	(3,128,870)	(3,186,880)	(3,246,060)
Contribution towards Expenditure	(658,690)	(664,610)	(677,910)	(691,470)	(705,290)
Other Income	(460,530)	(458,120)	(467,280)	(476,620)	(486,160)
Total Income	**(43,411,070)**	**(44,681,380)**	**(46,572,500)**	**(49,895,810)**	**(52,292,280)**
Expenditure					
Supervision & Management - General	3,928,910	3,858,240	3,914,030	4,143,410	4,332,760
Supervision & Management - Special	3,153,450	3,206,810	3,283,510	3,362,190	3,442,890
Repairs & Maintenance	8,147,100	8,404,000	8,134,690	8,429,360	8,664,020
Depreciation – to Major Repairs Res.	10,636,970	10,792,810	11,170,170	11,802,360	12,310,670
Debt Management Expenditure	0	0	0	0	0
Other Expenditure	5,277,990	4,304,430	4,460,390	4,642,430	4,815,210
Total Expenditure	**31,144,420**	**30,566,290**	**30,962,790**	**32,379,750**	**33,565,550**
Net Cost of HRA Services	**(12,266,650)**	**(14,115,090)**	**(15,609,710)**	**(17,516,060)**	**(18,726,730)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(375,920)	(239,540)	(134,400)	(109,020)	(112,770)
(Surplus) / Deficit on the HRA for the Year	**(12,642,570)**	**(14,354,630)**	**(15,744,110)**	**(17,625,080)**	**(18,839,500)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,452,250	7,471,700	7,927,750	8,697,340	9,209,270
Housing Set Aside	(3,905,000)	(2,858,000)	(7,941,510)	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0
Direct Revenue Financing of Capital	15,078,520	16,238,030	15,544,720	8,847,770	9,635,130
(Surplus) / Deficit for Year	**5,983,200**	**6,497,100**	**(213,150)**	**(79,970)**	**4,900**
Balance b/f	(15,478,891)	(9,495,691)	(2,998,591)	(3,211,741)	(3,291,711)
Total Balance c/f	**(9,495,691)**	**(2,998,591)**	**(3,211,741)**	**(3,291,711)**	**(3,286,811)**

Appendix G (2)

HRA 10 Year Summary Forecast 2020/21 to 2029/30

Description	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	2029/30 £'000
Income										
Rental Income (Dwellings)	(38,007)	(39,183)	(40,969)	(44,184)	(46,471)	(48,425)	(50,445)	(52,533)	(54,692)	(56,924)
Rental Income (Other)	(1,257)	(1,304)	(1,330)	(1,357)	(1,384)	(1,411)	(1,440)	(1,469)	(1,498)	(1,528)
Service Charges	(3,029)	(3,072)	(3,129)	(3,187)	(3,246)	(3,306)	(3,372)	(3,440)	(3,509)	(3,579)
Contribution towards Expenditure	(659)	(664)	(678)	(692)	(705)	(719)	(734)	(748)	(763)	(779)
Other Income	(460)	(458)	(467)	(476)	(486)	(496)	(506)	(516)	(526)	(537)
Total Income	**(43,412)**	**(44,681)**	**(46,573)**	**(49,896)**	**(52,292)**	**(54,357)**	**(56,497)**	**(58,706)**	**(60,988)**	**(63,347)**
Expenditure										
Supervision & Management - General	3,929	3,858	3,914	4,144	4,333	4,507	4,705	4,909	5,120	5,337
Supervision & Management - Special	3,153	3,207	3,284	3,362	3,443	3,526	3,611	3,698	3,787	3,879
Repairs & Maintenance	8,147	8,404	8,135	8,429	8,664	8,970	9,179	9,555	9,916	10,258
Depreciation – to Major Repairs Res.	10,637	10,793	11,170	11,802	12,310	12,671	13,041	13,421	13,810	14,210
Debt Management Expenditure	0	0	0	0	0	0	0	0	0	0
Other Expenditure	5,278	4,304	4,460	4,643	4,815	4,988	5,166	5,351	5,542	5,740
Total Expenditure	**31,144**	**30,566**	**30,963**	**32,380**	**33,565**	**34,662**	**35,702**	**36,934**	**38,175**	**39,424**
Net Cost of HRA Services	**(12,268)**	**(14,115)**	**(15,610)**	**(17,516)**	**(18,727)**	**(19,695)**	**(20,795)**	**(21,772)**	**(22,813)**	**(23,923)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account										
Interest Receivable	(375)	(240)	(134)	(109)	(113)	(117)	(120)	(124)	(128)	(131)
(Surplus) / Deficit on the HRA for the Year	**(12,643)**	**(14,355)**	**(15,744)**	**(17,625)**	**(18,840)**	**(19,812)**	**(20,915)**	**(21,896)**	**(22,941)**	**(24,054)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance										
Loan Interest	7,452	7,472	7,928	8,697	9,209	9,717	10,205	10,672	11,164	11,709

Housing Set Aside	(3,905)	(2,858)	(7,942)	0	0	0	0	0	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0	0	0	0	0	0
Direct Revenue Financing of Capital	15,079	16,238	15,545	8,848	9,636	10,033	10,674	11,156	11,693	12,238
(Surplus) / Deficit for Year	**5,983**	**6,497**	**(213)**	**(80)**	**5**	**(62)**	**(36)**	**(68)**	**(84)**	**(107)**
Balance b/f	(15,479)	(9,496)	(2,999)	(3,212)	(3,292)	(3,287)	(3,349)	(3,385)	(3,453)	(3,537)
Total Balance c/f	**(9,496)**	**(2,999)**	**(3,212)**	**(3,292)**	**(3,287)**	**(3,349)**	**(3,385)**	**(3,453)**	**(3,537)**	**(3,644)**

Appendix H

Housing Capital Investment Plan (10 Year Detailed Investment Plan)

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend										
Disabled Facilities Grants	935	707	707	707	707	707	707	707	707	707
Private Sector Housing Grants and Loans	195	195	195	195	195	195	195	195	195	195
Total General Fund Housing Capital Spend	**1,130**	**902**	**902**	**902**	**902**	**902**	**902**	**902**	**902**	**902**
HRA Capital Spend										
Decent Homes										
Kitchens	682	303	466	621	753	1,136	747	1,474	1,367	1,799
Bathrooms	1,049	188	47	158	650	653	146	67	363	1,222
Central Heating / Boilers	1,888	2,816	2,050	2,525	2,675	1,902	2,129	2,315	1,685	3,711
Insulation / Energy Efficiency	1,384	891	807	676	519	420	970	181	1,184	807
Energy Efficiency Pilot / Retrofit	500	1,000	1,000	0	0	0	0	0	0	0
External Doors	270	52	72	20	58	52	75	57	58	162
PVCU Windows	689	467	241	855	538	1,062	380	328	1,111	776
Wall Structure	2,567	2,708	6	19	2	250	94	505	681	1,057
External Painting	357	357	357	357	357	357	357	357	357	357
Roof Structure	300	300	300	300	300	300	300	300	300	300
Roof Covering	869	1,106	200	690	1,918	1,647	994	1,058	935	398
Chimneys	2	0	0	2	2	0	0	0	7	0

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Electrical / Wiring	296	274	445	388	483	209	266	4	19	559
Sulphate Attacks	102	102	102	102	102	102	102	102	102	102
HHSRS Contingency	457	100	100	100	100	100	100	100	100	100
Other Health and Safety Works	90	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	330	330	330	330	330	330	330	330	330	330
Decent Homes Backlog	0	4,716	4,716	4,716	4,716	4,716	3,811	3,811	3,811	3,811
Decent Homes Planned Maintenance Contractor Overheads	1,308	1,096	576	754	936	906	738	759	915	1,254
Decent Homes New Build Allocation	0	908	965	1,286	1,500	1,723	1,953	2,192	2,439	2,993
Total Decent Homes	**13,140**	**17,764**	**12,830**	**13,949**	**15,989**	**15,915**	**13,542**	**13,990**	**15,814**	**19,788**
Other Spend on HRA Stock										
Garage Improvements	100	100	100	100	100	100	100	100	100	100
Asbestos Removal	50	50	50	50	50	50	50	50	50	50
Disabled Adaptations	808	808	808	808	808	808	808	808	808	808
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	329	71	76	136	71	140	71	73	185	161
Fire Prevention / Fire Safety Works	954	300	50	50	50	50	50	50	50	50
Hard surfacing on HRA Land - Health and Safety Works	225	225	225	225	225	225	225	225	225	225
Communal Areas Floor Coverings	100	100	100	100	100	100	100	100	100	100
Lifts and Door Entry Systems	231	9	0	38	28	75	0	0	40	40
Estate Investment	1,238	970	1,000	806	0	0	0	0	0	0

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capitalised Officer Fees - Other HRA Stock Spend	114	114	114	114	114	114	114	114	114	114
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	344	183	182	193	185	197	182	182	199	196
Total Other Spend on HRA stock	**4,743**	**3,180**	**2,955**	**2,870**	**1,981**	**2,109**	**1,950**	**1,952**	**2,121**	**2,094**
HRA New Build / Re-Development										
Anstey Way	100	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	10	378	0	0	0	0	0	0	0	0
Kendal Way	45	300	0	0	0	0	0	0	0	0
Queensmeadow	28	0	0	0	0	0	0	0	0	0
Wulfstan Way	289	0	0	0	0	0	0	0	0	0
Akeman Street	2,566	68	0	0	0	0	0	0	0	0
Ventress Close	1,479	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	113	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	8,899	2,747	0	0	0	0	0	0	0	0
Gunhild Way	129	0	0	0	0	0	0	0	0	0
Markham Close	116	0	0	0	0	0	0	0	0	0
Cromwell Road	3,503	3,791	3,263	198	0	0	0	0	0	0
Kingsway Clinic Conversion	331	0	0	0	0	0	0	0	0	0
Colville Road II	2,940	8,000	3,639	0	0	0	0	0	0	0
Meadows and Buchan Street	3,373	11,077	10,336	1,847	0	0	0	0	0	0
Clerk Maxwell Road	604	2,143	0	0	0	0	0	0	0	0
Campkin Road	4,560	6,995	5,225	0	0	0	0	0	0	0
Hill POD Homes	140	0	0	0	0	0	0	0	0	0

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
L2	1,303	3,104	1,800	0	0	0	0	0	0	0
Colville Road III	1,017	2,522	5,043	2,522	0	0	0	0	0	0
Histon Road	151	832	530	0	0	0	0	0	0	0
Rough Sleeper Acquisitions	4,474	0	0	0	0	0	0	0	0	0
Keepmoat Defect Management	28	0	0	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	2,482	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	1,000	2,000	57,715	63,236	65,758	65,758	65,758	65,758	65,758	65,758
Total HRA New Build	**39,680**	**43,957**	**87,551**	**67,803**	**65,758**	**65,758**	**65,758**	**65,758**	**65,758**	**65,758**
Sheltered Housing Capital Investment										
Ditchburn Place	15	0	0	0	0	0	0	0	0	0
Total Sheltered Housing Capital Investment	**15**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other HRA Capital Spend										
Orchard Replacement / Mobile Working	422	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	**752**	**330**	**330**	**330**	**330**	**330**	**330**	**330**	**330**	**330**
Total HRA Capital Spend	**58,330**	**65,231**	**103,666**	**84,952**	**84,058**	**84,112**	**81,580**	**82,030**	**84,023**	**87,970**
Total Housing Capital Spend at Base Year Prices	**59,460**	**66,133**	**104,568**	**85,854**	**84,960**	**85,014**	**82,482**	**82,932**	**84,925**	**88,872**
Inflation Allowance and Stock Reduction Adjustment for Future Years	266	746	1,089	1,434	3,071	4,702	6,088	7,783	9,707	11,982
Total Inflated Housing Capital Spend	**59,726**	**66,879**	**105,657**	**87,288**	**88,031**	**89,716**	**88,570**	**90,715**	**94,632**	**100,854**

Description	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	2029/0 £'000
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
Major Repairs Reserve	(8,156)	(23,073)	(11,169)	(11,802)	(12,310)	(12,671)	(13,041)	(13,421)	(13,810)	(14,210)
Direct Revenue Financing of Capital	(15,079)	(16,238)	(15,545)	(8,848)	(9,635)	(10,033)	(10,674)	(11,156)	(11,693)	(12,238)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(4,908)	(300)	(9,343)	(31,518)	(32,143)	(32,780)	(33,429)	(34,092)	(34,768)	(35,457)
Devolution Grant	(15,450)	(18,295)	(6,286)	(492)	0	0	0	0	0	0
Retained Right to Buy Receipts	(7,583)	(6,282)	(4,815)	(2,820)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)
Disabled Facilities Grant	(651)	(707)	(707)	(707)	(707)	(707)	(707)	(707)	(707)	(707)
Prudential Borrowing	0	0	(57,309)	(30,618)	(29,953)	(30,242)	(27,436)	(28,056)	(30,341)	(34,924)
Total Housing Capital Resources	**(52,301)**	**(65,373)**	**(105,657)**	**(87,288)**	**(88,031)**	**(89,716)**	**(88,570)**	**(90,715)**	**(94,632)**	**(100,854)**
Net (Surplus) / Deficit of Resources	7,425	1,506	0	0	0	0	0	0	0	0
Capital Balances b/f	**(10,006)**	**(2,581)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**
Use of / (Contribution to) Balances in Year	7,425	1,506	0	0	0	0	0	0	0	0
Capital Balances c/f	**(2,581)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**	**(1,075)**
Other Capital Balances (Opening Balance 1/4/2020)										
Major Repairs Reserve	(9,801)	Utilised in future years to fund investment in the housing stock								

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Retained 1-4-1 Right to Buy Receipts	(10,635)	Utilised between 2020/21 and 2021/22 above								
Right to Buy Receipts for Debt Redemption	(9,856)	Retained for future debt repayment								
Total Other Capital Balances	**(30,292)**									

Appendix I

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management *	(873.5)	(69.1)	1.8	(940.8)
Special Services	(1,141.5)	(146.1)	22.4	(1,265.2)
Repairs and Maintenance *	(489.9)	(47.9)	0.0	(537.8)
Total	**(2,504.9)**	**(263.1)**	**24.2**	**(2,743.8)**

***** Subject to approval, the balance of this reserve will be reduced by £395,910, with the funds transferred to general HRA reserves.

Tenants Survey

	Opening Balance	Contributions	Expenditure to July	Current Balance
Tenants Survey	(47.5)	(6.3)	0.0	(53.8)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Use	Current Balance
Debt Set-Aside	(14,704.5)	0.0	3,905.00	(10,799.5)

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(9,855.6)	(118.1)	0.0	(9,973.7)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(9,800.7)	0.0	0.0	(9,800.7)

Appendix J

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Rents Inflation	CPI plus 1% for 4 further years from 2021/22, followed by CPI plus 0.5%	Although confirmed by government, for the next 4 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 £83 million during the life of the plan and the resource available for debt redemption at the end of the business is £58 million lower, with the need to re-finance earlier loans in the portfolio.
Direct Payments (Universal Credit)	Bad Debts at 1.5% (4.5% for 2020/21 due to coronavirus)	Evidence from the pilot authorities for direct payment indicated that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2021/22.	Borrowing increases by £55 million during the life of the plan and the resource available for debt redemption at the end of the business plan is £33 million lower, with the need to re-finance earlier loans in the portfolio.
Cost of HRA New Build 1,000 Programme	Homes England Grant assumed for both rented (£70,000) and shared ownership (£28,000) homes	Assume that the authority fails to secure Homes England Grant to support the delivery of 1,200 council rented and 233 shared ownership homes	Borrowing increases by £133 million during the life of the plan and the resource available for debt redemption at the end of the business plan is £46 million lower, with the need to re-finance earlier loans in the portfolio.

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
HRA Borrowing
Future uncertainty exists about the borrowing route which the HRA will pursue to fund the delivery of 1,000 affordable rented homes and the ability to manage the cashflow and service / re-pay the debt in a self-financing environment. Despite the end of 4 years of rent cuts, rents are still controlled at national level, which was never the intention of operating in a self-financing environment, and which may constrain the HRA business plan.
Right to Buy Sales
The number of sales had stabilised until the recent impact of the coronavirus pandemic which has seen a halt / reduction in activity. Uncertainty in the economy, and particularly the job market, may result in an ongoing decline in sales, 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, with reliance on the £70 million Devolution Grant currently. At present, sufficient investment is incorporated into the HRA financial model to avoid penalty, but appropriate investment of the resource is subject to schemes proceeding to anticipated timescales. 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.
COVID-19 Ongoing Impact
It is evident that the coronavirus pandemic will have a negative financial impact for the HRA in 2020/21, with mitigation incorporated into this iteration of the business plan where possible. What is unclear is whether there will be any longer-term impact for the HRA, and at this stage nothing has been included post March 2021.
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.

Housing Revenue Account – Revenue Uncertainties

Welfare Reforms

The negative impact that the initial rollout of Universal Credit is having 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 further increase in arrears levels.

Repairs Legislation

The Housing Green Paper identified the need for a review of legislation surrounding the decency and maintenance standards of the housing stock. We await the outcome of the review, but there is a view that there will be an increase in the amount of inspections required in respect of alarms, fire doors, etc

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% is in place for the next 4 years from April 2021, 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 has formally happened there is still an inherent risk in business planning.

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 had stabilised over the last two years but has fallen in 2020/21 as a result of the coronavirus pandemic and lockdown. 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.

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STRATEGY & RESOURCES SCRUTINY COMMITTEE
5 October 2020
5.00 – 7.37pm

Present: Barnett (Chair), Bick, Dalzell, Davies, Green and Robertson

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

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2020/21

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

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

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 2020/21;
- A review of the Council's borrowing strategy for 2020/21;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2020/21; and;
- An update on interest rate forecasts following economic news in the first half of the 2020/21 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 unanimously.

Accordingly, Council is recommended to:

i. Approve the Council's estimated Prudential and Treasury Indicators 2020/21 to 2023/24 as detailed in Appendix A of the officer’s report

Item

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2020/21

To:
The Executive Councillor for Finance & Resources: Councillor Mike Davey

Strategy & Resources Scrutiny Committee   5th October 2020

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 2020/21;
- A review of the Council's borrowing strategy for 2020/21;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2020/21; and;
- An update on interest rate forecasts following economic news in the first half of the 2020/21 financial year.

1.3 Cash Balances are forecast to stay at past levels at around £105.5 million by the end of this 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 £7.7 million are expected in 2020/21

1.5 Interest receipts for the year are projected at £1,221,000 which is £569,000 below budget but is £618,000 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 2020/21 to 2023/24 (Appendix A).

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 2020/21 to 2023/24

4.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, developer contributions, revenue contributions, reserves etc.), which has no resultant impact on the Council's borrowing need; or;

- If insufficient financing is available, or a decision is taken not to apply other resources, the funding of capital expenditure will give rise to a borrowing need.

4.2 Details of capital expenditure forms one of the required prudential indicators. The table below shows the proposed capital expenditure and how it will be financed. It also includes any re-phasing during 2020/21 and is in line with the agreed Capital Plan.

Estimate	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
General Fund Capital Expenditure	60,380	38,411	26,727	31,890
HRA Capital Expenditure	58,596	65,977	104,755	86,386
Total Capital Expenditure	**118,976**	**104,388**	**131,482**	**118,276**
Resourced by:				
• Capital receipts	-8,102	-6,912	-5,298	-3,303
• Other contributions	-61,830	-63,464	-53,453	-55,054
Total resources available for financing capital expenditure	**-69,932**	**-70,376**	**-58,751**	**-58,357**
Financed from cash balances & any Prudential Borrowing required	**49,044**	**34,012**	**72,731**	**59,919**

4.3 In addition to a total of £31.215 million for the Mill Road and Cromwell Road developments, the Medium Term Financial Strategy now includes capital expenditure of £10.400 million for the L2 Orchard Park site. This is General Fund expenditure which will be funded from cash balances. It 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	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000

Capital Financing Requirement & External Borrowing Estimate	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**
General Fund Capital Financing Requirement	118,033	151,500	175,203	204,069
HRA Capital Financing Requirement	205,898	205,898	254,381	284,889
Total Capital Financing Requirement	**323,931**	**357,398**	**429,584**	**488,958**
Movement in the Capital Financing Requirement	**48,499**	**33,467**	**72,186**	**59,374**
Financed from cash balances & any Prudential Borrowing required	*49,044*	*34,012*	*72,731*	*59,919*
Minimum Revenue Provision	*(545)*	*(545)*	*(545)*	*(545)*
Estimated External Gross Debt/Borrowing (Including HRA Reform)	213,572	240,093	307,110	367,014
Authorised Limit for External Debt	400,000	400,000	400,000*	400,000*
Operational Boundary for External Debt	328,931	362,398	434,584	493,958

5.2 A further prudential indicator controls the overall level of borrowing externally. This is the Authorised Limit (ABL) which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. * If the above level of Prudential Borrowing is maintained, this limit (ABL) will require increasing from £400.0m to around £450.0m in 2022/23 & £500.0m in 2023/24.

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

UPDATE	**Principal (£'000)**
Authorised Borrowing Limit (A) – Agreed by Council on 17th October 2019	400,000
PWLB Borrowing (for HRA Self-Financing, B)	213,572
Headroom (A minus B)	186,428
Borrowing up to 31st August 2020	NIL
Total Current Headroom (A minus B)	**186,428**

5.4 During this financial year the Council has operated within the 'authorised' and 'operational' borrowing limits contained within the Prudential Indicators set out in the Council's Treasury Management Strategy Statement. The anticipated Prudential & Treasury indicators are shown in Appendix A.

6. Borrowing

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

6.2 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 requires new external borrowing for the year 2021/22 onwards. This is to support the redevelopment of the Park Street multi-storey car park and for capital schemes under the HRA. 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 25th February 2020. 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 2021, at least (with the date agreed annually). However, the Council notes the recent HM Treasury Consultation, 'PWLB: future lending terms', which proposes restrictions on borrowing from the PWLB where an authority's capital plan includes commercial schemes in the year that borrowing is required. The Council will review its capital expenditure plans in light of the outcome of this consultation.

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 2020 is 1.27%, compared to 1.45% in 2019/20. The current quoted return on the CCLA Local Authorities Property Fund is an annual return of 4.49%. 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 To ensure that minimal risk is present for the Housing Revenue Account (HRA) nominal cash balances, returns from lower risk investments (currently estimated at 0.6%) will be used to transfer interest receipts to the HRA.

7.4 Current estimates for 2020/21 include Gross interest receipts of £1,221,000 and net receipts to the General Fund of £827,000 which is £215,000 below the annual budget of £1,042,000. This is mainly due to interest rates being low.

7.5 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	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Short Term – 40%*	42,200	37,280	48,880	48,480	33,800
Medium Term - 30%*	31,650	27,960	36,660	36,360	25,350
Long Term – 30%*	31,650	27,960	36,660	36,360	25,350
TOTAL	**105,500**	**93,200**	**122,200**	**121,200**	**84,500**

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

7.6 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.

7.7 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 2020 is shown at Appendix C.

8. Update on the exit from the European Union (EU) & COVID-19

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. Since that referendum the United Kingdom left the EU on 31st January 2020 with a year to negotiate an 'exit deal'.

8.2 COVID-19 has placed downward trends on world-wide money markets. This will continue for some time particularly with fears around a 'spike' in infection rates looming.

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 detailed 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	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- General Fund	60,380	38,411	26,727	31,890
- HRA	58,596	65,977	104,755	86,386
Total	**118,976**	**104,388**	**131,482**	**118,276**
Capital Financing Requirement (CFR) as at 31 March				
- General Fund	118,033	151,500	175,203	204,069
- HRA	205,898	205,898	254,381	284,889
Total	**323,931**	**357,398**	**429,584**	**488,958**
Change in the CFR	**48,499**	**33,467**	**72,186**	**59,374**
Deposits at 31 March (Average cash balances annualised)	105,500	93,200	122,200	121,200
External Gross Debt	213,572	240,093	307,110	367,014
Ratio of financing costs to net revenue stream				
-General Fund	-823	-259	624	1,178
-HRA	7,098	7,206	8,299	8,965
Total	**6,275**	**6,947**	**8,923**	**10,143**
% of net revenue expenditure				
-General Fund	-4.31%	-1.70%	3.92%	10.96%
-HRA	16.35%	16.13%	17.82%	17.97%
Total (%)	**12.04%**	**14.43%**	**21.74%**	**28.93%**

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'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	328,931	362,398	434,584	493,958
for other long-term liabilities	0	0	0	0
Total	**328,931**	**362,398**	**434,584**	**493,958**
Upper limit for total principal sums deposited for over 364 days & up to 5 years	50,000	50,000	50,000	50,000
Upper limit for fixed & variable interest rate exposure				
Net interest on fixed rate borrowing/deposits	6,275	7,477	13,863	13,812
Net interest on variable rate borrowing/deposits	-15	-15	-17	-17
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit	
10 years and above (PWLB borrowing for HRA Reform)		100%	100%	

*To be increased to £450.0m in 2022/23 & £500.0m in 2023/24.

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).

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
Members of a Banking Group	Using Link's Credit Criteria	UK Banks and UK Nationalised Banks	30m

<table>
<tr><th>Name</th><th>Council’s Current Deposit Period</th><th>Category</th><th>Limit (£)</th></tr>
<tr><td>Svenska Handelsbanken</td><td>Using Link’s Credit Criteria</td><td>Non-UK Bank</td><td>5m</td></tr>
<tr><td>Enhanced Cash Funds (Standard & Poor’s: AAAf/S1, Fitch: AAA/S1)</td><td>Over 3 months and up to 1 year</td><td>Financial Instrument</td><td>10m (per single counterparty)</td></tr>
<tr><td>Enhanced Money Market Funds (not below AAf) - VNAV</td><td>Over 3 months and up to 1 year</td><td>Financial Instrument</td><td>5m (per fund)</td></tr>
<tr><td>Money Market Funds (AAAf) – CNAV, VNAV & LVNAV</td><td>Liquid Rolling Balance</td><td>Financial Instrument</td><td>15m (per fund) With no maximum limit overall</td></tr>
<tr><td>Custodian of Funds</td><td>Requirement for Undertaking Financial Instruments</td><td>Fund Managers</td><td>Up to 15m (per single counterparty)</td></tr>
<tr><td>UK Government Treasury Bills</td><td>Up to 6 months</td><td>Financial Instrument</td><td>15m</td></tr>
<tr><td colspan="4">Other Specified Investments - UK Building Societies: -</td></tr>
<tr><th>Name</th><th>Council’s Current Deposit Period</th><th>Asset Value (£’m) – as at 12th August 2020</th><th>Limit (£)</th></tr>
<tr><td>Nationwide Building Society</td><td rowspan="7">1 month or in line with Link’s Credit Criteria, if longer</td><td>245,732</td><td rowspan="7">Assets greater than £100,000m
- £20m

Assets between £50,000m and £99,999m
- £5m

Assets between £5,000m and £49,999m
- £2m</td></tr>
<tr><td>Yorkshire Building Society</td><td>52,815</td></tr>
<tr><td>Coventry Building Society</td><td>48,771</td></tr>
<tr><td>Skipton Building Society</td><td>23,648</td></tr>
<tr><td>Leeds Building Society</td><td>21,162</td></tr>
<tr><td>Principality Building Society</td><td>10,483</td></tr>
<tr><td>West Bromwich Building Society</td><td>5,565</td></tr>
<tr><td colspan="4">Non-Specified Investments: -</td></tr>
<tr><td>All UK Local Authorities – longer term limit</td><td>Over 1 year and up to 5 years</td><td>Local Authority</td><td>Up to 35m (in total)</td></tr>
<tr><td>Cambridge City Council Housing (CCHC) Working Capital Loan *</td><td>Up to 1 year</td><td>Loan</td><td>200,000</td></tr>
<tr><td>CCHC Investment *</td><td>Rolling Balance</td><td>Loan (Asset Security)</td><td>7,500,000</td></tr>
<tr><td>Cambridge Investment Partnership (Mill Road)*</td><td>Rolling Balance</td><td>Loan (Asset Security)</td><td>17,800,000</td></tr>
</table>

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	25m (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.

Appendix C

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 2020, the Council had deposits of £108.840m. The table below provides a sources breakdown of the funds deposited at that date: -

Funds Deposited as at 1 April 2020	**£'000**	**£'000**
Working Capital		23,393
General Fund:		
General Reserve	17,470	
Asset Renewal Reserves	2,100	
Other Earmarked Reserves	15,513	35,083
Housing Revenue Account (HRA): -		
General Reserve	15,083	
Asset Renewal Reserves	14,705	
Major Repairs Reserve	9,801	
Other Earmarked Reserves	2,552	
Capital Financing Requirement (Including HRA)	-275,368	
PWLB Borrowing for HRA	213,572	-19,655
Capital:		
Capital Contributions Unapplied	23,362	
Usable Capital Receipts	46,657	70,019
Total Deposited		**108,840**

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 0.10% and kept Quantitative Easing (QE) at £745bn, on 17th September 2020. Going-forward, the Council's treasury advisor, Link, has provided the following interest rate forecasts, issued on 17th September 2020:-

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-
3 month LIBID	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-
6 month LIBID	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-
12 month LIBID	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	-	-	-	-
5yr PWLB rate	1.90%	1.90%	2.00%	2.00%	2.00%	2.00%	2.00%	2.10%	2.10%	2.10%	2.10%
10yr PWLB rate	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.20%	2.30%	2.30%	2.30%
25yr PWLB rate	2.50%	2.50%	2.50%	2.50%	2.60%	2.60%	2.60%	2.70%	2.70%	2.70%	2.70%
50yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%

The actual vote by the MPC on 17th September 2020 was unanimous at 9-0 in favour of keeping the bank rate unchanged.

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
CIP	Cambridge Investment Partnership
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
Low Volatility Net Asset Value (LVNAV)	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
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
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

5 October 2020
5.00 – 7.37pm

Present: Barnett (Chair), Bick, Dalzell, Davies, Green, Robertson

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

MEDIUM TERM FINANCIAL STRATEGY (MTFS) OCTOBER 2020

This report presented and recommended the budget strategy for the 2021/22 budget cycle and specific implications, as outlined in the Medium-Term Financial Strategy (MTFS) October 2020 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 2021/22 budget process showed the range of assumptions on which the Budget-Setting Report (BSR) published in February 2020 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 2021/22 to 2025/26. All references in the recommendations to Appendices, pages and sections relate to the MTFS.

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 4 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 specific, identifiable Covid-19 pressures, as presented in Sections 3 and 4

respectively [pages 18 to 23 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 27 refers] and reserves [section 7 pages 32 to 35 refer] of the MTFS document.

iii. Note the changes to the capital plan and funding as set out in Section 6 [pages 28 to 31 refer] and Appendix A [pages 40 to 44] of the MTFS document and agree the new proposals.

Ref.	Description/ £'000s	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Proposals							
SC744	L2 – Development loan to CIP	-	3,400	5,200				8,600
SC745	L2 – Equity loan to CIP	500	800	500				1,800
PV554	Development of land at clay Farm (reprofiling existing spend)	(783)	49	14	15	705		0
	Total proposals	(283)	4,249	5,714	15	705		10,400

iv. Agree changes to GF reserve levels, the prudent minimum balance being set at £6.33m and the target level at £7.59m as detailed in section 7 [pages 32 to 35 of the MTFS refers] and Appendix B [pages 45 and 46 of the MTFS refers].

Item

Strategy & Resources 5 October 2020 - Finance and Resources Portfolio: Medium Term Financial Strategy (MTFS)

To:
Councillor Mike Davey, 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 Medium Term Financial Strategy

1.1 This report presents and recommends the budget strategy for the 2021/22 budget cycle and specific implications, as outlined in the MTFS October 2020 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 Exceptionally, the 2019 MTFS has already been reviewed and updated to reflect the actual and projected financial impacts of the Covid-19 pandemic on the council and its services. This interim update was approved by Council in July 2020. At this stage in the 2021/21 budget process the range of assumptions on which the Budget Setting Report (BSR) published in February 2020 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 further. This then provides the basis for updating budgets for 2021/22 to 2025/26. 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 specific, identifiable Covid-19 pressures, as presented in Sections 3 and 4 respectively [pages 18 to 23 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 27 refers] and reserves [section 7 pages 32 to 35 refer] of the MTFS document.

Capital

2.3 To note the changes to the capital plan and funding as set out in Section 6 [pages 28 to 31 refer] and Appendix A [pages 40 to 44] of the MTFS document and agree the new proposals.

Ref.	Description / £'000s		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Proposals								
SC744	L2 – Development loan to CIP		-	3,400	5,200				8,600
SC745	L2 – Equity loan to CIP		500	800	500				1,800
PV554	Development of land at Clay Farm (reprofiling existing spend)		(783)	49	14	15	705		0
	Total proposals		**(283)**	**4,249**	**5,714**	**15**	**705**		**10,400**

Reserves

2.4 To agree changes to GF reserve levels, the prudent minimum balance being set at £6.33m and the target level at £7.59m as detailed in section 7 [pages 32 to 35 refer] and Appendix B [pages 45 and 46refer].

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 2021/22 budget process within the context of projections over the medium term. The detailed analysis undertaken to fulfil this is presented in the MTFS October 2020 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 2025/26, 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 2021/22 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 5 refers].

6. Background papers

6.1 Background papers used in the preparation of this report:

- MTFS working papers on the 2020/21 and 2021/22 files

7. Appendices

The following item is included in this report:

- MTFS October 2020

8. Inspection of papers

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

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Version 3.0
5 October 2020
FINAL

General Fund
Medium Term Financial Strategy

October
2020

2020/21 to 2025/26

Cambridge City Council

CAMBRIDGE
CITY COUNCIL

Contents

Appendices

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

Introduction

Cambridge City Council produces two main financial documents each year, the Budget Setting Report (BSR) and this, the Medium-Term Financial Strategy (MTFS). Once approved by Full Council the BSR delegates the authority to run the council to our Officers, thereby providing services to the city and applying charges and fees in accordance with the budget. The MTFS fulfils an important role in the calendar, drawing together a review of financial information halfway through the year, making assumptions and forecasts for the future and providing a basis on which to prepare the budget for the year ahead.

Protecting our city through the Covid-19 pandemic

The pandemic has had a profound impact on the daily life of the people of Cambridge. The national and international response to Coronavirus which culminated in the 'lockdown' that commenced at the end of March resulted in substantially reduced economic activity in the city. Like all other sectors of the economy this has created a significant challenge to planning the City Council's finances. To address the early and immediate impacts of the crisis an Interim MTFS was prepared and was presented at the Strategy and Resources Committee in July. The forecasting undertaken at that time indicated a net overspend of £9.8m. The most significant costs were from loss of income from car parking services and Cambridge Live, allied to increased spending on housing and homelessness. A number of savings measures were proposed across the council reducing the assumed budget gap to £2.1m.

Since the presentation of the Interim MTFS further detailed work has been undertaken in identifying the savings requirements, although the initial forecasts remain fairly accurate. It is important to stress that where possible the savings made relate to costs that can be delayed or deferred until a later date, and always in light of the core priorities of the council, namely tackling poverty, building more council houses and addressing climate change. However, when faced with such a shortfall it will be necessary to move some of our reserves to support revenue expenditure.

This does not mean a fundamental change to our ongoing strategy of primarily using reserves for investment, but simply recognises the immediate and pressing need caused by the crisis. Whilst we are fortunate to have reserves available, this is due to responsible and prudent management and we will continue to be guided by the mantra 'you can only spend reserves once'. Because of the ongoing uncertainty work has been undertaken to identify a base line over the next 5 years and then a best- and worst-case scenario. I would draw your attention to this work. It would be our belief that the economic impacts of Covid-19 will only start to be felt next year and the implications will be long term.

Tackling poverty

The uncertainty caused by the pandemic is exacerbated by the historical impact of the policy of austerity implemented by successive governments. The legacy of this policy is that public services in Cambridge have been cut year after year, while at the same time letting market forces dictate rising costs e.g. energy. 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. One of the impacts of the pandemic has to been to foster an enhanced sense of "community", and the mutual aid networks are evidence of this. This will be allied to reviews of some of our Services. These reviews will be evidenced based and focus on outcomes. The council will continue to strive to improve our work and we will listen to our residents about the things that mean most to them. Everyone in Cambridge deserves the opportunity to share in our city's prosperity.

Managing Brexit

As if the above isn't sufficient challenge the impact of leaving the EU looms large. As of August 2020, the outcome of the post-Brexit trade talks between the EU and the British Government remain uncertain. There is the potential for additional trade barriers with the EU hampering business activity. The worst scenarios for Brexit (UK Government, 2018) suggested an 8% reduction in GDP over a period of years whereas the Covid-19 crisis is already estimated to have reduced UK GDP by 13.8% in a single year. Whilst Cambridge is likely to be in a stronger position than most to manage the impact, it would be foolhardy not to cast a weather eye on the ramifications, and the council, like all institutions will be affected by further uncertainty.

Shortfalls in government funding

It remains unclear how much additional funding will be made available by the government to offset the City Council's costs in managing COVID-19. It is possible we may get a small increase in funding for work we undertook to combat rough sleeping and homelessness, but we do not expect to get very much. The pandemic has also caused a delay to the Fair Funding Review which will ultimately have far reaching implications for the City Council's income. We await further clarity as to when the review will be completed.

Our strategy

This is the challenging context within which we will develop our financial plans. As I hope can be seen, this is not easy as we are planning against a background of unprecedented uncertainty. We remain unsure of what limited funding will be provided by the government, despite early promises at the start of the pandemic to cover extra costs incurred by the council as a result of Covid-19. Therefore, developing other income streams will become ever more important and it remains our stated ambition to continue to use reserves as a tool for investment as opposed to offsetting short term immediate costs. However, this is not always feasible and it's against the background of the pandemic we therefore propose, based on current assumptions, to use £2.9m of reserves to support revenue expenditure next year.

The MTFS identifies the pressures we face in the years ahead. It will enable us to secure existing services and where possible to plan important new services and initiatives. Our primary goals will remain consistent, namely, to fight poverty and 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. Against this we will maintain our commitment to the most deprived areas of the city, and those most likely to be adversely affected by the coronavirus. This MTFS will also help us plan the Budget Setting Report for 2021/22 which will be published in January. It embraces the core financial objectives of this council, namely sound and prudent financial management. We will continue to invest for the future and strive to create a fairer and more equal city for all.

Cllr Lewis Herbert - Leader of the Council

Cllr Mike Davey – 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. This year, consideration is given to the current and potential future financial impacts of the Covid-19 pandemic.

Due to the significant financial impacts of the Covid-19 crisis on the council, MTFS 2019 has been updated on an interim basis to provide an analysis of increased costs, income losses and additional government funding received. The update set out a number of mitigations, including changes to revenue and capital budgets, with a view to achieving a balanced budget outturn for 2020/21. The interim update was approved by council in July 2020.

This MTFS identifies:

- Items which require immediate action or approval
- Items which provide context for decisions on the strategy or budget process:
    - The level of savings requirements over the next five years
    - 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.

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/November 2020 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
2020	
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
2021	
4 January	Budget Setting Report (BSR) published
8 February	BSR and any budget amendment proposal considered by Strategy & Resources Scrutiny Committee
8 February	The Executive consider and recommend the BSR and Council Tax level to Council
25 February	Council approves Budget Setting Report and sets the level of Council Tax for 2021/22

Section 2
Policy context, priorities and external factors

Local policy context and priorities

Corporate Plan

The council's Corporate Plan was approved in February 2020 at the same time as the budget for 2020/21. 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 business community 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 provided £100m for the first five years, with future funding subject to a 'gateway review' in 2019/20 to unlock further funding up to £400m. The GCP successfully passed this government gateway so was considered to be 'on track' to deliver the commitments made as part of the City Deal.

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

[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

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 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

Covid-19 pandemic

The Covid-19 pandemic has had profound effects on daily life in the UK and worldwide. Starting in March 2020, travel bans, social distancing and self-isolation have substantially reduced economic activity. Through the summer a phased easing of the lockdown has been allowed, with high streets and workplaces operating with social distancing measures in place. Where increases in infection rates have been identified, local measures including limited lockdowns, have been put in place. Whilst the government has sought to soften the financial impact on individuals and businesses to support the lock-down, there are major financial consequences for councils arising from reduced income, service pressures and additional responsibilities. Whilst some funding has been made available, the level of funding provided to date does not meet the majority of budgetary pressures, many of which arise from reductions in income. There may be more funding available to councils in the future, but amounts, timing and conditions related to any funding are unknown at present.

The European Union (EU)

The United Kingdom (UK) formally left the EU on 31 January 2020. An 11-month transition period started at that point during which the UK and EU will negotiate the shape of their future relationship with a new free trade agreement being a priority. Negotiations are ongoing and the likely outcome is not yet clear. It is therefore difficult to assess the likely impact on the UK economy and on businesses more locally.

Inflation rates

Inflation used to drive expenditure assumptions in 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 interim update to the MTFS reflected exceptionally low inflation rates by removing all inflation increases in 2020/21 as a contribution towards balancing budgets in-year. The percentages currently applied in this MTFS, based on the Bank of England's May 2020 forecast, but also supported by the OBR's assumptions within its July 2020 Fiscal Sustainability Report, are 0.9% in 2021/22 (previously 2.1%), increasing to 2.0% in 2022/23 and later years (previously 2.3% and 2.4%). The lowering of inflation rates reflects reduced levels of economic activity and the expectation that in the longer term, CPI will settle at the 2.0% target level. Inflation rates will be reviewed again for the BSR in February 2021 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. As a result of the recent coronavirus pandemic, the Bank of England base rate fell from 0.75% to 0.25% on 13 March 2020, and then to 0.1% from 23 March 2020. The next review of the rate is due on 6 August 2020. The reduction in the base rate results in a reduction in the rates that the authority can expect to earn on its investments. However, through the use of a variety of investments as permitted by our investment strategy, we achieved average rates of return of 1.45% in 2019/20. Based on our experience of reducing returns since the pandemic started in the UK, and forecasts from our treasury advisors, we have reduced our interest rate assumptions from 1.3% to 1.1%, 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 is based upon the HRA receiving interest from the GF at the rate earned by the authority on term deposit accounts. This reflects the rate earned on deposits with minimal valuation risk, as the GF effectively indemnifies the HRA against downside risk on the value of investments. Estimates of interest to be paid to the HRA in this MTFS have been reduced from 0.8% to 0.60%.

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.

National policy context

Government spending announcements

The Chancellor made a summer statement on 8 July 2020. It was not a full fiscal statement but an update on the economic situation and an announcement of the government's latest economic measures. The first phase of the government's response to the coronavirus was "protection"; the second phase is "jobs"; and the next phase, later in the year, will be "rebuilding". There will be a full budget and three-year spending review in the autumn.

In his statement, the Chancellor said, "Over the medium-term, we must, and we will, put our public finances back on a sustainable footing". He stressed just how severe the recent economic downturn has been and that the 25% contraction in the economy has been the same amount as it grew over the previous 18 years:

- "The Office for National Statistics (ONS) estimates that Gross Domestic Product (GDP) in April was around 25% below the level recorded in February."
- "largest annual fall in output in over three hundred years and that the unemployment rate could peak at up to 10%."

The government's fiscal policy sets the overall parameters for public sector funding, and therefore the funding that is available for local government. However, most commentators agree that it is too early for the Chancellor to reset fiscal policy or to take any firm policy decisions. As a result, we do not know whether there will be a return to "austerity" or whether the Government will follow a more expansionist fiscal policy, where deficits (and public debt) are allowed to increase. These questions are likely to be addressed in the autumn budget, with local government funding covered in a spending review also due in the autumn.

Local government finance

2021/22 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. The outcome of this work was expected to be consulted on in summer 2020 and implemented for 2021/22. As a result of the pandemic, implementation has been suspended with no announcement of a revised implementation date. Whilst a one-year delay is possible, longer could be needed as:

- It may not be possible to reset business rate baselines and equalise council tax if the future levels of taxation have not stabilised by 2021
- The overall finance settlement for local government is likely to be impacted by major changes to both social care and public health which are unlikely to be ready by 2021
- authorities will still be affected by the major financial upheaval following the "lockdown".

In addition to the above, the Chancellor has announced a fundamental review of the business rates system. https://www.gov.uk/government/publications/business-rates-review-terms-of-reference

In the short term, the government has provided un-ringfenced Covid-19 emergency grants and grants to address specific cost pressures arising from the crisis. To date, these have been announced with little warning and allocated across local authorities in different ways. The council is taking advantage of the Coronavirus Job Retention Scheme (furloughing) where appropriate and continues to apply for specific grant funding where relevant. For example, the council has applied to the Cultural Recovery Fund for £500k to cover both the unavoidable operating costs of the Corn Exchange and some of the development costs of the 2021 Cambridge Folk Festival, and has just received confirmation of an award of £868k from the government's Next Steps Accommodation Programme to fund temporary accommodation for rough sleepers. Funding to compensate authorities for losses of income has been announced, but at the time of writing, amounts are not yet known. Whilst this funding is welcome, it is not possible to estimate how much is likely to be received in 2020/21 and if any of these funding streams will continue in to 2021/22 and beyond.

At the Communities and Local Government Select Committee on 24 July 2020, ministers indicated that there will be a scheme to fund losses in council tax and business rates. The secretary of state said, "When information is clearer about the scale of the losses of income with respect to council tax and business rates, if necessary, we will implement a similar mechanism to the one we have seen with respect to income losses". According to the local government minister, "the principle has been accepted by the Treasury and I think that should reassure authorities that are concerned about council tax or business rates losses that there is serious protection on offer and that will be becoming fully clear in short order". Whilst plans to allow authorities to spread Collection Fund losses over three years have been announced, it is not clear whether this is the serious protection being offered here.

The Public Accounts Committee (PAC) published a report on the Government's response to the COVID crisis - https://committees.parliament.uk/publications/2024/documents/19531/default/ - including a commentary on the funding that local government has received from central government. The PAC's main concern is that there is a lack of clarity about what the Government is funding – and that without clarity, authorities will have to make in-year cuts to services. MHCLG and the Treasury have told the committee that they are working on a "comprehensive solution to provide more certainty to local government" and that "it will look at long-term funding as part of the next spending review".

The factors above make forecasting of the overall funding available to the council over the period of this MTFS extremely problematic. The working assumption is that all elements (the FFR and the earlier business rates review) will be implemented in 2022/23 once a quantum of funding is known. Damping or other transitional arrangements are likely to be part of that implementation.

The base assumptions modelled in this MTFS are:

- The changes resulting from the FFR and business rates retention review are implemented in 2022/23
- There will be a full business rates baseline reset in that year
- Baseline Funding Levels (BFL) for district council services will not be indexed, allowing for increases in upper tier services such as Adults and Children's Social Care and Public Health.
- The local share of business rates is increased from 50% to 75%, with the District share retained at 40%

- In 2021/22, pending the baseline reset in 2022/23, the government will address accumulated business rates growth by redistributing it based on BFLs
- The impacts of the Covid crisis on collection rates and the business rates base of the city are modelled based on advice from Pixel Consulting, who support a large number of authorities in relation to local government funding. Their most likely scenario, based on current experience and forecasts from across their client authorities, has been used.

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Baseline funding level (BFL) / Settlement funding assessment (SFA)	**4,272**	**4,298**	**4,027**	**4,027**	**4,027**	**4,027**
Growth element and other adjustments	5,117	0	1,023	585	677	771
Business rates income	**9,389**	**4,298**	**5,050**	**4,612**	**4,704**	**4,798**

The current set of base assumptions used to model business rate income assume a significant recovery in economic activity and therefore in business rates income. However, the growth elements shown in the table above for 2022/23 and later years are considered to be high risk and not to be a reliable source of funding for service delivery. Therefore, for the purposes of this strategy they have been taken into the projection of reserves shown in section 7. If and when receipt of these amounts becomes more certain, they can then be considered for use.

New Homes Bonus

NHB was designed to incentivise housing growth. Amounts awarded in 2020/21 are expected to be the last awards under this scheme, with legacy payments arising from previous years being the only amounts receivable in 2021/22 and 2022/23.

The government have indicated that a new stream of funding to incentivise growth will be created, but at this stage we have no indication of either the size of the amount to be committed to this funding stream, or how it will be distributed. Therefore, no receipts of any growth-related funding have been assumed beyond those indicated for NHB.

30% of NHB is set aside each year as a contribution to the GCP investment and delivery fund. From 1 September 2020 until the end of this funding stream in 2022/23 this contribution has been reduced to 10% in response to Covid-19 funding pressures.

In previous years, the council has chosen to use NHB to fund both revenue and capital spending related principally to growth and place. However, reductions in this funding stream mean that this expenditure can no longer be supported. The resulting savings requirements were identified and allowed for in BSR 2020/21 and have been adjusted following the reduction in the contribution to the GCP fund.

Description / (£000)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Confirmed NHB funding at February 2020 BSR	**(4,913)**	**(2,983)**	**(1,496)**	**0**	**0**	**0**
Commitments against NHB						
Funding for service budgets	2,937	1,610	1,346			
Direct revenue funding of capital (DRF)	1,075	1,075				
Contribution to GCP	901	298	150			
Total commitments against NHB	**4,913**	**2,983**	**1,496**	**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, reflecting an expected 2.00% referendum limit for council tax increases. In previous years, district councils have been permitted to increase band D council tax rates by 2.0% or £5, which ever was greater, however, for modelling purposes the lower increase has been assumed. As for business rates, the impact of the Covid crisis on collection and tax base has been modelled using the Pixel Consulting 'cash-based' scenario.

Section 3
Review of key assumptions

Budget forecasts presented in the February 2020 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 (1.5%) plus: **2021/22 - 2.5%** (previously 2.0%) and 2.0% thereafter (no change)	An additional 1% increase would cost the council approximately £260k
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)	**2021/22 – 0.9%** **2022/23 and after – 2.0%** (previously 1.8%, 2.1%, 2.3%, 2.4%)	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. An overall review of charging is currently underway, with the financial impacts of any recommended changes to be brought forward through the budget setting report in February 2021. Property rental income based on detailed projections and rent reviews.
Investment interest rate assumption	**2020/21 and thereafter 1.10%** (previously 1.3%)	Based on current projections
Interest paid on HRA cash balances	0.6% (previously 0.8%)	Based on current projections
Capital funding contributions	**£1.660m** (previously £1.880m)	Capital funding contributions at base level of £1.660m per annum with feasibility budget of £**£83k** (previously £94k) or 5% of that amount.
Council Tax increase	2021/22 onwards 1.99%	A 1% change in council tax represents about £90k p.a. for the council. In previous years, district councils have been allowed to increase band D council tax by £5 if this is greater than 2.00%. This would provide about £43k more than an increase of 1.99%.

Section 4
Review of budgets and savings targets

2019/20 outturn

A favourable variance of £2k *(2018/19: £371k)* after approved carry forward requests of £990k *(2018/19: £923k)* was recorded on net service spending in the GF for 2019/20. After variances on government funding, capital accounting adjustments, contributions to/ from earmarked reserves, the application of direct revenue funding for capital and statutory adjustments have been taken into account, the overall net effect was an increase in the GF reserve of £1,693k *(2018/19: £2,034k)*.

Efforts to control the variance on total staffing costs through the use of a 4% vacancy factor were successful for a second year, with a small favourable variance of £39k (0.1% 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 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.

2020/21 budgets and the impacts of the Covid-19 pandemic

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.

The council is undertaking detailed monitoring of budgets affected by Covid-19. As at the end of July, services forecast a net unfavourable variance of £10.0m due to the pandemic, as follows.

Description / (£000)	2020/21
Additional expenditure	
Homelessness	1,728
Other	582
	2,310
Income losses	
Parking	3,480
Commercial income	1,238
Cambridge Live	1,385
Other	1,591
	7,694
Total forecast Covid-19 pressure	**10,004**

In-year revenue proposals

An interim update to the MTFS was approved by council in July 2020, in which a total of £7.8m of additional income and budget savings were identified and approved to meet this shortfall. The forecast budget gap will be kept under review through the year, as additional costs and income losses crystallise and the final outturn becomes clearer. Further government funding is expected which will contribute towards balancing the budget at the year end. However, there may be a need to draw on reserves at that point.

There are no further revenue proposals for 2020/21 proposed in this report.

Service reviews

In 2019, a number of service reviews were identified in response to the level of savings requirements identified. The first phase of these reviews is underway, with savings expected to be brought forward into the budget setting process during the autumn. A second phase of reviews is planned for 2021/22.

Alongside this existing work, the council is reviewing and refining its priorities, so that future budget decisions can be judged against what is most important for the council. Consideration is also being given to changes in service delivery as a result of the Covid-19 lockdown and the implications of these on future ways of working. Further consideration of these developments is covered in section 8, Budget strategy.

Savings requirements

Applying changes to budget assumptions and allowing for expected ongoing pressures arising from the economic impact of the pandemic 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.

However, each year the council experiences unavoidable budget pressures and income losses from various sources. When estimating savings requirements, allowance should be made for unavoidable items which have averaged £800k to £1.0m per year over the last five years, giving an illustration of the more likely level of savings to be made.

No adjustment to smooth savings requirements across all five years using reserves has 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 and Covid-19 impacts would similarly impact the saving profile

Applying revised assumptions, the net savings requirement before unavoidable items totals around £5.7m for the 5-year period, or £9.7m allowing for unavoidable items. However, the savings requirement in 2021/22 is exceptionally challenging due to the expected continuation of significant Covid-related pressures. Therefore, it is proposed to make a contribution from reserves to delay a portion of these savings until the following year. Based on the financial modelling presented, a contribution of £2.9m in 2021/22 would almost equalise the savings requirements in the first two years.

Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Net savings requirement – new each year (Interim update to MTFS July 2020)	**2,356**	**(392)**	**1,953**	**627**	**600**	**5,144**
Covid-19 impacts:						
Parking income	1,069	550				
Property rents – commercial and admin buildings	749	702	720	495	495	
Cambridge Live	750					
	2,568	**1,252**	**720**	**495**	**495**	
Changes to business rates assumptions	(26)	(329)	235	255		
Changes to council tax assumptions	409	293	168	216		
Changes to inflation assumptions	10	(54)	(62)	(63)		
Change to initial 2025/26 savings requirement estimate resulting from detailed calculations					25	
Additional contribution to / (use of) earmarked reserves (NHB)	(261)	150				
Additional contribution to / (use of) reserves	(2,900)	1,023	585	677		
Net impact of funding changes, inflation and other assumptions	**(2,768)**	**1,083**	**926**	**1,085**	**25**	
Net indicative changes to funding and expenditure	**(200)**	**2,335**	**1,646**	**1,580**	**520**	
Revised (MTFS) net savings requirement (new each year) - <u>no unavoidable</u> indicative pressure and reductions in income	**2,156**	**2,143**	**1,264**	**561**	**(460)**	**5,664**
Revised (MTFS) net savings requirement (new each year) - <u>with unavoidable</u> indicative pressure and reductions in income (£800k p.a.)	**2,956**	**2,943**	**2,064**	**1,361**	**340**	**9,664**

The level of net savings requirement identified by this MTFS provides a baseline for detailed budget setting work, with the higher requirement illustrating the challenge when allowance is made for unavoidable calls on limited resources. Any additional net 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.

Sensitivities

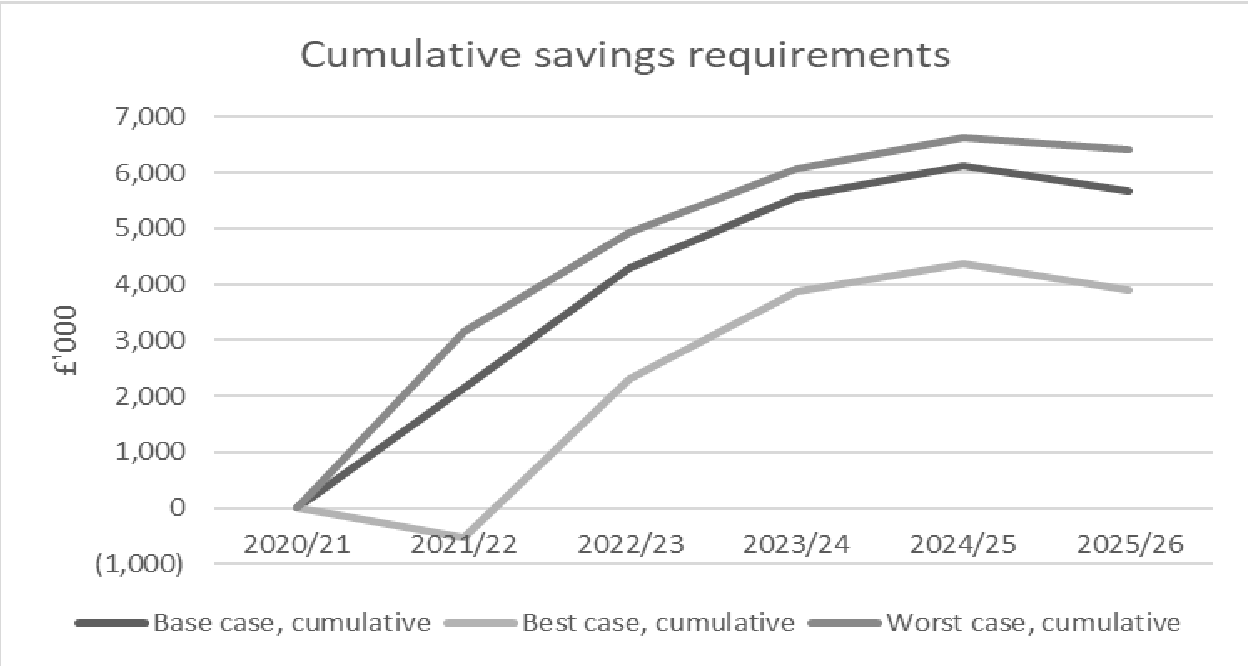
As noted in this report, the financial situation of the council is currently subject to exceptional levels of uncertainty, with both pressures arising from the pandemic and future funding streams being major contributing factors. The table above is derived from a 'base case' set of assumptions. To assist in financial planning 'best case' and 'worst case' scenarios have been modelled.

Description	**Best case**	**Base case**	**Worst case**
Council tax rate increase	Band D increase of £5 where greater than 1.99%	1.99% p.a.	1.99% p.a.
Council tax base	All years 2.00%	Post-Covid projections based on current expectations of local authorities advised by Pixel 2021/22 -3.7% 2022/23 1.10% 2023/24 3.20% 2024/25 1.00% (0.4% average)	All years 0%
Pay inflation	In line with CPI inflation 2021/22 – 0.9% Later years – 2.0%	2021/22 – 2.5% Later years - 2.0%	2021/22 – 3.0% 2022/23 – 2.5% Later years - 2.0%
Unavoidable revenue pressures and reductions in income	£600k p.a.	£800k p.a.	£1.00m p.a.
Covid-19 ongoing pressures			
All	Service forecasts reduced by 50%	In line with service forecasts	Service forecasts increased by 50%

No scenarios have been modelled for business rates as complexities within the system and the extent of future uncertainties make it difficult to identify plausible scenarios.

The following range of possible savings requirements were identified.

Savings requirements / £'000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Base case:							
In-year savings, no unavoidable pressures and income reductions	0	**2,155**	**2,145**	**1,262**	**562**	**(460)**	**5,664**
In-year savings including unavoidable pressures and income reductions	0	2,955	2,945	2,062	1,362	340	**9,664**
Best case:							
In-year savings, no unavoidable pressures and income reductions	0	(513)	2,808	1,565	514	(474)	**3,900**
In-year savings including unavoidable pressures and income reductions	0	87	3,921	2,165	1,114	126	**7,413**
Worst case:							
In-year savings, no unavoidable pressures and income reductions	0	3,142	1,775	1,146	553	(195)	**6,421**
In-year savings including unavoidable pressures and income reductions	0	4,142	2,775	2,146	1,553	805	**11,421**



Use of reserves to support savings requirements

The council's GF reserve balance is above the target levels required (See section 7). At the time of writing, £2.1m of this balance is expected to be used in 2020/21 to balance the budget and it is suggested that a further £2.9m be used in 2021/22 to support service budgets and to smooth savings requirements. Further amounts over and above the target level 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 base-case projection of GF expenditure and funding results from applying the recommendations included in this report:

Description / £'000s	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Expenditure						
Net service budgets - base and inflation	30,809	23,365	22,421	22,272	22,649	23,214
Allowance for unavoidable revenue pressures and reduced income	0	0	0	0	0	0
Savings delivered from prior years	0	0	(2,155)	(4,299)	(5,563)	(6,124)
Net service budgets	**30,809**	**23,365**	**20,266**	**17,973**	**17,086**	**17,090**
Capital accounting adjustments	(6,353)	(6,353)	(6,353)	(6,353)	(6,353)	(6,353)
Capital expenditure financed from revenue	(1,174)	3,051	1,564	1,564	1,564	1,564
Contributions to earmarked funds	1,964	813	1,299	1,699	2,180	1,617
Net spending requirement before in-year savings	**25,246**	**20,876**	**16,776**	**14,883**	**14,477**	**13,918**
In-year savings	(0)	(2,155)	(2,144)	(1,264)	(561)	460
Net spending requirement	**25,246**	**18,721**	**14,632**	**13,619**	**13,916**	**14,378**
Funded by:						
Settlement Funding Assessment (SFA)	(4,272)	(4,298)	(4,027)	(4,027)	(4,027)	(4,027)
Locally Retained Business Rates – Growth Element	(5,117)	0	(1,023)	(585)	(677)	(771)
New Homes Bonus (NHB)	(4,913)	(2,983)	(1,496)	-	-	0
Covid grant and furloughing income	(1,901)	0	0	0	0	0
Appropriations from earmarked funds	(1,957)	0	0	0	0	0
Council Tax	(8,687)	(8,926)	(9,395)	(9,878)	(10,175)	(10,637)
Contributions to / (from) reserves	1,601	(2,514)	1,309	871	963	1,057
Total funding	**(25,246)**	**(18,721)**	**(14,632)**	**(13,619)**	**(13,916)**	**(14,378)**

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 2021 alongside the Treasury Management Strategy Statement and the Budget Setting Report 2021/22.

Capital plan

The capital plan was approved by council in February 2020. Since then the plan has been updated as follows:

- Projects rephased from 2019/20, £27,773k
- Interim update to the MTFS - £1,745k spend deleted and £1,485k spend deferred to 2021/22 and a further £50k deleted from 2022/23 to mitigate Covid-19 financial pressures
- New projects funded from developers' contributions, see below - £1,028k

Ref.	Description / £'000s	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Approved since BSR Feb 2020:							
SC739	Abbey Pool improvements (S106)	425	-	-	-	-	-	425
SC740	Chesterton Rec pavilion (S106)	178	-	-	-	-	-	178
SC741	Nightingale Rec Ground pavilion (S106)	425	-					423
	Total Approved since BSR Feb 2020	**1,028**	**-**	**-**	**-**	**-**	**-**	**1,028**

Mid-year capital proposals totalling £10.4m are presented for approval as follows:

L2 Orchard Park development and equity funding (£10,400k in total): Detailed proposals for this development will be put before the Housing Scrutiny Committee on 24 September for approval. The development is being delivered by CIP and will generate a surplus for the council on completion and an opportunity for the HRA to purchase the affordable housing on the site. This proposal is for the council to provide equity and development loans to CIP, earning 5% p.a. on these loans.

In addition to the above, commercial property on the site of the HRA's Colville Road III redevelopment is held in the council's GF as income-generating assets. Officers are exploring how to identify the costs that should be financed by the GF. At this stage, the full scheme cost has been incorporated into the HRA Medium Term Financial Strategy and Housing Capital Plan, to allow the scheme to proceed.

Ref.	Description / £'000s	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Proposals							
SC744	L2 – Development loan to CIP	-	3,400	5,200				8,600
SC745	L2 – Equity loan to CIP	500	800	500				1,800
PV554	Development of land at Clay Farm (reprofiling existing spend)	(783)	49	14	15	705		0
	Total proposals	**(283)**	**4,249**	**5,714**	**15**	**705**		**10,400**

The table below shows the impact of these changes on the overall capital plan. The resulting detailed capital plan is provided in Appendix A(a) and its funding in Appendix A(b).

Capital plan / £'000s	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Capital plan as approved at BSR Feb 2020	**33,962**	**30,812**	**19,030**	**29,862**	**7,639**	**466**	**121,771**
Changes approved and adjustments made in year	25,571	1,485					27,056
Current approved capital plan	**59,533**	**32,297**	**19,030**	**29,862**	**7,639**	**466**	**148,827**
Mid year capital spending proposals	(283)	4,249	5,714	15	705		**10,400**
Revised capital plan	**59,250**	**36,546**	**24,744**	**29,877**	**8,344**	**466**	**159,227**

Funding

£'000s	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
BSR Feb 2020: Funding available from revenue and unapplied		**(577)**	**(1,070)**	**(1,100)**	**(1,100)**	**(1,100)**	**(4,947)**
Feasibility funding adjustment – to reduce funding in line with reductions in DRF		(11)	(11)	(11)	(11)	(11)	(55)
Funding released – spend re-allocated to R&R fund (refuse vehicle)		(375)					(375)
	-	**(963)**	**(1,081)**	**(1,111)**	**(1,111)**	**(1,111)**	**(5,377)**
Changes approved and adjustments made in year:							
Spend:							
Schemes approved since BSR 2020	1,028						1,028
Proposed	(283)	4,249	5,714	15	705		10,400
	745	**4,249**	**5,714**	**15**	**705**		**11,428**
Funding:							
S106	(1,028)						(1,028)
Internal borrowing	283	(4,249)	(5,714)	(15)	(705)		(10,400)
	(745)	**(4,249)**	**(5,714)**	**(15)**	**(705)**		**(11,428)**
Revised capital funding availability	**-**	**(963)**	**(1,081)**	**(1,111)**	**(1,111)**	**(1,111)**	**(5,377)**
Memo: 5% top-slice of DRF (£1,660k) – revenue feasibility budget		**83**	**83**	**83**	**83**	**83**	**415**

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 2021 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 risks and uncertainties which could affect its financial position. Additional risks have been identified in relation to the Covid-19 crisis, which has also increased the potential impact of existing risks. The table below summarises risks to the financial standing and sustainability of the council, using a High-Medium-Low assessment.

Risk	Probability (H, M, L)	Impact (H, M, L))	Overall assessment (H, M, L)	Mitigation
The economic impact of the Covid-19 pandemic (with a second spike or long, slow recovery) may impact some of the council's costs and income streams in future years. This could include the costs of homelessness, car parking income, commercial rents and planning fee income, with the degree of impact difficult to predict	H	H	**H**	Management overview, further government funding
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	H	H	**H**	Management overview
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	H	H	**H**	Engagement with partners, strategic planning to mitigate service delivery and financial pressures
Funding from central government (Settlement Funding Assessment, including the outcome of the Fair Funding Review and other grants) may fall below projections	M	H	**H**	Monitor developments, plan delivery of savings and additional income, consider limited use of reserves
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	M	H	**H**	Monitor developments, plan delivery of savings and additional income, consider limited use of reserves

Risk	Probability (H, M, L)	Impact (H, M, L))	Overall assessment (H, M, L)	Mitigation
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 the outcome of a test case has been appealed	L	H	**H**	Review provision regularly
The actual impact and timing of local growth on the demand for some services may not reflect projections used.	M	M	**M**	Management overview and use of up-to-date data and intelligence
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;	M	M	**M**	Review of savings delivery and co-design of services
Unforeseen expenditure, such as major repairs to offices and commercial properties, may be required	L	M	**M**	Property condition surveys, review of property use
Assumptions and estimates, such as inflation, pay increases and interest rates, may prove incorrect	L	M	**M**	Management overview and monitoring
Savings plans may not deliver projected savings to expected timescales	L	M	**L**	Management overview and monitoring
Increases in council tax and business rates receipts due to local growth may not meet expectations	M	L	**L**	Management overview and monitoring
New legislation or changes to existing legislation may have budgetary impacts	L	M	**L**	Management overview and monitoring
The council may be impacted by spending cuts implemented by other agencies	H	L	**L**	Engagement with partners

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, particularly the heightened financial risks in relation to the Covid-19 pandemic. As a result, an increase in PMB is recommended.

The PMB will be reassessed during the budget setting process, as the current pandemic situation is volatile and changes in this risk may indicate that the PMB should be either reduced or increased at that point. Detailed calculations of these amounts are provided in Appendix B.

General Fund reserves	**£m**
February 2020 BSR	
- Target level	6.61
- Minimum level (PMB)	5.51
October 2020 MTFS – Recommended levels	
- Target level	7.59
- Minimum level (PMB)	6.33

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

Description / £'000s	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Balance at 1 April (b/fwd)	**(17,470)**	**(19,071)**	**(16,557)**	**(17,866)**	**(18,737)**	**(19,700)**
Contribution (to) / from reserves per BSR 2020/21	(5,776)	(386)	(286)	(286)	(286)	(286)
Carry forwards	1,087					
Business rates growth - growth element	918	0	(1,023)	(585)	(677)	(771)
Use of reserves to support revenue spending in services	2,170	2,900				
Balance at 31 March (c/fwd)	**(19,071)**	**(16,557)**	**(17,866)**	**(18,737)**	**(19,700)**	**(20,757)**

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 funding reforms and the impact of Brexit uncertainty alongside a worsening global and national financial outlook as a result of the Covid-19 pandemic. 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 for a summary of principal earmarked funds.

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.

Through the interim update to the MTFS in July, £734k was released from the Office Accommodation Strategy reserve as capital schemes were deleted pending re-evaluation of office accommodation needs and a further £892k was approved for direct transfer from earmarked reserves, both amounts to fund Covid-19 spending pressures in the interim update to the MTFS in July 2020.

Type of earmarked or specific fund	Balance at 31 March 2020 £000	Balance at 31 March 2019 £000
Major policy-led funds	2,661	11,518
Asset replacement funds (R&R)	2,100	1,618
Statutory and accounting reserves	4,332	3,648
Shared / partnership funds	7,341	7,300
Other – to be closed once committed balances are spent	1,179	964
Total	**17,613**	**25,048**

Section 8
Budget strategy

General Fund savings requirements

Description / £'000	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Net savings requirement (BSR Feb 2020)	**635**	**635**	**635**	**635**	**598**	**3,138**
Net impact of the Covid-19 response in the interim MTFS and subsequent changes in assumptions in this report	1,520	1,509	629	(74)	(1,058)	2,526
Revised (MTFS) net savings requirement	**2,155**	**2,144**	**1,264**	**561**	**(460)**	**5,664**

General Fund budget strategy

Budget process

The GF budget process for 2021/22 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 2021/22 budget process and provided indications of the level of savings required to meet both current and anticipated spending needs.

The GF MTFS has highlighted:

- Unprecedented financial uncertainties for the council as the impacts of Covid-19 feed through into the national and local economy, further exacerbated by the forthcoming end of the Brexit transition period

- An ongoing lack of clarity in the future direction of local government funding
- Increasing pressure on council services as a result of Covid-19 and its impact on vulnerable residents, local businesses and visitors, alongside the need to deliver services in a Covid-safe way, all with consequent additional cost
- 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

New ways of working and maintaining priorities

The Council's commitments to address poverty, housing need and homelessness, and climate change remain, and we will continue to invest our resources to prioritise this work. For example, and with regard to the latter, these will include investing to reduce our own energy usage and bills and the carbon emissions from our fleet, buildings and assets. We remain committed to replace our non-waste vehicle fleet with electric vehicles in the coming years. We must not forget these core areas of work and deliver against existing promises.

However, it is imperative that even in the most difficult of times that we continually look to improve our Services. Bringing delivery closer to communities and working in alignment with our statutory partners to ensure a better fit with local capacity and needs, we can increase representation and participation by rethinking the relationship between the council and residents. The community response to the Covid-19 pandemic and lockdown and the development of mutual aid networks has shown the level of skill and the ability to deliver that already exists within our communities. This is combined with a real appetite within communities for greater involvement in activities which support their local areas.

Therefore, the council will be embarking on a transformation process centred around a review of how it works both externally with residents, communities, partners and others, as well internally across departments and teams.

- We hope to build community capacity, working co-operatively and collaboratively to care for the city; addressing the long-term causes of 'wicked issues' such as poverty and inequality. We will take a local or 'neighbourhood' approach, ensuring a closer relationship with communities and targeting resources at the areas of greatest need.

- The council will encourage an 'enabling' role through our influence on other stakeholders, increasing our impact in areas like anti-poverty and climate change, where many activities which have the greatest impact are outside our direct control; ensuring better outcomes for our communities and making best use of the incredible knowledge, capacity and skills which exist in Cambridge as a city

- We will aim to work as an agile, dynamic organisation, informed by evidence and insight about local need, targeting its skills, capacity and resources towards the most important priorities and outcomes for the community, innovating and improving its services, delivering them from whichever place is the best fit for the job.

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 approach to service review and savings delivery has been refocused into reflect the 'new ways of working' thinking outlined above.

It is also proposed that we will review of the way the council sets its fees and charges and continuing work on developing investments to provide regular income streams will directly address the financial sustainability of the council.

The BSR 2021 will present budget proposals for savings and increased income, and bids for the delivery and implementation costs arising from these initiatives, including anticipated costs of change.

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 no end in sight to the Covid-19 pandemic or its economic effects. 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
- 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.

Delivery of projects has been strengthened by:

- 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

Appendix A(a): Capital Plan 2020/21 to 2025/26

Ref.	Description	Lead Officer	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)
Capital-GF Projects								
PR030h	S106 Romsey 'town square' public realm improvements	J Richards	7	0	0	0	0	0
PR031q	S106 Bramblefields nature reserve: to improve biodiversity and access	A Wilson	2	0	0	0	0	0
PR031r	S106 Chesterton Rec Ground skate and scooter park	J Richards	50	0	0	0	0	0
PR032w	S106 Accordia open space improvements	A Wilson	5	0	0	0	0	0
PR032y	S106 Trumpington Rec Ground skate park	J Richards	3	0	0	0	0	0
PR032z	S106 Trumpington Rec Ground trim trail and climbing frame	A Wilson	7	0	0	0	0	0
PR040z	S106 Public art: Historyworks: Michael Rosen Walking Trail 2	N Black	10	0	0	0	0	0
PR042d	S106 Romsey Mill community facility grant	J Hanson	21	0	0	0	0	0
PR042g	S106 To the River - artist in residence	N Black	60	0	0	0	0	0
PR042m	Public art grant - Chesterton village sign (S106)	N Black	10	0	0	0	0	0
PR042n	Public art grant - HistoryWorks: Travellers and Outsiders (S106)	N Black	15	0	0	0	0	0
PR050d	Mobile working (OAS)	D Prinsep	15	0	0	0	0	0
PR050g	Office optimisation (OAS)	D Prinsep	50	0	0	0	0	0
SC548	S106 Southern Connections Public Art Commission	A Wilson	13	0	0	0	0	0
SC571	Procurement of IT System to Manage Community Infrastructure Levy	S Kelly	20	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Car Parks	S Cleary	200	0	0	0	0	0
SC601	Replacement Telecommunications & Local Area Network	F Bryant	14	0	0	0	0	0
SC627	Guildhall Large Hall Windows refurbishment	W Barfield	0	101	0	0	0	0
SC633	S106 Reinforcing grass edges along paths across Parker's Piece	A Wilson	77	0	0	0	0	0
SC644	Acquisition of land adjacent to Huntingdon Road Crematorium	G Theobald	42	0	0	0	0	0
SC645	Electric vehicle charging points	J Dicks	386	0	0	0	0	0
SC646	Redevelopment of Cambridge Junction	J Wilson	31	219	0	0	0	0
SC651	Shared ICT waste management software - Alloy/Yotta	J Carré	297	0	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	0	476	0	0	0	0
SC655	Resealing the roof at Robert Davies Court	W Barfield	177	0	0	0	0	0
SC658	Cambridge City CCTV infrastructure	J Carré	12	0	0	0	0	0
SC659	My Cambridge City online customer portal	E Rospigliosi	46	0	0	0	0	0

Ref.	Description	Lead Officer	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)
SC660	Council Anywhere - desktop transformation	F Bryant	204	18	0	0	0	0
SC662	Shared Planning Service software implementation	S Kelly	32	0	0	0	0	0
SC672	Mill Road Redevelopment - Development Loan to CIP	C Ryba	7,100	0	0	0	0	0
SC674	Mill Road Redevelopment - Equity Loan to CIP	C Ryba	4,265	0	0	0	0	0
SC678	Crematorium - additional car park	G Theobald	339	0	0	0	0	0
SC679	Crematorium - cafe facilities	G Theobald	307	0	0	0	0	0
SC680	CCTV equipment upgrade	J Carré	3	0	0	0	0	0
SC684	Property Management software	P Doggett	96	0	0	0	0	0
SC688	Environmental Health software	J Carré	40	0	0	0	0	0
SC689	Income management software	C Norman	15	32	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0	0
SC691	HRIS new system	D Simpson	149	0	0	0	0	0
SC692	CHUB - community extension to Cherry Hinton library	J Hanson	766	0	0	0	0	0
SC693	Lion Yard shopping centre investment	D Prinsep	6,000	0	0	0	0	0
SC694	Meadows Community Hub and Buchan St retail outlet	C Flowers	2,594	1,892	0	0	0	0
SC695	Cromwell Road Redevelopment - equity loan to CIP	C Ryba	5,000	350	0	0	0	0
SC696	Cromwell Road Redevelopment - development loan to CIP	C Ryba	13,500	1,000	0	0	0	0
SC700	S106 Nightingale community garden hut	G Belcher	11	0	0	0	0	0
SC701	Dales Brewery fire alarm system	C Mitchell	2	0	0	0	0	0
SC708	Replacement plantroom at Jesus Green outdoor pool	I Ross	140	0	0	0	0	0
SC710	Guildhall Small Hall wooden floor	J Wilson	0	45	0	0	0	0
SC711	Guildhall PA system	J Wilson	0	25	0	0	0	0
SC712	Automation of Bishops Mill sluice gate	A Wilson	90	0	0	0	0	0
SC713	Replacement air quality monitoring equipment	J Smith	200	0	0	0	0	0
SC714	Changing Places toilets at Quayside	A Wilson	100	0	0	0	0	0
SC715	Additional refuse vehicle for property growth shared with SCDC	T Nicoll	0	375	0	0	0	0
SC716	Replacement telephony system with call centre	E Rospigliosi	150	0	0	0	0	0
SC718	Data centre capacity growth 2020-2024	F Bryant	34	0	0	0	0	0

Ref.	Description	Lead Officer	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)
SC719	Cyber security improvements	F Bryant	10	0	0	0	0	0
SC721	Call management for 3C ICT service desk	F Bryant	7	0	0	0	0	0
SC722	Purchase of link tip bodies	T Nicoll	18	0	0	0	0	0
SC724	Provision of extra electric charging points	S Cleary	50	50	0	0	0	0
SC727	Logan's Meadow vehicular access	J Carré	32	0	0	0	0	0
SC731	Cambridge Food Hub	S Roden	100	0	0	0	0	0
SC732	Park Street car park development	F Bryant	9,744	26,521	18,534	29,396	7,173	0
SC734	Grant for Arbury Court meeting room - voluntary services (S106)	J Hanson	3	0	0	0	0	0
SC735	S106 Grant for Chesterton Methodist Church improvements	J Hanson	15	0	0	0	0	0
SC736	S106 Grant for St George's Church improvements	J Hanson	15	0	0	0	0	0
SC738	Wilberforce Road artificial pitches (S106)	I Ross	250	0	0	0	0	0
SC739	Abbey Pool improvements (S106)	I Ross	380	0	0	0	0	0
SC740	Chesterton Rec pavilion (S106)	I Ross	178	0	0	0	0	0
SC741	Nightingale Rec Ground pavilion (S106)	I Ross	425	0	0	0	0	0
SC742	L2 development loan to CIP	C Ryba	0	3,400	5,200	0	0	0
SC743	L2 equity loan to CIP	C Ryba	500	800	500	0	0	0
Capital-GF Projects			**54,458**	**35,304**	**24,234**	**29,396**	**7,173**	**0**
Capital-Programmes								
PR010	Environmental Improvements Programme	J Richards	180	0	0	0	0	0
PR010a	Environmental Improvements Programme - North Area	J Richards	14	0	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	48	0	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	58	0	0	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	47	0	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	695	200	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (S106)	T Nicoll	143	0	0	0	0	0
PR039	Minor Highway Improvement Programme	J Richards	48	30	30	0	0	0
PR050	Office Accommodation Strategy Phase 2 (OAS)	D Prinsep	24	0	0	0	0	0
PR051	Building works at the Guildhall to reduce carbon emissions and improve energy efficiency	W Barfield	58	0	0	0	0	0
PR053	Commercial property repair and maintenance	W Barfield	225	300	300	300	300	300

Ref.	Description	Lead Officer	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)
PR054	Administrative buildings maintenance	W Barfield	94	216	166	166	166	166
Capital-Programmes			**1,634**	**746**	**496**	**466**	**466**	**466**
Capital-GF Provisions								
PV007	Cycleways	J Richards	0	387	0	0	0	0
PV018	Bus Shelters	J Richards	1	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	0	60	0	0	0	0
PV554	Development Of land at Clay Farm	D Prinsep	357	49	14	15	705	0
PV682	Local investment bond	C Ryba	2,800	0	0	0	0	0
Capital-GF Provisions			**3,158**	**496**	**14**	**15**	**705**	**0**

Total GF Capital Plan	**59,250**	**36,546**	**24,744**	**29,877**	**8,344**	**466**

Appendix A(b): Capital Funding 2020/21 to 2025/26

Description	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)
External Support						
Developer Contributions	(1,844)	0	0	0	0	0
Prudential Borrowing	(9,744)	(26,521)	(18,534)	(29,396)	(7,173)	0
Other Sources	(591)	(93)	0	0	0	0
Total - External Support	**(12,179)**	**(26,614)**	**(18,534)**	**(29,396)**	**(7,173)**	**0**
City Council						
Direct Revenue Financing (DRF) - GF Services	(60)	0	0	0	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(3,180)	(2,677)	(1,577)	(1,577)	(1,577)	(1,577)
Earmarked Reserve - Capital Contributions	(3,573)	0	0	0	0	0
Earmarked Reserve - Office Accommodation Strategy	(24)	0	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(889)	(575)	0	0	0	0
Internal Borrowing - Temporary Use of Balances	(39,300)	(7,491)	(5,714)	(15)	(705)	0
Usable Capital Receipts	(45)	(152)	0	0	0	0
Total - City Council	**(47,071)**	**(10,895)**	**(7,291)**	**(1,592)**	**(2,282)**	**(1,577)**
Total Available Finance	**(59,250)**	**(37,509)**	**(25,825)**	**(30,988)**	**(9,455)**	**(1,577)**
Capital Plan	**59,250**	**36,546**	**24,744**	**29,877**	**8,344**	**466**
Net Funding Available	**0**	**(963)**	**(1,081)**	**(1,111)**	**(1,111)**	**(1,111)**

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*	31,394,880	62,790
Premises costs	*Low*	7,494,240	14,988
Transport costs	*Low*	671,810	2,687
Supplies and services	*Low*	36,001,820	18,001
Grants and transfers	*Low*	28,496,400	28,496
Grant income	*Low*	35,944,760	35,945
Other income	*High*	63,136,280	1,420,566
Miscellaneous	*Low*	379,210	569
Total one year operational risk			1,584,043
Allowing three years cover on operational risk			**4,752,000**

General and specific risks	Amount (£)	Probability (%)	
Unforeseen events	1,000,000	30%	300,000
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	1,000,000	50%	500,000
Cover for lower level of earmarked and specific reserves	500,000	30%	150,000
Fuel cost inflation - currency fluctuations due to Brexit	100,000	50%	50,000
General risks			**1,575,000**

Prudent Minimum Balance (PMB)	**6,327,000**
Target (PMB + 20%)	**7,592,000**

Operational cost risk profiles				
		Low	*Medium*	*High*
Employee costs	overspend	1.00%	3.00%	5.00%
£31,394,880	probability	20.0%	15.0%	10.0%
	amount at risk	**£62,790**	**£141,277**	**£156,974**
Premises costs	overspend	1.00%	3.00%	5.00%
£7,494,240	probability	20.0%	15.0%	10.0%
	amount at risk	**£14,988**	**£33,724**	**£37,471**
Transport costs	overspend	2.00%	4.00%	6.00%
£671,810	probability	20.0%	15.0%	10.0%
	amount at risk	**£2,687**	**£4,031**	**£4,031**
Supplies and services	overspend	1.00%	3.00%	5.00%
£36,001,820	probability	5.0%	10.0%	15.0%
	amount at risk	**£18,001**	**£108,005**	**£270,014**
Grants and transfers	overspend	1.00%	2.00%	3.00%
£28,496,400	probability	10.0%	7.5%	5.0%
	amount at risk	**£28,496**	**£42,745**	**£42,745**
Grant income	overspend	1.00%	2.00%	3.00%
£35,944,760	probability	10.0%	7.5%	5.0%
	amount at risk	**£35,945**	**£53,917**	**£53,917**
Other income	overspend	5.00%	10.00%	15.00%
£63,136,280	probability	5.0%	10.0%	15.0%
	amount at risk	**£157,841**	**£631,363**	**£1,420,566**
Other	overspend	1.00%	2.00%	3.00%
£379,210	probability	15.0%	10.0%	5.0%
	amount at risk	**£569**	**£758**	**£569**

Appendix C

Principal earmarked and specific funds

Fund	Balance at 1 April 2020	Anticipated contributions	Forecast expenditure	Forecast balance at 31 March 2025
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	(5,328)	(1,349)	6,677	0
Sharing Prosperity Fund	(85)	0	85	0
Climate Change Fund	(129)	(500)	500	(129)
Asset Replacement Fund (R&R)	(1,575)	(3,250)	5,000	175
Bereavement Services Trading Account	(525)	(800)	1,518	193
Local Plan Development Fund	(943)	(600)	1,823	280
A14 Mitigation Fund	(1,500)	0	1,500	0
Cambridge Live Development Plan	(213)	0	213	0
Total	**(10,298)**	**(6,499)**	**17,316**	**519**

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 Fund is used to fund work with South Cambridgeshire District Council on the joint Local Plan.