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Cambridge City Council

Strategy and Resources Scrutiny Committee

Date: Monday, 11 October 2021

Time: 5.00 pm

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

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

Agenda

Strategy and Resources Scrutiny Committee Members: Robertson (Chair), H. Davies (Vice-Chair), Bick, Dalzell, Healy and S. Smith

Alternates: O'Reilly, Payne and Scutt

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

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STRATEGY AND RESOURCES SCRUTINY COMMITTEE 12 July 2021
5.00 - 6.21 pm

Present: Councillors Robertson (Chair), H. Davies (Vice-Chair), Bick, Dalzell, Healy and S. Smith

Executive Councillors: Davey (Executive Councillor for Finance and Resources)

Officers:
Head of Corporate Strategy: Andrew Limb
Head of Finance: Caroline Ryba
Committee Manager: Sarah Steed

FOR THE INFORMATION OF THE COUNCIL

21/20/SR Apologies for Absence

Apologies were received from Councillor Herbert.

21/21/SR Declarations of Interest

No declarations of interest were made.

21/22/SR Minutes

The minutes of the meeting held on 8 February 2021 and 27 May 2021 were approved as a correct record and signed by the Chair.

21/23/SR Public Questions

There were no public questions.

21/24/SR Combined Authority Update

Matter for Decision
The report provided an update on the activities of the Cambridgeshire and Peterborough Combined Authority (CPCA) since the 8 February 2021 meeting of Strategy & Resources Scrutiny Committee.

Decision of Executive Councillor for Finance and Resources

i. Noted the update on issues considered at the meetings of the Combined Authority held on 24 March (reconvened on 26 March), 2 and 30 June 2021.

Reason for the Decision

As set out in the Officer’s report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Head of Corporate Strategy presented by the Executive Councillor for Finance and Resources in the absence of the Executive Councillor for Strategy and External Partnerships.

The Executive Councillor for Finance and Resources made the following comments:

i. Confirmed changes to Lead Councillors in the Combined Authority:
   a. Councillor Herbert was now the lead councillor for Housing,
   b. Councillor Nethsingha was the lead councillor for Skills and
   c. Councillor Dupre was the lead councillor for Overview and Scrutiny.
ii. Highlighted the appointment of the new Chief Executive and advised it was anticipated that they would be in post by late autumn.

The Committee made the following comments in response to the report:

i. Asked whether the new Cambridge and Peterborough Combined Authority Mayor had confirmed their intention to discontinue the CAM Metro project.

The Executive Councillor for Finance and Resources said the following in response to Members’ questions:

i. Confirmed he thought that the CAM Metro project had been stopped but he wasn’t sure what project may replace it.

The Committee resolved to note the report.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)

No conflicts of interest were declared by the Executive Councillor.

21/25/SR 3Cs Legal and ICT Services and Greater Cambridge - Internal Audit Shared Service - 2020/21 Annual Reports

Matter for Decision
The Officer's report summarised the performance for the 3Cs ICT, Legal Shared Services and the Greater Cambridge Shared Internal Audit Service during 2020/21.

Decision of Executive Councillor for Finance and Resources
i. Noted the content of the report.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
This item was not requested for pre-scrutiny and the committee made no comments in response to the report.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

21/26/SR Annual Complaints Report 20/21

Matter for Decision
The report provided an analysis of the complaints and compliments received by the Council during 2020/21 under the Corporate Complaints, Compliments and Comments procedure.

Decision of Executive Councillor for Finance and Resources

i. Approved the draft Annual Complaints Report for 2020/21 (Appendix A of the officer's report) and approved the report could be published on the Council's website.
ii. Noted the revisions to the Council's Persistent Complainant policy (Appendix B of the officer's report).

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Head of Corporate Strategy and the Business and Development Manager.

The Committee made the following comments in response to the report:

i. Acknowledged the high number of positive comments.
ii. Noted the Council took complaints seriously and their commitment to service improvement. Asked for further focus on the Council's learning and actions in the next report.
iii. Noted the report was for an atypical year and some services had received compliments and some had received complaints. Felt it was constructive to see the report presented in the way it was with root causes identified and actions which needed to be taken.
iv. Asked how councillors would be involved with the implementation of the Persistent Complainant Policy (Appendix B of the officer's report). Asked if Ward Councillors would be made aware when the policy was applied. Asked how often the policy had been applied.
v. Questioned how the policy would be applied, as a person could be a persistent complainant but be making a valid point which the council could learn from.
vi. Welcomed the report, felt there was a lot of positivity in the light of the difficult year everyone had experienced.

The Head of Corporate Strategy said the following in response to Members' questions:

i. The Council would record how often the Persistent Complainant Policy was applied and this would be included in the report next year. The Policy was applied infrequently. Would check to see if there were any confidentiality or data protection issues in sharing the information with Ward Councillors.
ii. The Persistent Complainant Policy was drawn from the Local Government Ombudsman's version. There were safeguards in place before the policy was applied for example the Council's Monitoring Officer was involved in the process.

The Committee resolved by 4 votes to 0 to endorse the recommendations.

The Executive Councillor approved the recommendations.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

21/27/SR Update on City Business Support and Recovery

Matter for Decision
The report provided an update on the ongoing work that the council had undertaken during the pandemic to respond to the needs of the City following a motion to Council in February 2021.

Decision of Executive Councillor for Finance and Resources

i. Noted the update on progress across the programme and next steps.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Strategic Director. The Head of Corporate Strategy attended to answer questions.

The Committee made the following comments in response to the report:

i. Commented that it was a helpful report and thanked officers for their work on the report. Commented that recovery was only one part of the exercise and that the report was silent on the question of renewal in the city centre. Renewal was different to recovery and both were needed. Commented that the Council was not doing anything about renewal, the pandemic had accelerated changes in the high street. Referred to the Grafton Centre as an example and stated that the public were concerned about what would happen with the space since the owners had put the building up for sale.
ii. Concerned to make sure that businesses in neighbourhood areas would also be supported in their recovery as well as the city centre.

iii. Commented that the new Joint Local Plan was where the high-level strategic thinking should be undertaken and that a separate strategy outside of that process would be duplicating work.
iv. Looking to the future, asked what support would be given to younger people.
v. Asked what the Capitalised Future Vision was on p133 of the agenda point 4.

The Executive Councillor said the following in response to Members' questions:

i. Work was already being undertaken by the Assistant Director (Strategy and Economy) and Head of Property Services and would be supported by the new Economic Development Manager.
ii. Felt it was still too early to see the full impact of the Covid pandemic on the city centre. There was a lot of new retail businesses coming into the city centre as well as business leaving. There needed to be a long term strategy based on evidence. Neighbourhood areas, such as Mill Road were being supported.
iii. Had been in discussions with the owners of the Grafton Centre, there were a lot of tenancies in place.
iv. Work was being undertaken with South Cambridgeshire District Council, the Greater Cambridge Partnership and the Combined Authority regarding opportunities for younger people.
v. Confirmed that the Capitalised Future Vision was the work being undertaken by the Strategic Director and Head of Property Services.

Councillor Bick proposed the following amendment:

i. Add second bullet to recommendation at 2.0 on page 125 of the agenda
   - Commission an exercise to define a place-based renewal strategy for the city centre to recognise the structural changes in the 'high street' which the pandemic has accelerated and to which recovery is only a partial answer.

The Executive Councillor said in response that the amendment was not required as the work was already underway.

On a show of hands, the amendment was lost by 2 votes to 4.

The Committee resolved to note the recommendations.

The Executive Councillor noted the recommendations.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

21/28/SR Annual Treasury Management Outturn Report 2020/21

Matter for Decision
The Council was required by regulations issued under the Local Government Act 2003, to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for each financial year.

This report meets the requirements of both the CIPFA Treasury Management in the Public Services: Code of Practice 2017 (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities 2017 (the Prudential Code) in respect of 2020/21.

During the 2020/21 the minimum requirements were that Council should receive:
- An annual strategy in advance of the year
- A mid-year treasury update report and;
- An annual review following the end of the year describing the activity compared to the strategy.

In line with the Code of Practice on Treasury Management all treasury management reports have been presented to Strategy and Resources Scrutiny Committee and to Full Council.

Decision of Executive Councillor for Finance and Resources to recommend to Council to:

i. Approve the report with the Council’s actual Prudential and Treasury Indicators for 2020/21

Reason for the Decision
As set out in the Officer’s report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations

The Committee received a report from the Head of Finance.

The Committee unanimously resolved to endorse the recommendation.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)

No conflicts of interest were declared by the Executive Councillor.

21/29/SR 2020/21 General Fund Revenue and Capital Outturn, Carry Forwards and Significant Variances

Matter for Decision

The outturn report presented reflects the Executive Portfolios for which budgets were originally approved (which may have changed since, for example for any changes in Portfolio responsibilities). Therefore, members of all committees were asked to consider proposals to carry forward budgets and make their views known to the Executive Councillor for Finance and Resources, for consideration at Strategy and Resources Scrutiny Committee prior to recommendations to Council.

Decision of Executive Councillor for Finance and Resources to recommend to council to:

i. Approve carry forward requests totalling £658,670 of revenue funding from 2020/21 to 2021/22, as detailed in Appendix C of the officer's report.
ii. Approve carry forward requests of £49,211,000 of capital resources from 2020/21 to 2021/22 to fund rephased net capital spending, as detailed in Appendix D of the officer's report.
iii. Approve the addition of £85,000 capital funding in 2021/22 to undertake works to the Council Chamber/Committee Rooms to stream meetings/enable hybrid meetings.

Reason for the Decision

As set out in the Officer's report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Head of Finance. The Head of Finance referred to a budget proposal which had been published in advance of the meeting regarding additional expenditure to upgrade the Council Chamber and Committee Rooms with equipment to enable livestreaming and hybrid meetings. This proposed as an additional recommendation (c).

Additional recommendation (c):

The Executive Councillor for Finance and Resources is requested to recommend to Council the addition of £85,000 capital funding in 2021/22 to undertaken works to the Council Chamber/Committee Rooms to stream meetings/enable hybrid meetings.

The Committee made the following comments in response to the report:

i. Asked whether the decision to reduce car parking charges affected the Council's ability to reclaim this funding back from the Covid Pandemic funding from Central Government. Noted that the capital spending proposed was a lot of money and queried whether the programme could be delivered.
ii. Commented that the decision to reduce car parking charges allowed key workers not to have to travel on buses during the pandemic.
iii. Asked how big the existing capital programme for 2021/22 was in comparison with the requested carry forward of £49m

The Head of Finance said the following in response to Members' questions:

iv. The decision to reduce car parking charges did affect the funding the Council was able to claim back from Central Government. Confirmed following the meeting that the total car parking charges the Council reclaimed back was £4.1 million of the £5.9 million sales, fees and charges and that the Council was not able to claim back £1.1million due to the decision to reduce car parking charges.
v. A large proportion of the capital programme involved lending funding (£20 million) to the Cambridge Investment Partnership (CIP). Or involved projects that were already in progress, for example Park Street development (£9 million), which were being managed by external companies.
vi. The capital plan total for 2021/22 in the Budget Setting Report approved in February was £40.9m.
vii. There were processes in place to ensure that capital projects moved forward as quickly as possible.
viii. Confirmed that the income compensation the Council applied for was calculated via a Government formula.

The Committee resolved by 4 votes to 0 to endorse the following recommendations.

i) Approve carry forward requests totalling £658,670 of revenue funding from 2020/21 to 2021/22, as detailed in Appendix C of the officer's report.

ii) Approve carry forward requests of £49,211,000 of capital resources from 2020/21 to 2021/22 to fund rephased net capital spending, as detailed in Appendix D of the officer's report.

The Committee resolved unanimously to endorse the following recommendation.

iii) Approve the addition of £85,000 capital funding in 2021/22 to undertaken works to the Council Chamber/Committee Rooms to stream meetings/enable hybrid meetings.

The Executive Councillor approved the recommendations.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

The meeting ended at 6.21 pm

CHAIR

Item

Cambridgeshire and Peterborough Combined Authority - Update

To:
Councillor Lewis Herbert, Leader and Executive Councillor for Strategy and External Partnerships

Strategy & Resources Scrutiny Committee 11 October 2021

Report by:
Andrew Limb, Head of Corporate Strategy
Tel: 01223 457004 Email: Andrew.Limb@cambridge.gov.uk

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

Not a Key Decision

1. Executive Summary

1.1 This is a regular report to provide an update on the activities of the Cambridgeshire and Peterborough Combined Authority (CPCA) Board since the 12 July 2021 meeting of Strategy & Resources Scrutiny Committee.

2. Recommendations

2.1 The Executive Councillor is recommended:

To provide an update on issues considered at the meetings of the Combined Authority Board held on 28 July, 25 August and 29 September 2021.

3. Background

3.1 Meetings of the Cambridgeshire and Peterborough Combined Authority Board were held on 28 July, 25 August and 29 September 2021. The decision sheets from the meetings are attached as Appendices A to C for the committee's consideration.

4. Implications

(a) **Financial Implications**
(b) **Staffing Implications**
(c) **Net Zero Carbon, Climate Change and Environmental Implications**
(d) **Procurement**
(e) **Community Safety**
There are no implications from this update report in relation to any of the categories listed above
(f) **Equality and Poverty Implications**
An EqIA has not been produced as there are no direct equality and poverty implications from this update report.
(g) **Consultation and communication**
The Combined Authority will continue to issue communications about its activities and consult on its work.

5. Background papers

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

6. Appendices

Appendix A Decision sheet for CPCA Board meeting 28.07.21
Appendix B Decision sheet for CPCA Board meeting 25.08.21 (to follow)
Appendix C Decision sheet for CPCA Board meeting 29.09.21 (to follow)

7. Inspection of papers

To inspect the background papers or if you have a query on the report, please contact: Andrew Limb, Head of Corporate Strategy, tel: 01223 457004, email: Andrew.Limb@cambridge.gov.uk.

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Combined Authority Board Decision Summary

Meeting: Wednesday 28 July 2021
Published: Monday 2 August 2021
Decision Review deadline: Monday 9 August 2021

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

Part 1 - Governance Items

1.1 Announcements, Apologies for Absence and Declarations of Interest

Apologies for absence were received from Councillor L Nethsingha (substituted by Councillor E Meschini) Councillor B Smith (substituted by Councillor N Gough) and Councillor E Murphy.

Mr Adams made a declaration of interest in relation to Item 4.4: Business Board Expenses and Allowances Scheme in relation to his role as Chair of the Business Board. Mr Adams left the meeting for the duration of this item and the vote.

1.2 Minutes of the Combined Authority Board meeting on 30 June 2021

The minutes of the meeting on 30 June 2021 were approved as an accurate record and signed by the Mayor.

1.3 Petitions

No petitions were received.

1.4 Public Questions

No public questions were received.

1.5 Forward Plan

The Combined Authority Forward Plan was noted.

1.6 Lead Member Responsibilities

It was resolved to:

a) Note and agree the responsibilities for the Environment and Climate Change lead member portfolio, **subject to the adding the following wording:**

   i. To act as **Lead and** champion in the cause of:

b) Note and agree the responsibilities for the Public Health lead member portfolio**, subject to the adding the following wording:**

   ii. To act as **Lead and** champion in the cause of:
   iii. **To promote reductions in health inequalities across the Combined Authority area.**

c) Note and agree the Mayor's nominations to the new lead member portfolios:

i. **Councillor Chris Boden: Lead Member for Public Health**
ii. **Councillor Bridget Smith: Lead Member for the Environment and Climate Change**

1.7 Appointment process for two Independent Persons

It was resolved to:

Agree the appointment process and role description to recruit two Independent Persons**, subject to the following amendment being made:**

The Independent Person will not be:

~~An active~~ A member of a political party.

1.8 Appointment of Independent Renumeration Panel to review the Members Allowance Scheme

The report was withdrawn.

1.9 Performance Report and Devolution Deal Update

It was resolved to:

a) Note the latest Performance Dashboard

b) Note the update against Devolution Deal Commitments

Part 2 - Finance

2.1 Budget Monitor Report: July 2021

It was resolved to:

a) Note the financial position of the Combined Authority for the year to date.

b) Approve the recommendation from the Business Board to amend the budgets for the Local Growth Fund (LGF) management costs for 2021-22 and 2022-23.

Part 3 – Combined Authority Decisions

3.1 Future Transport Strategy and One CAM Limited

It was resolved to:

a) Note the decision of the Chief Executive to stop task orders in relation to the delivery of the work of One CAM Limited.

b) Note the recommendation of the Board of One CAM Limited that the work of the company be suspended until a comprehensive review of the One CAM programme and the Local Transport Plan be completed, and authorise a material reduction in the activity of One CAM Limited pending a final decision in relation to the CAM Programme.

c) Request that the Chief Executive and the Director of Delivery and Strategy bring a report to the September meeting of the Combined Authority Board recommending future steps in relation to the One CAM project and the further use or permanent closure of One CAM Limited

d) Request that the Chief Executive and the Director of Delivery and Strategy bring a further update on revisions to the Local Transport Plan to the Board in September along with the outcome of a review on the use of consultants in the delivery of this work.

3.2 Zero Emission Bus Regional Areas (ZEBRA) Phase 2

It was resolved to:

a) Note the contents of this paper.

b) Delegate authority for the Director of Delivery and Strategy, in consultation with the Chair of the Transport Committee, to prepare, submit and publish a business case to the Department for Transport (DfT) for the ZEBRA Phase 2 application for alternative fuel buses and necessary infrastructure.

3.3 Phase 3 University of Peterborough – Masterplan and Short-Term Financing

It was resolved to:

a) Approve a £100,000 grant to Peterborough City Council (PCC), to contribute to the £300,000 Master Planning works,

b) Give consent as the majority shareholder in the Peterborough HE Property Company Limited (Prop Co 1) to allow Prop Co 1 to consider and approve a short term cashflow financing proposal for Phase 3 of the University of Peterborough (UoP).

3.4 Market Towns Programme - Approval of Change Requests for Huntingdonshire and East Cambridgeshire to extend funding expenditure timelines

It was resolved to:

a) approve the request received from Huntingdonshire District Council to extend the funding timeline on their Market Towns budget allocation of £3,100,000 to March 2024 as match investment to the St Neots Future Hugh Street Fund Scheme.

b) approve the request received from Huntingdonshire District Council to extend the funding timeline and spend profile on their remaining budget allocation of £609,655 to March 2023 for St Neots Masterplan (Phase 1).

c) approve the request received from East Cambridgeshire District Council to extend the funding timeline on their remaining Market Towns budget allocation of £2,144,000 to March 2023 for the towns of Ely, Soham and Littleport.

3.5 March – Future High Streets Funding Bid: Additional Combined Authority Match Funding

It was resolved to:

a) Consider the four options identified from the independent appraisal report in response to Fenland District Council's application for an additional £1.1m of Combined Authority funding towards the March Future High Streets Fund Programme under Market Towns Programme.

b) Approve the additional £1,100,000 requested by Fenland District Council (Option 1), subject to the business case being received by the Board.

3.6 Digital Skills Bootcamps

It was resolved to:

a) Approve the contract for Skills Bootcamps, Wave 2 Lot 1 and associated funding for the delivery of Digital Bootcamps in the East of England. The contract value is £1,826,250 with delivery of the Bootcamps to be complete by 31st March 2022.

b) Delegate to the Director of Business & Skills, in consultation with the Chief Finance Officer, authority to award and enter into contracts with consortia partners.

3.7 Angle Holdings - Directorship

It was resolved to:

a) Approve the removal of Mr James Palmer as a director of Angle Holdings Limited;

b) Approve the appointment of Mayor Dr Nik Johnson as a director of Angle Holdings Limited;

c) Note that Angle Holdings Limited will complete the appointment, and relevant regulatory filings.

3.8 Investment Fund Gateway Review

It was resolved to:

Note Ministers' decision that the Combined Authority Investment Fund has passed it first Gateway Review, and the consequent confirmation of the next tranche of £100 million Gainshare funding.

3.9 Active Travel Management

It was resolved to:

a) Agree the approach to submitting active travel funding proposals to the government set out in this paper.

By recommendation to the Combined Authority

Part 4 – Business Board recommendations to the Combined Authority Board

4.1 Strategic Funding Management Review July 2021

It was resolved to:

a) Reject the Project Change Request for the Wisbech Access Strategy Project.

b) To note that officers will work with Wisbech Access Strategy Project lead to explore all implications and consequences of next steps for the project and report to next Combined Authority Board meeting.

c) Note the other programme updates contained in the report to the Business Board on 14 July 2021.

d) Support, in principle, the use of £1.88m of existing medium term financial plan (MTFP) budget to complete design work and land acquisitions for the three remaining schemes within the Wisbech Access Strategy project, subject to the business case being received by the Board.

4.2 Business Board Annual Report and Delivery Plan

It was resolved to:

a) approve the Business Board's Annual Report (2020-21) and Annual Delivery Plan (2021-22), and approve submission of both documents to the Department for Business, Energy & Industrial Strategy (BEIS);

b) approve a new budget of £15k to implement design work to develop and produce a publishable version of the Annual Report and Delivery Plan, and digital platform, to better communicate and showcase achievements of the Business Board, to be funded from Enterprise Zones Reserve Fund.

4.3 Business Board Performance Assessment Framework and Recruitment Process

It was resolved to:

Approve the use of the Enterprise Zones Reserve Fund to fund the evaluation of the Business Board and individual private sector members, to a maximum budget cap of £35k (plus VAT).

4.4 Business Expenses and Allowances Scheme

It was resolved to:

Approve an amendment to be made to the Business Board Expenses and Allowances Scheme to include the option for members to forgo remuneration payments.

4.5 High Performance Computing Study and Roadmap

It was resolved to:

Approve £46,000 Enterprise Zone Reserve funding to commission the development of a feasibility study for the High-Performance Computing and Artificial Intelligence capability to support the Digital cluster development across the Greater Cambridge and wider Combined Authority area.

Notes:

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

For more information contact: Richenda Greenhill at Richenda.Greenhill@cambridgeshire.gov.uk or on 01223 699171.

CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

Combined Authority Board Decision Summary

Meeting: Wednesday 25 August 2021
Published: Tuesday 31 August 2021
Decision Review deadline: Tuesday 7 September 2021

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

Part 1 - Governance Items

1.1 Announcements, Apologies for Absence and Declarations of Interest

Apologies were received from Mr A Adams, substituted by Professor A Neely; Councillor R Fuller, substituted by Councillor J Neish; Councillor L Herbert, substituted by Councillor M Smart; and Councillor E Murphy.

There were no declarations of interest.

1.2 Minutes of the Combined Authority Board meeting on 28 July 2021

The minutes of the meeting on 28 July 2021 were approved as an accurate record, subject to a spelling correction, and signed by the Mayor.

1.3 Petitions

No petitions were received.

1.4 Public Questions

Three public questions were received from Rod Hart, on behalf of the Cambridgeshire and Peterborough Climate Action Coalition; Dorothy Ball, a local resident; and Antony Carpen, a local resident. Copies of the questions and the responses (once published) can be viewed on the 25 August 2021 Combined Authority Board meeting web page.

1.5 Annotated Forward Plan – August 2021

It was resolved to approve the Forward Plan.

Part 2 – Finance

2.1 Wisbech Access Strategy (Phase 1)

It was resolved to:

a) Approve £1.88m from the subject to approval funding within the Medium-Term Financial Plan enabling Cambridgeshire County Council to complete the purchasing of land, detailed design, and the Full Business Case for the project.

b) Authorise the Director of Delivery and Strategy to conclude a revised Grant Funding Agreement with Cambridgeshire County Council on terms approved by Chief Legal Officer/ Monitoring Officer.

2.2 Peterborough Station Quarter

It was resolved to:

a) Recommend to the CPCA Board drawdown of £350,000 from the Transport Response Fund for the development of a Strategic Outline Business Case

b) Note the programme to progress the development of the Strategic Outline Business Case.

2.3 March – Future High Streets Funding Bid: Business Case for Additional Combined Authority Match Funding

It was resolved to:

a) Accept the Business Case for the March Town Regeneration Future High Streets Fund Scheme

b) Approve the drawdown of the £1.1m of 'Subject to Approval' Combined Authority funding for the March Future Highstreet Fund.

c) Authorise the Chief Legal Officer and Monitoring Officer to complete the funding agreement with the grant recipient.

2.4 iMET Opportunity and Combined Authority Accommodation needs

It was resolved to:

Carry out a search exercise within the estate of the constituent councils and other public sector bodies in the area of the Combined Authority for other potential opportunities to secure office space to meet CPCA's future office needs. Output to be reported back to the Board with options for consideration.

Notes:

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

For more information contact: Richenda Greenhill at Richenda.Greenhill@cambridgeshire.gov.uk or on 01223 699171.

Item

NORTH EAST CAMBRIDGE
IN PRINCIPLE COMMITMENT TO DELIVERY OF THE AREA ACTION PLAN

To:
Councillor Lewis Herbert Executive Councillor for Strategy and External Partnerships

Strategy and Resources Scrutiny Committee 11th October 2021

Report by:
Stephen Kelly, Joint Director of Planning and Economic Development

Tel: (01954) 713350 Email: Stephen.Kelly@greatercambridgeplanning.org

Wards affected:
King's Hedges and East Chesterton

Non Key Decision

1. Executive Summary

A joint Area Action Plan (AAP) is being prepared by Cambridge City and South Cambridgeshire District Councils for North East Cambridge that will promote future structural change in the layout and land use of parts of the area. This includes new strategic walking and cycling connections; residential use of Nuffield Industrial Estate; the consolidation of industrial uses around the aggregate railhead; and the relocation of incompatible uses.

In addition to landowners, developers and other delivery partners, the councils may have a role in facilitating delivery of a new spatial framework for the area. Depending on the circumstances and delivery options available, this may include the acquisition or disposal of land, and may require use of compulsory purchase order powers.

To take the AAP to its next formal stage, the councils must be able to demonstrate that the AAP is ‘deliverable’, including ensuring any required land assembly or relocations can be delivered. An ‘in principle’ commitment to delivery of the AAP is therefore sought from both councils to satisfy this requirement ahead of the respective authority’s consideration of the Regulation 19 draft of the Plan programmed for December 2021 – January 2022.

This is a not key decision as this report seeks to establish an ‘in principle’ commitment to deliver the AAP; a decision to acquire or dispose of land, or to use compulsory purchase order powers, would be subject to a separate report to outline the specific circumstances, the case for Council intervention, and resource implications.

2. Recommendations

The Executive Councillor is recommended to:

A. Note that the North East Cambridge Area Action Plan is contingent upon the separate Development Control Order being undertaken by Anglian Water for the relocation of the Waste Water Treatment Plant being approved;
B. Subject to (A), agree that the Council is committed to the delivery of the North East Cambridge Area Action Plan, including land disposal or assembly, and subject to formal adoption of the Area Action Plan in due course, to use its Compulsory Purchase Orders powers if required.

3. Background

A draft Area Action Plan for the North East Cambridge Area is being prepared on the basis that the separate Development Consent Order process for the relocation of Anglian Water’s Waste Water Treatment Plant (WWTP) will be granted. The relocation of the WWTP is being led by Anglian Water and will be paid for by Government through its Housing Infrastructure Fund.

Through the preparation of a joint Area Action Plan for the North East Cambridge, the councils are promoting significant change to the area. The future vision of place consulted on seeks “*the creation of an inclusive, walkable, low-carbon new city district with a lively mix of homes, workplaces, services and social spaces, fully integrated with surrounding neighbourhoods*.”

While the proposed layout of the new city district has had regard to existing land use, there are areas where this is at odds with the future plans for the area. In such circumstances, the plan seeks to relocate the incompatible use to a more suitable location either within or outside of the AAP area.

In the majority, it will be for the future developer of a site to facilitate the relocation of the existing land use through normal market processes. However, this may not be applicable in all instances. For example, where there is no developer interest or the existing landowner/occupier is unwilling to bring the site forward for redevelopment.

Without positive intervention from the councils, in the form of a willingness to facilitate land assembly or relocation, the barriers to delivery could have potentially limiting consequences for the spatial plan and, therein, the scale, layout and viability of proposed development. Across North East Cambridge as a whole, such consequences could depress the efficient use of land, inhibit movement and connectivity, and undermine delivery of the Plan's vision and objectives. In using CPO powers, the Council would in most circumstances expect to secure a development partner to cover the funding and associated legal costs of pursuing acquisition.

This item, which includes the same recommendations, is being reported to the South Cambridgeshire District Council's Scrutiny & Overview Committee on the 14th October and Cabinet on the 19th October 2021. The Regulation 19 draft of the North East Cambridge Area Action Plan is to be reported to the Joint Local Planning Advisory Group meeting of 30 November 2021 before going through the respective committees of both councils.

4. Implications

a) Financial Implications

There are no direct financial implications arising from this report. A decision to acquire or dispose of land, or to use compulsory purchase order powers, would be subject to a separate report to Cabinet that would provide full details of the financial consequences of the intervention required.

b) Staffing Implications

There are no direct staffing implications arising from this report.

c) Equality and Poverty Implications

The 'in principle' commitment to delivery of the AAP has no direct relevance to the Council's duty to promote equality of opportunity, promote good relations and eliminate unlawful discrimination.

d) Net Zero Carbon, Climate Change and Environmental Implications
There are no climate change or environmental implications directly arising from the report although delivery of the NECAAP will bring forward highly sustainable development on an urban brownfield site with excellent accessibility by sustainable transport means with policies to ensure high environmental standards in construction.

e) Procurement Implications
There are no procurement implications directly arising from the report.

f) Community Safety Implications
There are no community safety implications directly arising from the report.

5. Consultation and communication considerations

Substantial consultation has taken place to date with communities, landowners and other interested parties in the preparation of the draft Area Action Plan for North East Cambridge. The extent and outcome of this consultation is available to view on the Greater Cambridge Shared Planning website (link).

Through this consultation and, subject to formal adoption of the Area Action Plan in due course, there will be an expectation by all consultees that the proposals in the Plan will be delivered. As such, this report seeks to establish an 'in principle' commitment by the Council to the delivery the AAP. Any decision to acquire or dispose of land, or to use compulsory purchase order powers, would be subject to a separate report which would address the specific circumstances and any consultation or communication requirements.

6. Background papers

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

7. Inspection of papers

To inspect the background papers or if you have a query on the report contact Matthew Paterson, email: matthew.paterson@cambridge.gov.uk

Item

Update on Recovery Programme & Future Plans

To:
Councillor Mike Davey, Executive Councillor for Finance and Resources

Strategy and Resources Scrutiny Committee 11th October 2021

Report by:

Fiona Bryant, Strategic Director Tel: 01223 - 457325 Email: fiona.bryant@cambridge.gov.uk

Wards affected:
All

Key Decision

1. Executive Summary

1.1 This report provides an update on the progress to date and proposals in regard to the recovery programme and follows the update provided to committee in July 2021.

1.2 The expectations earlier in the year were that recovery might start in earnest during the summer. Whilst many restrictions have been lifted the City council and other partners remain in response mode as they have been for the for last 18 months. The transmission rates remain relatively high in the City, following the relaxation of social distancing and reopening rules, and may rise in the near term following the start of the school year[1].It is clear that the virus impacts will remain with us for a much longer period.

1.3 With businesses and residents still focussed on immediate actions and ongoing survival, the positive early shoots demonstrated in recovery can now underpin longer term plans but planning will take time and the future remains uncertain.

1.4 Section 3 provides the updated economic data underpinning recognition of both the more positive areas as well as those requiring intervention

[1] As has been seen in recent weeks since the start of the school year in Scotland.

1.4 As the City Council and their partners start to reengage in plans and activities either dormant for the last year or so, where new requirements or opportunities are arising from the pandemic, or political or financial changes are driving changes to previous plans, we are taking time to reflect on the kind of recovery the City needs to underpin its future vision. The emerging high level strategy described in section 4 provides a platform to engage partners, residents, business and community

1.5 Section 5 covers the proposed principles behind a more detailed approach to the regeneration of the city centre and how we can ensure a coherent approach to a vision and practical objectives to ensure a sustainable and successful city

1.6 Section 6 provides an update on business support and proposals for additional support over the next six months initially.

2. Recommendation

2.1 The Executive Councillor is recommended to:

2.2 Note the content of the report and the update on financial support progress

2.3 Note the emerging draft strategy and the intention to develop it further with partners and stakeholders before bringing it back to committee

2.4 Note the requirement to review the plans for council assets and related activity outlined in section 5.10 to ensure that they align broadly with the vision and principles developed and discussed at committee in January 2021 and also with reviewed partner proposals around wider transport and other related issues

2.5 Approve the in-principle proposals for residual grant funding support and delegate approval of final details, contracting and oversight of implementation and monitoring to the Strategic Director, in consultation with Chair and Spokes.

3.0 Economic Data

3.1 In the City and Greater Cambridge, we continue to see the impact of covid. The extension of the opening up period into August owing to the transmission rates of the delta variant has continued to impact on the visitor economy and footfall in the city.

3.2 At the current time, there is reason to be cautiously optimistic about some signs of recovery, although it is still very early days, and the public health concerns remain. Businesses remain focussed on reopening and re-trading, with the full impacts unlikely to be understood until later in 2021 or 2022.

3.3 Latest Economic data the following:

3.3.1

- The most recent June data showed a decrease from May in claimant counts across Greater Cambridge, with larger decreases in Cambridge, and in South Cambridgeshire, compared with across England overall. These decreases are the largest we have seen in the data overall since the start of the pandemic. To put this into context, in June this equated to 5,570 claimants across the Greater Cambridge area; which represents around 3% of people of working age (16-64), compared to 6% across England.

- On the 4 March 2021, the government announced an extension to the Covid Job Retention Scheme (CJRS) to support individuals and businesses who are impacted by disruption caused by COVID-19. The CJRS is anticipated to remain open until 30 September 2021. The first wave of the scheme saw 36,600 (30% of eligible) employments across Greater Cambridge furloughed to the end of June last year. At the beginning of the fourth wave, as at end of May this year, there were 9,000* employments furloughed across Greater Cambridge. representing a take-up rate of 7% based on eligible employments. This is lower than nationally where the figure is at 9%. The Greater Cambridge area has consistently remained lower than the national take up. Sector impact included 27% in the Accommodation and Food services sector. 16% of employments furloughed were in the Education sector.

- Greater Cambridge has had lower take up rates of the self-employment scheme in all four waves compared to regionally and nationally. 71% in wave one last summer compared to 51% most recently.

- The Covid pandemic has had a varied impact across sectors. Sectors like Life Sciences are involved in supporting the fight against the virus and future outbreaks. Information technology and telecoms have benefited as a consequence of the increase in remote communications, gaming and internet security, which have more than offset the reduction of demand in other areas. Logistics companies have been in high demand as the pattern of consumer spending has changed. ‘Life science and healthcare’ (+10.6%), ‘Information technology and telecoms’ (+10.0%) and ‘Wholesale and retail distribution’ (+5.8%) remained the fastest growing sectors during 2019-20. On the other hand a relatively large decline in employment has occurred in ‘Property and finance’ (-1.5%) and ‘Other services’ – e.g. hotels, pubs and restaurants (-0.8%). ‘Life science and healthcare’, ‘Wholesale and retail distribution’ and ‘Manufacturing’ (i.e. low- and med-low-tech manufacturing) are the only sectors to have seen employment growth accelerating in 2019-20 despite the unfolding of the pandemic.

- One-person businesses have grown by 4.1% in the latest year, a rate that is in line with total employment growth across all size classes. However, their small size means that they have played a minor role in employment growth – only 101 extra employees compared with the addition of 3,074 employees by other businesses. Whilst 1 employee businesses tend to have been the fastest growing companies in sectors such as ‘Life science and healthcare’, ‘Transport and travel’ and ‘Wholesale and retail distribution’, 2-9 employee businesses have also exhibited relatively high growth rates in ‘Education, arts, charities, and social care’ which may appear to buck the trend in the overall sector impact. It is not entirely clear at this stage how many of these may be as a result of redundancies elsewhere in these sectors.

- Nationally, ONS data suggests that around 813,000 people were subject to redundancy in the year to March 2021. Of these, 54% were under 25. A CIPD poll conducted this month of those who remained unemployed since leaving education also found that around 50% had been unemployed for over a year, and lack of confidence is increasing despite many having applied for 30 jobs or more. They are not alone, however, and older workers have also been hit hard, with reemployment prospects challenging. In Greater Cambridge, ONS figures in March 2021 suggested redundancies of around 4200. Pro-rata, this might suggest that just over 2000 might be under 25 years old.

4.0 Renewing the Cambridge City Recovery Plan

4.1 Following from the Local Economic Recovery Strategy, Cambridge City Council have been working on an updated city recovery strategy, building on the LERS, and learning from other cities' experience. An early emerging draft is attached at Appendix B.

4.2 The draft strategy begins from the City Council's "One Cambridge, Fair for All" vision and the various sector strategies and policies in place in the City and wider geography. The strategy reflects what achieving the Vision may look like on the ground for different residents and businesses. The strategy is focussed on the need for sustainable growth to create a greener, fairer Cambridge in the future underpinned by evidence and development of data and activity monitoring within such frameworks as Doughnut Economics, Bennett Institute's Six Capitals, the Legatum Institutes Prosperity index. The draft acts as the basis for wider conversations to develop a future city vision.

4.3 The intention is to carry out further engagement and development work on the draft, priorities within the Council and with partners before bringing it back to committee and/or issuing it for more formal consultation

4.5 Implementation of the City Council elements of the strategy will align with its transformation programme.

5.0 City Centre Recovery and Regeneration

5.1 There are many aspects of the emerging future vision and strategy which we can continue to make progress on whilst developing the overall strategy and action plans. These include City Centre recovery,

5.2 The May 2021 elections, leading to a change in leadership at the Combined Authority and County, have underpinned a review of the Transport and the GCP's City Access programme. The latest proposals are due to be discussed by the Board on the 30th September, but reiterate the requirements for a more fundamental drive towards modal shift and an enhanced bus network provision (and the space and revenue to enable that to work effectively) to replace the CAM Metro plans developed under the previous Mayor.

5.3 The Greater Cambridge Shared Planning Service's Proposals, with the principles and key objectives outlined in the Making Space for People Vision and Principles report, was discussed at the Planning and Transport Scrutiny Committee meeting in January 2021. Whilst the decision at the committee reflects that there was further work to do following discussion at committee, in regard to elements such as heritage etc, there was general support for the vision and principles set out and these were also endorsed by partners including GCP and the County Council who had been involved in its preparation. A summary of the vision and principles is at Appendix A

5.4 The commitment of the Council and partners to substantially reduce the volume of traffic and their determination to tackle climate change, provides an exciting opportunity to rethink streets and open spaces to support Central Cambridge as the heart of a liveable city.

5.5. Four key factors have created a significant opportunity in Central Cambridge, namely:

- GCP's commitment to traffic reduction including demand management measures and improved public transport will free up road space that can be used for other purposes.
- All Local Authorities with responsibilities for the city centre have made a commitment to addressing air quality, climate change and a zero-carbon future, and this creates opportunities for change.
- Public engagement as part of the Making Space for People Project and Choices for Better Journeys, and the Greater Cambridge Citizens' Assembly, has demonstrated strong stakeholder support for change.
- Covid response measures have demonstrated how some streets and spaces have been changed to accommodate different needs and provides a basis for thinking longer term about the priorities for Central Cambridge.

5.6 The vision outlined in the report is:

"Central Cambridge should be an inclusive, green, healthy, vibrant and engaging place that is accessible, well run and welcoming to residents and visitors alike and to a standard that befits its status as a global city."

5.8 The Council will be working with partners to develop a more detailed plan based on the principles of the report, to include work on City Access transport plans, and other relevant matters. The City Council has several assets in the city centre that can possibly contribute directly to some aspects of regeneration such as The Market Square, the Guildhall, the Corn Exchange etc.

Some of these are already progressing within high level plans for regeneration e.g.
The Market Square (a project is being developed to enhance and improve the square and its facilities for the benefit of, and to ensure future sustainability of the popular 7 day market and for those who wish to shop, gather and spend time there, and also to explore more flexible uses where feasible and appropriate.

5.9 The Council also has leasehold/long leasehold interests where it may be able to influence or leverage redevelopment/value such as Cambridge Junction, Lion Yard and Grand Arcade Shopping Centres, Grafton Centre car parks and in facilities in Market Street

5.10 In July in an update report, the Council referred to a piece of related activity to bring together its assets within the historic core of the city to reflect the principles of the vision outlined and to develop a coherent approach to their future development and use. In the light of the election outcomes, resource constraints at the council owing to the ongoing pandemic issues, and further reviews of the individual assets, alongside the latest plans for wider retail parks the focus of this work needs amendment. The Council will be working with partners to ensure their assets can support the overall Making Space for People vision, and principles as a longer term objective, to include the following activities:

- Working with partners as indicated above, to ensure that the reviewed transport aims and objectives and the City Access proposals ensure a coherent approach to addressing issues into and across the city including the city centre

- Working with partners to ensure that key retail park proposals for redevelopment deliver a high quality, sustainable mixed and balanced offer with enhancements to public realm

- To reconsider the current plans for individual Council Owned Assets and review them in the light of the overarching vision, principles and plans. Initially, this will require outlining of key objectives and criteria including:

- A clear vision for each property or scheme within the overarching vision and how any scheme will contribute to and enhance the city centre
- The Council's strategies and policies that any scheme must help meet or address through any redevelopment or refurbishment
- Specific requirements related to quality and sustainability
- Expected legal and financial approach for each scheme
- Partnership options

- Proposed engagement with public
- Contractual obligations

  This would then enable and inform any market testing or selection of a development partner so that the Council can be confident of a scheme that delivers and meets its expectations.

- Establishment of the new Destination Management Organisation (report to Environment and Communities Committee in this cycle) with partners. Ensuring delivery plans are aligned with the vision and principles

6.0 Economic Recovery Support

6.1 The economic impact data commissioning and analysis, and the establishment of the Local Economic Recovery Strategy or LERS at Cambridgeshire and Peterborough level, has been led by the economic recovery sub-group (ERSG), chaired by the CPCA and incorporating senior officers from each district, GCP, Cambridge University and business network representatives.

6.2 The LERS versions have subsequently been approved by the CPCA's business board and reported into the resilience forum.

6.3 The City Council and South Cambs District Council, working with GCP, established a joint member business support group, which has overseen the recovery activity at local level. This group is also supported by an officer group, also linked into the ERSG.

6.4 The focus moving forward will need to be on supporting sustainable outcomes for business and the economy within the city. A partnership approach is fundamental to achieving this.

6.5 Business Support Update

6.5.1 Over the past year – 17 months, the Council has provided the following support to business to help mitigate the impacts of the pandemic.

- Over £54m in business support grants
- C£54m in business rate relief
- C£1.2m in total support to Market Traders in grants, rental changes etc
- Public Health advice and support in managing covid issues
- Ongoing landlord support for commercial tenants
- Utilisation of funds won through the Reopening City Centres and Welcome back schemes to develop a package of measures to help welcome visitors back including, to date new tables and benches equipment in the market

square to provide further outdoor sitting and eating space. Further planned activity includes:

- Supply and installation of seasonal decorative lighting at neighbourhood shopping areas

- Supply of consultancy services to develop ‘Evolution’ themed city event programme plan for 2022 and associated marketing and community engagement collateral

- Supply city centre lighting-based arts projection event and associated outreach events at neighbourhood shopping areas

- Commission street entertainers to animate city centre and support safe messaging

- Extend contract to supply additional footfall monitors

- Commission ‘meanwhile use’ programme that enables local artist and community groups to re-animate vacant retail space in city centre and neighbourhood shopping areas

The activity covers reanimation of city centre and smaller retail areas such as Arbury Court, Mill Road, Chesterton and Mitchams Corner and Cherry Hinton High Street

6.5.3 LERS related activity

6.5.3.1 The focus for the main LERS related support activity has remained jobs and skills, in particular in relation to the younger age groups, which have been particularly impacted by the pandemic as reflected in the economic data section above.

6.5.3.1 Growth Works, commissioned by the CPCA following the LERS, provides key advice, training and funding to key sectors including Life sciences, advanced manufacturing, agri-tech and

- **Growth Coaching Service –** bespoke packages of advice and coaching to businesses to overcome growth barriers
- **Inward Investment Service –** targeting investors to lead and generate investment, providing high quality landing support

- **Growth Works with Skills** is an innovative demand-led skills service connecting learners and employers with opportunities that enable growth. Skills service and digital talent portal, supporting employers, providers, schools, colleges, higher education, parents and residents to navigate effectively through the complex skills landscape. Supports the promotion of Apprenticeships to connect employers, providers and learners. Encourages and increases work experience, T Level Industry placements, traineeships, apprenticeships, and graduate placements particularly through wider employer engagement and involving supply chains.

Targeted at 19 years plus age groups. The skills brokereage service has a target of the creation of 1,600 apprentices and 1,000 additional learning outcomes

They have launched new digital talent platform has been launched by Growth Works with Skills to help employers, learners and workers across Cambridgeshire and Peterborough.

The online platform will allow employers to post their job and apprenticeship vacancies free of charge and access a detailed database of workers and learners across our region.

Learners and workers can register for the platform, creating an online account, to help them find relevant opportunities based on their experience and skills. The first phase of the online platform, which be found by visiting **www.growthworks.uk/skills** will initially focus on the immediate needs of those seeking opportunities and the Growth Works with Skills team are reaching out the local employers to encourage them to add their current vacancies to the site.

- **Capital Grants and Equity Investment -** Blended grants, loans, and equity products unavailable commercially. Combined pot value in excess of £11 Million

6.5.3.2 Greater Cambridge Partnership and Form the Future

Funded by the Greater Cambridge Partnership, Form the Future works with students of all ages. This ranges from primary school through to sixth forms and full-time education to open their eyes to a wide range of possibilities in the region and to help them think more widely about future career options and pathways. Working with partners across education, training and business, it will:

- Create an additional 420 apprenticeships across Greater Cambridge;
- Support employers to increase training and to bring business, training providers and the local community together to develop training that meets employers' needs and supports growth;
- Encourage local schools to support and educate students on the benefits of apprenticeships and help them to choose their path for the future; and
- Forge stronger links between businesses and the education sector to encourage a greater uptake of training and apprenticeships.

6.5.3.3 The Region of Learning (RoL), is led by Cambridge City Council. This is a digital innovation project working on the use of personalised data to support effective long-term delivery. The current iteration is focused on unemployed 15-24 year olds and supporting them into employment pathways targeting 1000 young people in the age range 15 to 24, enabling young people to recognise and share informal and experiential learning through digital CVs (including digital badges), and making the link between those demonstrable skills and experience and real world jobs and careers. The Council is leading the project in partnership with Cambridgeshire County Council, Form the Future, the RSA, Navigtr, and Shift Momentum. It is funded by the European Social Fund, Greater Cambridge Partnership, Cambridgeshire County Council and Arts Council England with additional in-kind support from Anglia Ruskin University, Form the Future and Shift Momentum.

6.6 Additional Future Activity proposed by the City Council

6.6.1 The Additional Restrictions Grant funding from Government is required to be spent by end March 2022. The City Council proposes the following new activities with residual funding in line with their key objectives:

a) To ensure additional support for City businesses through the Growth Works service, considering more focus on employment, inward investment and skills support to City sectors additional to those receiving support through the main service.

b) To partner with the Chambers of Commerce and/or other organisations to develop and deliver a package of small **green** grants funding, business support and matching business suppliers with business demand to support SMEs across the City (not just Chambers members) in reducing their carbon footprint**.** Details are still in train but possible examples will include changes in lighting, equipment, minimise waste, and promoting the circular economy etc.

c) To work with the Cambridge BID to support business grants, training and development for both direct marketing and digital platform trading, extending the grant already in place and previously supported by the CPCA, to meet high demand.

d) Alongside these activities, the council will:

- continue to promote and support the Living Wage programme amongst businesses in Cambridge and will use analysis of recent surveys to identify any further evidence and data requirements, and to review the programme targeting and approach to ensure ongoing impact and value for money.

- Explore further potential for supporting disadvantaged into employment or to start-up businesses

6.6.2 Final details of these strands are still being worked on by the Strategic Director and team in accordance with the Government guidance on the ARG scheme and/or other funding opportunities. Monitoring arrangements in relation to the guidance will be in place for all delivery routes.

7.0 Resources

7.1 The budget for a full time Economic Development Manager (EDM) post was agreed at Full Council at the end of February 2021

7.2 Following discussions with the Exec Cllr, interim officer, business networks and Local Authority partners, the EDM post was advertised in May 2021. Interviews were conducted in June 2021 and an appointment was made. Current start date for the successful candidate is expected to be in mid-November 2021

7.3 The EDM, once appointed, will continue to work with colleagues, business networks, and Local Authority and public sector partners, including the joint Greater Cambridge Business Support team and the Combined Authority, to ensure a collaborative approach to recovery and longer-term renewal.

8.0 Implications TBC

a) Financial Implications

None for this report. Emerging Strategy and projects will be subject to appropriate assessment

b) Staffing Implications

There are no staffing implications at this stage aside from those reflected in the report

c) Equality and Poverty Implications

Not required for this report. Emerging Strategy and projects will be subject to appropriate assessment

d) Environmental Implications

None for this report. Emerging Strategy and projects will be subject to appropriate assessment

e) Procurement Implications

None specific related to the service. Any procurement relating to the service provision is carried out in line with the Councils' policies.

f) Community Safety Implications

There are no community safety implications. Emerging Strategy and projects will be subject to appropriate assessment

g) Consultation and communication considerations

This will be conducted in accordance with the Council's agreed policy.

h) Background papers

Background papers used in the preparation of this report:

LERS

Making Space for People Report
Updated economic data

To inspect the background papers or if you have a query on the report please contact Fiona Bryant, Strategic Director, tel: 01223 - 457325, email: fiona.bryant@cambridge.gov.uk.

Appendix A

Making Space for People:

CENTRAL CAMBRIDGE VISION AND PRINCIPLES

January 2021

Version 1.3

A Vision for Central Cambridge

‘Central Cambridge should be an inclusive, green, healthy, vibrant and engaging place that is accessible, well run and welcoming to residents and visitors alike and to a standard that befits its status as a global city.’

4.1 Aims & Objectives

The following Aims and Objectives will help to deliver the overall Vision for Central Cambridge.

A1 - Green – a place which incorporates and maximises opportunities for improving biodiversity and sustainable living including carbon reduction. In practice this means ensuring:

- The nature conservation value of existing open spaces is maintained and enhanced to result in a biodiversity net gain.
- Making walking and cycling travel supported by good public transport the most attractive and obvious choice.

A2 - Healthy – a place that supports the health and well-being of all those who live in, work in and visit Cambridge. In practice this means having:

- The right environmental conditions including increased outdoor space, cleanliness, improved air quality and reduced [traffic] noise.
- A city centre which supports healthy, active and sustainable lifestyles.

A3 - Equitable – a place which is safe, accessible, welcoming and engaging for all. In practice this means ensuring:

- Places, cultural facilities, venues, activities and travel options are available that are engaging, safe, convenient and comfortable and consistent with the User Hierarchy. to all users.
- Conflict between different modes of travel and uses of space are reduced with walking and cycling prioritised in Central Cambridge.

A4 - Welcoming – a pleasant and engaging place to be. In practice this means a city centre which:

- Is easy to navigate as well as move into and out of as a pedestrian, cyclist or public transport user and embraces ‘Smart City’ technology to support city centre users.
- Has calm places with space to stop, sit and relax as well as busy vibrant spaces.

A5 - Well-curated – a place which is beautiful as well as being managed effectively to reflect its heritage as a cradle of innovation and learning. In practice this means a city centre which:

- Understands and maintains its unique character whilst accommodating pressures for growth and change.
- Is clean, uncluttered and well-maintained.

4.2 Principles

4.2.1 A series of strategies have been identified that will help to deliver the overall Vision for Central Cambridge and show how the identified aims can be realised for movement, spaces and economic aspects.

4.3 Movement focused principles
Central Cambridge movement focused principles

S1 Make Central Cambridge easier to navigate for those walking and cycling so that everyone gets the most out of their visit or trip by providing better signage and designing places that are easy to find your way around.

S2 Extend the pedestrian focused area to create a comfortable human scale and accessible environment that creates a safe and inclusive public realm and reduces conflict between different transport modes.

S3 Improve, and where needed, create facilities for cyclists who want to pass through the city centre, so they have a choice to use safer routes that avoid the busiest streets consistent with LTN 1/20 Cycle Infrastructure Design[2].

S4 Provide cycle routes to, and improved parking within, Central Cambridge and at local centres informed by a review of cycle parking facilities and locations that addresses high demand and support active travel options including e-bikes.

S5 Re-appraise the location and function of central car parks and access routes to and from them to reduce private motor vehicle movements and minimise impacts on the enjoyment of the city centre for people walking and cycling and the reliability of bus journeys.

S6 Re-appraise bus and coach (public and tourist) routing and the location and function of stops and drop off points in order to improve safety by creating more space for people walking and cycling and to minimise impacts on the enjoyment of the city centre, , whilst maintaining or, where possible, improving access into the city centre.

S7 Review routing and arrangements for delivery and service vehicles including options for last mile/consolidated delivery hubs and cycle-based delivery. This will include the frequency and vehicle sizes, to minimise impact on city movement and enjoyment of the city for people walking and cycling.

S8 Review the role, facilities and locations of taxi stands and routing of private hire vehicles to minimise impact on city centre movement whilst maintaining good accessibility.

S9 Create opportunities for easier modal change between walking, cycling and public transport in the city centre with ‘bus stops’ acting as hubs to enable this to happen.

4.4 Space focused principles
Central Cambridge space focused principles

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[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/906344/cycle-infrastructure-design-ltn-1-20.pdf

S10 Create opportunities to reallocate space freed up by reducing the number of motor vehicles in the city centre to create new and repurposed public spaces with improved safety and air quality.

S11 Enhance existing and new public spaces by creating opportunities to dwell including places to stop, sit and relax and explore opportunities for new cultural activities.

S12 Enhance the market square as the City's 'beating heart', creating an attractive, inclusive and multi-functional civic space, which sustains a successful outdoor market and evening/ night-time visitor offer, which helps to animate and drive footfall to the city centre.

S13 Create an integrated network of multi-functional, climate change resilient green spaces, which provide an enhanced visitor offer, including for outdoor events and activities and a net gain in biodiversity value.

4.5 Economic focused principles

Central Cambridge economic focused principles

S14 Create the right conditions to support a wider range of uses in Central Cambridge beyond typical retail functions.

S15 Change the balance of space for activities such as outdoor eating and drinking to develop a café culture approach creating street activity and interest.

S16 Support local businesses and independent shops within the context of their contribution to a diverse, attractive and thriving city centre and linked district and local centres.

S17 Seek and support opportunities for more day and night activities for all within public spaces.

S18 Develop and market a sustainable tourism offer, which supports longer stay, higher value visits and reduces pressure on destination 'hot spots' in Central Cambridge.

S19 Create flexibility in the Central Cambridge's streets and spaces to respond to different uses and activities throughout the day and year.

S20 Encourage stewardship of streets and spaces to create opportunities for wider community involvement.

Appendix B

Emerging Draft Strategy

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CAMBRIDGE FUTURES Our plan for a greener, fairer city

Foreword (or exec summary)

[to complete following engagement]

- Through successive lockdowns Cambridge residents, mutual aid and community groups, colleges, schools and universities, businesses, retail and hospitality have put in a huge effort to protect and support each other.

- The City Council, County, Public Health and other partners have been in response mode for last 18 month.

- Now is right time to look up and look forward to a plan the recovery together; the future is uncertain, and we know that recovery a marathon not a sprint,

- This strategy provides a platform and the building blocks for ongoing engagement with partners, residents, business and communities on what they want to prioritize in future, and how they can contribute.

- a working document; recognizes collaboration essential to success of city and the need to plan for the future we want, not a return to what went before.

- Sustainability and wellbeing key themes to support creation of a greener, fairer Cambridge; so that collectively we can drive down long term inequalities; support sustainable business development, bring vibrancy into the city centre; and provide the quality, affordable green homes and spaces for people to thrive.

- Supported through community and collaborative action, including a conversation about how to mobilise the prosperity and ingenuity of our great city through joint investment such as crowdfunding, philanthropy, public-private partnerships and other options.

Part 1: Covid impact and response

The impact of Covid

Like everywhere else in the country, and throughout the world, Cambridge has felt many economic and social impacts from the Covid-19 pandemic. Those impacts have been felt through the devastating health impacts on some of our residents, the social fabric of our communities and in the economic performance of the city, with the impact of fluctuating infection rates and successive lockdowns and re-openings creating a sustained period of disruption and uncertainty for residents and businesses. And the impacts have been felt most keenly by those who were already more vulnerable – the young, the elderly, those with pre-existing health conditions and disabilities, those in low-wage, low-skilled, temporary, part-time or insecure employment, whilst others have seen savings rates and asset values soar.

The impacts on the Cambridge economy have been significant but varied. The city has seen the unemployment claimant count rise by over 100% from a traditionally low base, the decimation of the visitor economy and 80% reductions in footfall in the city centre. A retail industry at 5.6% of Cambridge's workforce already challenged by longer term changes in customer shopping habits has been hit particularly hard by the pandemic and the closure of non-essential shops, alongside the impacts on charities, tourism and hospitality (9.2% of the Cambridge workforce), leisure, and education related businesses (which provide 16% of Cambridge employment). Uncertainty remains in some sectors with many employees now returning from furlough. And for the next generation, the consequences of the impacts of months of disrupted and missed education on their future development and life chances remains uncertain.

Rising to the challenge

There have been success stories through the pandemic. Cambridge has a number of large world leading innovation businesses, some of whom have made notable contributions over the last 18 months such as AstraZeneca, who have helped develop a vaccine that is now widely employed in the government's vaccination campaign. AstraZeneca have also worked alongside other companies such as Censo Laboratories, Benevolent AI, Healx, and DIOSVAX on such matters as testing, treatment and vaccination in the efforts to defeat the pandemic. Cambridge's bio-medical research cluster has been less trumpeted but essential in the national and global fight against Covid

Others such as The Raspberry Pi Foundation set up new online courses and businesses and community groups across the city (including Cambridge 2030, the Youth Panel, Cambridge Online and the Cambridgeshire Digital Partnership) have been working to get devices and data to children who have no access to computing facilities for home schooling, supported by significant funding from the city council.

Other networks and collectives of residents, community organisations, charities and social enterprises set up mutual-aid and community Hubs with support from the City Council to distribute food, provide care and support to the vulnerable, for example CoFarm; Cambridge Sustainable Food; Abbey People; Cambridge Community Kitchen.

During the year the Food Hubs received nearly 18,000 visitors who collected over 110 tonnes of food. Volunteers from the hubs reached out to over 1,200 households and delivered over 8,000 meals.

During 2020/21 the city council relieved or prevented homelessness for 449 households, made 316 offers of accommodation to rough sleepers under the 'Everyone In' programme and moved on more than 150 people from the original short-term accommodation provided.

Alongside continuing to deliver their programme of new council homes, the city council also supported the delivery of 16 new modular housing units on council land for the homeless, donated by the Hill Group through their Foundation 200 programme, working with Jimmy's to provide support to those accessing this much needed good quality self-contained accommodation as part of the response to the pandemic.

Smaller enterprises and young people

The vast majority of Cambridge enterprises, however, are micro, small or medium[1]. Cambridge also has a high percentage of self-employed people – many of whom have adapted to new ways of trading to keep their businesses going. Government support through covid related grants and reliefs has ensured that the impact on employment has been mitigated. However, there have still been over 4000 redundancies to date across Greater Cambridge. This has left an increased number at risk of negative social impacts on their health, in particular mental health, and wellbeing, as well as the knock on implications on rent and mortgage arrears, and the challenge of searching for a role within a constricted, highly competitive and changing jobs market.

The job market void has been particularly challenging for younger people 16-24, both those leaving education in search of a first job during the pandemic, those in employment but furloughed or made redundant as a result. This has coincided with , the fragmentation of the school and university year having a potential longer-term impact on wellbeing, attainment and life chances.

Labour markets and supply chains

In some sectors the pandemic has driven higher demand for services or products, but accompanied by supply chain issues, or lack of access to sufficient trained staff resources e.g. health and social care sector.

[1] https://www.cambridgeahead.co.uk/cambridge-cluster-insights/

All of these changes and impacts compounded the uncertain future international trading and research conditions created by the UK's withdrawal from the European Union. This has placed particular pressures and wage inflation on those sectors that were previously heavily served by an EU-originating workforce (construction, hospitality, logistics) and pressures on the supply of and cost of construction materials, food and ICT products.

The ending of restrictions will provide benefits to many but these opportunities are not equally distributed. The virus has not been eliminated and it is possible future strains may appear. Our ability to thrive will be challenged as Covid becomes an endemic part of our lives. Making the most of a new normality and supporting those for whom opening up is not seen as such a positive change will depend upon enabling and helping residents, communities and businesses to adapt and build resilience.

Latest data suggests that Cambridge is seeing early and positive shoots of recovery with reducing claimant count and increasing job vacancies. However, we cannot be complacent. The process of recovery is unlikely to be a linear or one that left to its own devices will itself drive the kind of structural changes we may need.

Supporting Cambridge through the pandemic

Throughout the pandemic, the council and its partners have sought to help and protect residents and support businesses and the safe re-opening of the economy through:

- Administration of over £54m business support grants
- £54m in business rate relief
- £1.2m in total support to market traders in grants, rental changes etc
- Public Health advice and support in managing covid issues
- Ongoing landlord support for commercial tenants
- Supported 316 homeless with 'Everyone In' offers and made 449 interventions to prevent or relieve homelessness
- Essential services kept operating continuously: parking, waste collection, street and park cleaning
- Provision of food to those in need as referred to above
- Working with South Cambs District Council and Public Health England to deliver advice and training around mental health and resilience to businesses.

The scale of the challenges of supporting our communities and economy through the pandemic demanded a huge, collective response. We are indebted to the resilience, flexibility and commitment of all our key workers, across health, education, social and other essential services, as well as essential businesses who kept us all going through the last 18 months.

These vital responses have all been focused on mitigating the immediate impacts of the pandemic on our residents and businesses. As the pandemic response moves into a new phase of recovery, we now must turn our attention and resources to driving the kind of recovery we want to see in Cambridge.

Part 2: The Wider Context

The Existing City Vision

Cambridge City Council has long held a vision for the city as a place in which economic dynamism and prosperity are combined with environmental and social justice, and equality: "One Cambridge, Fair for all". This vision has guided the development of a suite of plans and strategies over a number of years.

The City's vision describes a place where talent and resources are unlocked and applied to improving quality of life for all. Where knowledge, innovation and creativity are channelled collaboratively into ensuring everyone has a fair chance in life, and an equal opportunity to share in the city's growing prosperity, now and in the future.

However, COVID has combined with the existing challenges facing the city to mean that we need to re-focus and reconsider how we can help guide the city towards that vision. At the same time all Local Authorities, including the City Council, are facing significant financial challenges.

This will be a decisive decade not only for Cambridge but also for the country[2]. Cambridge is better placed than most other UK cities to demonstrate leadership in the way we rise to tackle the social, economic and environmental challenges of the 21st century, and address the legacy of the pandemic. We can and we should strive, together, to become an exemplar of a sustainable, net zero carbon city and an inclusive city, a welcoming and collaborative and innovative Cambridge. It is our responsibility to make this happen.

As part of this process a key question is how we measure success, and the section below reflects on measures beyond GVA and GDP, and models that could help us develop a different approach.

Beyond GVA and GDP

Before the pandemic Cambridge was thriving economically as measured by GDP. It had one of the highest GVA per head for any area outside London and the South East and made a net fiscal contribution of around £1bn to the Exchequer annually[3]. The strong growth of the high-tech and bio-science sectors has driven the growth of businesses and high skilled employment over several decades. The business cluster

[2] https://economy2030.resolutionfoundation.org/reports/the-uks-decisive-decade/
[3] Cambridge Ahead analysis based on 'ESPRESSO - tax and expenditure tool - Greater Manchester Combined Authority (greatermanchester-ca.gov.uk)'

created through the Cambridge Phenomenon[4] has grown to become a significant national and international asset.

However, this strong economic performance has been accompanied by significant inequalities. This is reflected in large health, education and income disparities, with life expectancy in the more deprived areas of the city some 11 years lower than the more affluent areas. While in aggregate our fast-growing city has created wealth and high value, high skilled jobs, it is not driving prosperity for all, or the creation of a wider variety of more accessible good jobs and careers for local residents. Cambridge has also been labelled the most unequal city in the country[5].

Existing inequality has been exacerbated by the impacts of the pandemic, particularly in relation to education, incomes and employment, health and housing, and most noticeable for many younger people and people from particular communities. This may be more acute in Cambridge because of the structure of our high-tech, research orientated economy. While many professional workers have worked from home during the pandemic and built up savings, customer facing employees in retail, hospitality and insecure work have been more likely to lose income, face redundancy or furlough and build up debts.

We are, however, seeing the limits on housing affordability, with the average residential property in Cambridge being currently around fifteen times the average income in the city.

Our city is also constrained in other ways – the historical and cultural assets and constraints to traffic and office space in the heart of the city. This creates significant congestion and air quality problems impacting negatively on productivity, health and quality of life in the city, with projected population growth requiring significant, but sensitive solutions to these challenges.

This more mixed picture is reflected in the City's relative performance in assessments of prosperity which seek to look beyond simple GDP figures. In the Legatum Institute's UK Prosperity Index[6], Cambridge finds itself very much in the middle of the pack in terms of local authority areas in England. Our historic strong economic performance has not been matched by comparable progress on the environment, education, wellbeing, social mobility and the health of residents, and in addition, does not always provide the enterprise enabling environment required to promote sustainable success.

These factors already presented a challenge to our overall prosperity, and to the vision of a "City, fair for all" before the pandemic struck and, if not addressed further, will continue to undermine our future progress. Therefore, our strategy for recovery will need to balance the enablement of the conditions for a successful and sustainable

[4] Worth adding a reference?]
[5] Ref Centre for Cities
[6] https://www.prosperity.com/

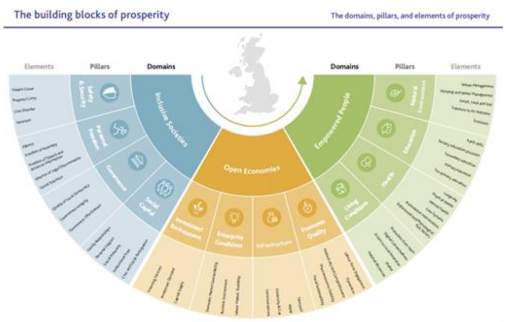
inclusive economy which reduces current and future inequalities and their impact on the lives of residents, as we build a greener and fairer city.

Legatum Institute: UK Prosperity Index 2021

Authoritative index to 'get beyond GDP' which has been measuring UK and international prosperity for over 10 years. The UK index blends 256 data sets based on twelve building blocks of prosperity, to generate a holistic view which combines economic performance, health, social, education, infrastructure, environmental, and other factors.

The 2021 index has been developed to support policy decisions on 'levelling-up' and includes a comparative analysis of 379 local authority areas across the UK. Each local authority area has a detailed data portrait to assess relative local standards and performance against the 12 building blocks of prosperity.

Cambridge ranks 145 out 379 UK local authorities on this broader measure of prosperity. The detailed report can be found here



https://li.com/research/centre-for-uk-prosperity/downloads/

There are a number of complementary frameworks and polices that have been developed over the last few years by various independent organisations, movements and governments that share our commitment to moving beyond GDP as a measure of prosperity, for example:

- Doughnut Economics
- The Legatum Institute 'UK Prosperity Index'[7]
- The Bennett Institute 'Six Capitals'[8]
- Future Generations Commissioner for Wales[9]
- What Works Wellbeing Centre[10]
- Public Health England Inclusive and Sustainable Economies: leaving No-one Behind

[7] https://li.com/reports/uk-prosperity-index-2021/
[8] https://www.bennettinstitute.cam.ac.uk/news/beyond-gdp-cambridge-research-project-explores-new/
[9] https://www.futuregenerations.wales/
[10] https://whatworkswellbeing.org/

- Government of New Zealand Wellbeing Budget[11]

Many aspects of these approaches, including assessing impacts on wellbeing[12], climate change[13] and valuing natural capital[14], are now established Green Book methodologies – the Treasury's guidance for assessing the value for money of public spending and effectiveness of public policy.

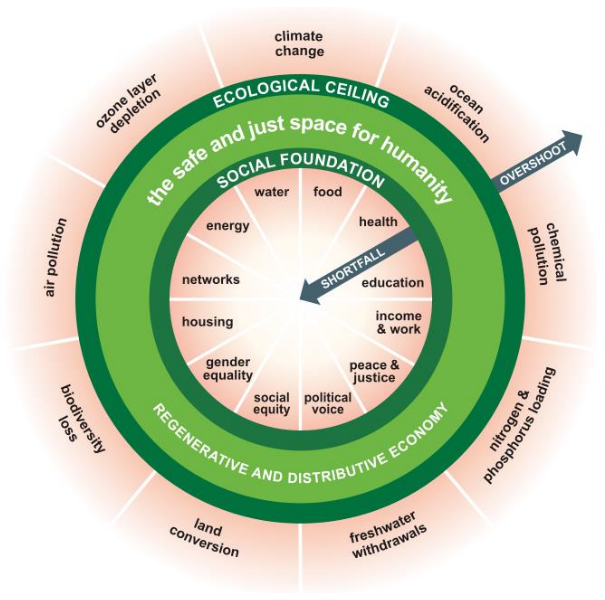
We want to take the best elements and inspiration from these to develop an approach for Cambridge that lays the foundations for all our residents to live healthy, fulfilling lives, while ensuring we can continue to prosper without compromising our wider environment and the sustainable limits of our natural resources but growing them.

What is already clear is that we need to take a radically different approach, moving away from organisationally driven goals to a place based and person-centred approach where we work with partners to deliver change.

Everyone in the city, and every business or organisation, has a part to play to enable Cambridge to build back greener and fairer. We can become an exemplar of a successful, sustainable, net zero carbon, inclusive city, a welcoming, collaborative and innovative Cambridge. Through the shared endeavours of everyone in the city Cambridge will keep working to influence lives here and around the world for the better, and truly become the best small city in the world.

Doughnut economics

Doughnut economics looks at how we can develop an economy which is fairer, more just and helps us to live within our means to protect the planet. It defines the elements we need to provide ourselves with for a good life (the social foundations) along with the limitations of our wider environment which require protection (the ecological ceiling, with the aim to operate in the space around the ring (the "doughnut") that satisfies both these requirements.



https://doughnuteconomics.org/

Part 3: Making it happen:

The impact and response to the COVID pandemic has demonstrated that a system wide, collaborative approach can and does enable effective change.

[11] https://budget.govt.nz/budget/2021/wellbeing/outlook/index.htm
[12] https://www.gov.uk/government/publications/green-book-supplementary-guidance-wellbeing
[13] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/934339/Accounting_for_the_Effects_Of_Climate_Change_-_Supplementary_Green_Book_.._.pdf
[14] https://www.gov.uk/government/publications/enabling-a-natural-capital-approach-enca-guidance/enabling-a-natural-capital-approach-guidance

This section of the strategy sets out our commitment to a set of underpinning principles and the approach we will take to the development of a shared City vision from which we can build a shared and collaborative set of actions to build a greener and fairer city; and to an ongoing process of measuring progress and impact which will hold us to account.

Principles

We will adopt three underpinning principles which set out how we will develop and implement the policies and activities to drive our recovery:

i. *Our approach will be **collaborative** and **engaging**, aiming to test and develop evidenced based ideas and build coalitions of support and action in delivering the changes we need to make in our city.*

ii. *Our approach will need to be **radical**, in contemplating new, innovative ways, including digital, to tackle the long term social, economic and environmental challenges we face.*

iii. *Our approach will be **ambitious** and **accountable**, setting clear outcome goals and measuring the impacts of our actions across our social, economic and environmental goals.*

Developing a shared City Vision

We need to approach how we go about enabling a greener and fairer recovery in Cambridge from the context of the city and its surroundings. Cambridge sits within a wider economic geography, with many commuters and consumers coming into the city from the wider Cambridgeshire and Peterborough area, and further afield. Transport, skills, education, health and other public services operate on wider footprints than the city, which needs to be reflected in how we go about driving recovery in Cambridge[15]. However, we must also recognise that the City Council has to play a key role in shaping recovery in Cambridge, as custodians of the city for the long-term benefit of current and future residents.

Therefore, the recovery strategy needs to bring together elements of wider strategies both across the City Council, partner districts and at County and Combined Authority level, all within the framework and constraints of national policies. Our approach will be to build on existing strategies and work already underway with public, private and community partners looking to influence them to support our recovery priorities; working with and influencing local partners, and collaborating with communities, businesses and anchor institutions to develop our own responses to local priorities, including investing our own resources – and convening partners to align theirs - to shape Cambridge's greener and fairer recovery.

[15] See annex 2 for local government structure in Cambridgeshire.

Achieving a shared City Vision is going to take time and a real commitment to listening and learning from others. This strategy therefore articulates our approach to the development of that Vision, rather than setting out a finished direction of travel.

Understanding our own role

Cambridge City Council is embarking on a radical transformation programme, to ensure that both our shape and our activities are the right fit for the challenges ahead, including the significant financial challenge now faced by all local authorities. We are starting this work internally, however a key part of this is understanding the role we play in the wider system, and therefore the need to work with others to develop a shared City Vision has been identified as a crucial overarching strand for our own transformation programme, at the same time as being key to the development of the detail of this Recovery Strategy.

Building the Vision

We have already started the conversation internally, to ensure that our whole organisation understands and recognises the importance of a shared vision, and most importantly to identify and build on the broad base of collaborative and partnership work that our staff are already engaged with, including but not limited to key strategies, plans and partnerships, such as the current Local Plan for Greater Cambridge (and the recently published draft emerging Local Plan), the City Council's Anti-Poverty and Climate Change Strategies, the Cambridgeshire and Peterborough Combined Authority Local Economic Recovery Strategy, and the developing Integrated Care Partnership

However, this is just the starting point and the publication of this document marks the beginning of the wider conversation that can enable us to achieve a greener, fairer recovery. It will require a collaborative approach where the City Council provides a platform for the partnerships that can influence other parts of the public sector and government, and bring together the private and VCSE sectors, local communities and residents. The principles outlined above provide a framework for this work but it will require ongoing collaboration and co-operation with all our partners. To create the opportunity to invest in the future of your city we will need to explore innovative ways to enable and resource change. On its own the public sector does not have the resources to achieve a greener, fairer city. We will need to harness the ingenuity, and enormous wealth, human, natural and financial, of our city to make progress.

Building a greener, fairer city will require action and engagement from all of us – residents, businesses, educational institutions, arts and culture, community groups and public services, working together with common purpose to achieve a shared vision, and to prioritise the right interventions, investments and behaviour change and develop the detailed actions required to achieve our that vision.

This strategy acts as a call to action for everyone in the city to look at what they can do to support our recovery and help shape the Cambridge of the future. We are calling on everyone to engage, to give your views on the priorities and think about what you can do to support a greener and fairer Cambridge. This process will be iterative, as we hold conversations, reflect and feedback. We will be setting out the different ways to engage with the Conversation over the coming weeks.

Imagining a Greener, Fairer Future

As part of the process of opening up a city-wide conversation this section sets out illustrative pictures of what a greener fairer future might look like. At this stage, these are aspirations that resonate with the Council's own vision, and simply provide a starting point on which to build. Together, we need to target the key issues for a future net zero city, with thriving communities and sustainable housing solutions through cross sectoral, collaborative, holistic approaches. In everything we do we will seek to align with and unlock the resources and talent of our innovation, enterprise and community partners.

A Greener Fairer Future for a child growing in North Cambridge for example, might include:

- Excellent child-care in their community, supporting their early development.
- The ability to achieve their potential through the education & training systems, supported by enriched links with academia, business, culture, arts and sport.
- An effective transition from education into adulthood and good employment.
- A fulfilling career, with continued personal development, with opportunities and choices – where possible with the options to work at home, remotely, or travel to work through active and sustainable transport options, without struggling through traffic congestion.
- Good quality, and affordable housing to the highest environmental standards, in safe, cohesive communities.
- Access to a broad range of accessible, inclusive cultural & heritage activities leisure and green spaces, with clean air, waterways and rich biodiversity.
- Good health, with high levels of wellbeing, accessing high quality, local care, living as long as their neighbours in the west and south of the city.

We can already see that in order to achieve this vision we need to be working with children and their families and communities, with schools and early years providers, with the County Council, with health services, higher education institutions, businesses and the community and voluntary sector. We know that operationally many of these links are already in place, so we need to build on what is already there and recognise it the next iteration of this strategy.

A business operating in Cambridge could expect to:

- find an accessible and responsive business support offer tailored to their needs and circumstances (whether they be start-ups, relocations, scale-ups, family businesses)
- have access to deep local pools of skills and talent, including high level skills
- Choose from a range of desirable locations throughout all our neighbourhoods and communities, including, but not limited to our historic city centre and state of the art business parks, seeing the impact of investment in key sites and infrastructure across the city.
- serve a huge local retail and hospitality customer base – 8m visitors a year
- Have the opportunity to make links with the best academic and research talent in the country and the world
- Benefit from improved transport options, air quality and biodiversity across the whole city
- Invest in the skills and careers of their employees – being a “good employer”.
- have in place their own plans for reaching net zero; supporting and engaging with plans and opportunities for wider collaboration on climate change brought forward through the city and partners]
- Engage with their local community, through opportunities to contribute and collaborate around education, culture and the environment
- Be a good corporate citizen that values the long-term contribution they make to the city and local communities and play its part in address social inequality and the climate and biodiversity crises

Again, this simple articulation starts to highlight key partners, including schools and further and higher education institutions, County Council, the Greater Cambridge Partnership and the Combined Authority, and wider business sector and networks, current and future employees.

Building on the successful response to Covid, a more joined-up public sector

To support these kinds of futures, we would also like to see changes to the way the public sector operates across Cambridge to provide the enabling services essential to improving outcomes. We want to work with partners to build a public sector that:

- Takes a whole place approach to public services so that citizens experience a seamless experience from different public and third sector organisations.
- Ensures users of services have a voice and agency in the way they receive and consume public services, which are responsive to their needs.
- Integrates community and voluntary sector providers into design and delivery of services to ensure we have the best local services we can.

- Pursues fairer funding for public services which currently receive on a per capita basis some of the lowest funding levels in England across NHS, police and local government.
- Integrates health and care services to prioritise prevention and wellbeing to reduce the need for emergency and acute interventions.
- Creates local spending plans which are aligned or pooled where this can add value and improve outcomes for residents and tax-payers.
- Takes a co-production approach to developing service offers, reforms and investment plans, building common purpose across organisations.

Measuring progress and Impact

A bold vision for change, and a strategy to achieve that change also requires clarity on the outcomes we are seeking to change and how we will know if we are succeeding.

Therefore, we are also setting out our commitment to creating accessible and accountable mechanisms with clear indicators which represent the holistic picture of economic, environmental and social health to assess progress against our vision.

We will develop a data led approach, using the indicators and parameters set out to build meaningful understanding of health of the city and our residents and businesses. We will use this to design and iterate an agile approach both service provision and intervention and provide an annual update describing the 'state of the city', aligned with and reflecting on the outcomes described in a shared City Vision

We will explore how far we can benchmark against nationally produced indicators, such as the Legatum Institute Prosperity Index, relevant tools developed by Doughnut Economic Action Labs, the Bennett Institute and others. And we will aim to supplement this with a range of community engagement techniques to assess community wellbeing, as well as perceptions of the city and our recovery.

We will also open a conversation about the governance and partnership arrangements that would best support the delivery at the heart of this strategy. We need our collective partnerships and governance to support effective decision-making and prioritisation and to drive the implementation and investments required to bring about change, ensuring we are making full use of the expertise and experiences across the city.

Annex 1: Existing Plans and Strategies

The process of a shared vision and the detailed work that will develop from that process does not start in a vacuum. This annex sets out the main strategies that are either already delivering, or which show how partners are already planning to work together.

Cambridge's Local Plan 2018 sets out delivers a vision for growth that will secure the priorities for Cambridge. The policies of the plan set out how we will meet the important development needs that must be accommodated, but also how we intend to protect this special city's outstanding heritage and environmental assets. The plan will deliver new homes and jobs in a sustainable way, providing affordable housing and an accessible, compact city form where people can have sustainable choices about how they access work, study, leisure and other services.

The emerging joint Greater Cambridge Local Plan has established overarching themes of:

- Climate Change
- Biodiversity and green spaces
- Wellbeing and social inclusion
- Great places

The joint Cambridge and South Cambridgeshire Housing Strategy 2019-2023 sets out a vision of "Healthy, Safe, Affordable: Homes & Communities for All" with priorities grouped around:

- Building the right homes in the right places that people need and can afford to live in
- Enabling people to live settled lives
- Building strong partnerships

Cambridgeshire & Peterborough's Local Transport Plan contains a vision "to deliver a world-class transport network for Cambridgeshire and Peterborough that supports sustainable growth and opportunity for all."

The Cambridgeshire & Peterborough Combined Authority's Local Industrial Strategy sets out "how Cambridgeshire and Peterborough will maximise the economy's strengths and remove barriers that remain to ensure the economy is fit for tomorrow's world."

The Cambridgeshire & Peterborough Combined Authority's Skill Strategy contains a vision of "An inclusive world-class local skills eco-system that matches the needs of our employers, learners and communities."

Cambridge City Council's Climate Change Strategy sets out six key objectives:

- Reducing carbon emissions from City Council buildings, land, vehicles and services

- Reducing energy consumption and carbon emissions from homes and buildings in Cambridge
- Reducing carbon emissions from transport in Cambridge
- Reducing consumption of resources, reducing waste, and increasing recycling in Cambridge
- Promoting sustainable food
- Supporting Council services, residents and businesses to adapt to the impacts of climate change

Cambridge City Council has also produced a draft Biodiversity Strategy (2021-30) for consultation, with three key themes of:

- Biodiversity mainstreaming
- The Core
- Nature in your neighbourhood

Cambridge City Council's Anti-Poverty Strategy (2020-23) has three underpinning themes:

- Addressing the causes and effects of poverty
- Balancing direct delivery, partnership-working and influencing activity
- Building the capacity of residents and communities, and facilitating community action and mutual support

Economic Recovery

Cambridge City Council, its partner authorities, wider public partners, the University, and business networks have worked closely over the last year to identify and develop the evidence to understand the impact of coronavirus and related restrictions on the local economy and to identify key gaps and priorities for recovery.

The Cambridgeshire and Peterborough Combined Authority led the economic recovery group, which subsequently published the initial Local Economic Recovery Strategy (LERS)[16] which has been updated as the crisis has evolved. The strategy "sets out how we will accelerate the recovery, rebound and renewal of our economy, helping people effected and achieving our ambition to double GVA by 2042 in a digitally enabled, greener, healthier and more inclusive way."

The LERS, together with the Local Government Association's Recovery Playbook, have helped to frame this Recovery and Renewal Strategy for Cambridge City Council.

Strategic projects and programmes

In addition to the strategies and plans outlined above, a number of key projects and programme are in place to deliver the vision for Cambridge. These include: The Greater Cambridge Partnership's transport programme, featuring high quality public transport corridors, the City Access project for freeing up road space in the

[16] https://cambridgeshirepeterborough-ca.gov.uk/wp-content/uploads/documents/Strategies/LERS/Local-Economic-Recovery-Strategy-March-2021-FINAL.pdf

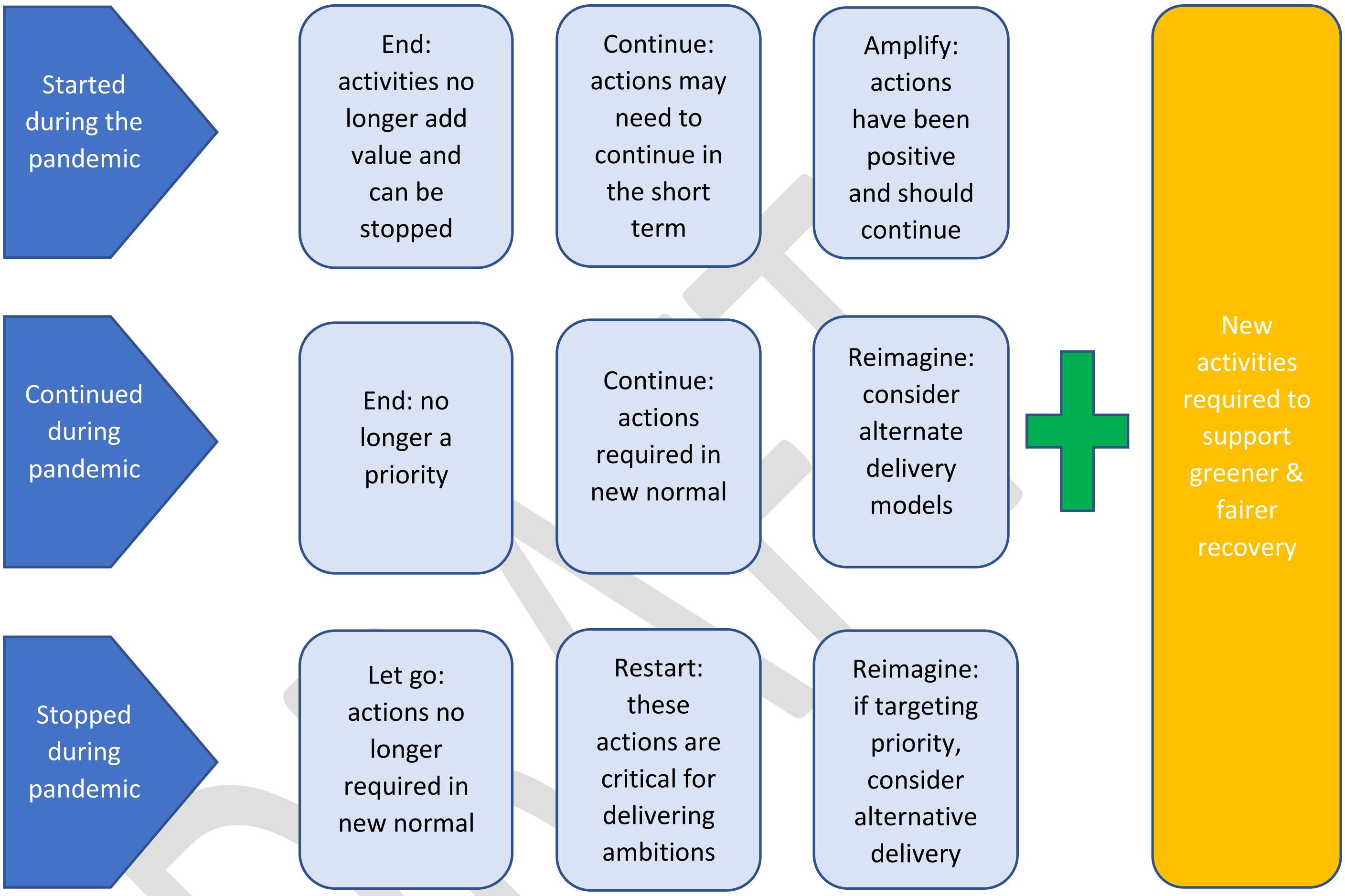
centre of the city, improving public realm and potentially generating revenue to fund improved public transport, and a range of walking and cycling schemes. The GCP is also leading work to improve careers advice to young people and the take-up of apprenticeships relevant to the local economy; and is exploring interventions to address electricity distribution grid capacity constraints to the growth and decarbonisation of the Greater Cambridge economy.

There are a raft of other partnerships and initiatives seeking to improve the quality of life and deliver sustainable, inclusive growth in Cambridge. These include, as examples, Allia's work to support social enterprise and community wealth-building; Cambridge Sustainable Food's work to tackle food waste, eliminate food poverty and reduce emissions from the food cycle; and the work of organisations such as Cambridge Carbon Footprint, Transitions Cambridge and Carbon Neutral Cambridge to reduce emissions in the city and work towards the creation of a circular economy.

Cambridge is also a fulcrum of key strategic geographies, including the Oxford-Cambridge Arc, the London-Stansted-Cambridge "innovation corridor" and the Norwich-Cambridge tech corridor. These regional scale networks mirror and multiply Cambridge's phenomenal highly networked eco-system and reflect Cambridge's significance both to the UK economy and the international research community.

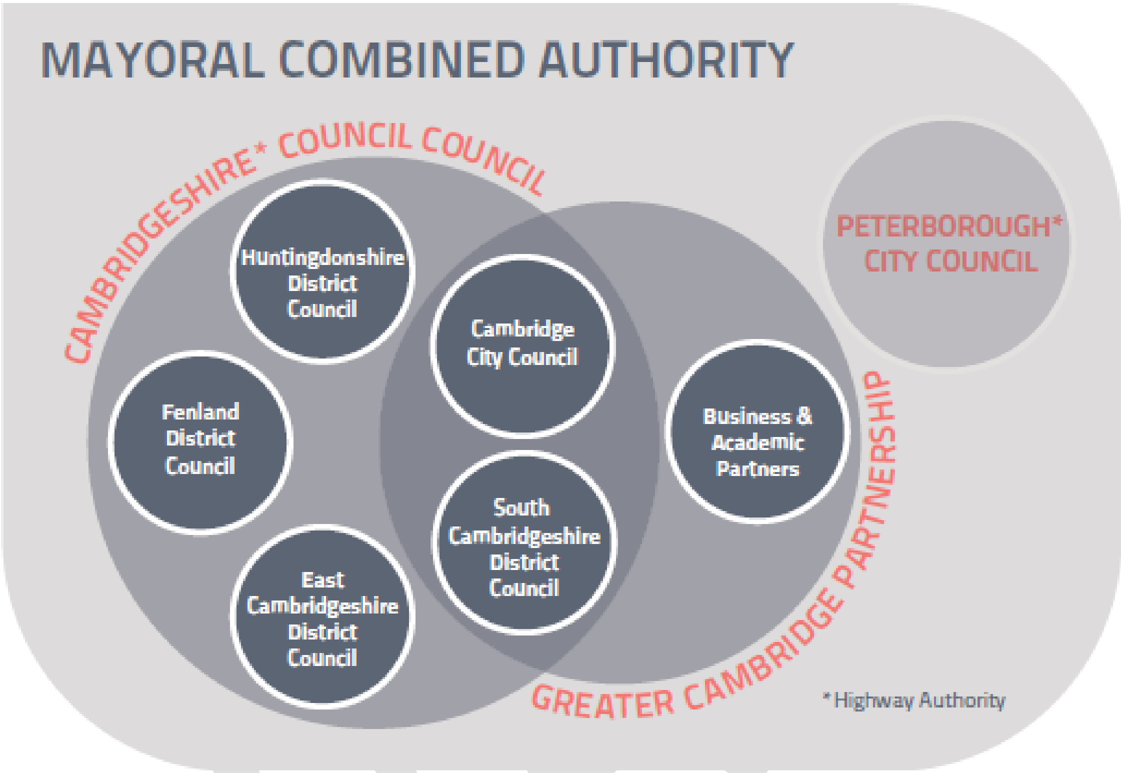
Annex 2. Prioritisation Framework

This framework sets out the high level approach to establishing areas of activity that we no longer need to carry out, areas where we need to continue or restart activity as we come out of the first phase of the pandemic response, and areas that need re-imagining and development.



Annex 3: Local Government in Cambridgeshire

A high level diagram setting out the relationship between the different tiers of local government relevant to Cambridge



Item

UK Municipal Bonds Agency Framework Agreement

To:
Councillor Mike Davey, Executive Councillor for Finance and Resources Portfolio

Strategy and Resources Scrutiny Committee 11 October 2021

Report by:
Caroline Ryba, Head of Finance and Section 151 Officer
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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

1.1 This report seeks approval for the council to enter into legal agreements with the UK Municipal Bonds Agency (the “agency” or “UKMBA”) to enable the council to borrow from the UKMBA in the future, should it wish to do so.

1.2 The agency requires that local authorities borrowing from it enter into its framework agreement. The agreement includes an accession document confirming that the council has the necessary approvals to sign the agreement and a proportional guarantee to those lending money to the agency in respect of the borrowing of all other local authorities from the agency. Entering into the framework agreement enables the council to access funding from the agency as and when required, providing an additional source of borrowing to enable effective and efficient treasury management to support the overall achievement of the council's strategic objectives.

1.3 This report sets out the background to the agency (Appendix 1), key facets of the framework agreement and the advantages and disadvantages of entering into the agreement, including an assessment of the risk that the council will be called upon under the guarantee.

2. Recommendations

2.1 The Executive Councillor is recommended to:

- approve the council's entry into the UK Municipal Bonds Agency's framework agreement and its accompanying schedules including the joint and proportional guarantee;
- delegate authority to the Head of Finance as Section 151 Officer and the Head of 3C Shared Legal Practice as Monitoring Officer to sign those documents, as appropriate, on behalf of the council;
- grant the Section 151 Officer delegated authority to agree amendments to the framework agreement as appropriate.

2.2 The Executive Councillor is asked to note:

- the framework agreement and its schedules, including the joint and proportional guarantee, as set out in Appendix 2;
- consideration of the council's financial position and financial standing in section 5;
- signing the framework agreement does not make the Council subject to the joint and proportional guarantee or other provisions of the framework agreement until such time it borrows from the agency; and
- the assessment of the advantages and disadvantages of entering into the framework agreement in section 6.

3 Background

3.1 The purpose of the agency is to deliver an alternative source of capital finance for local authorities. It is designed to be cheaper than PWLB and to reduce the heavy reliance that many councils place on PWLB borrowing.

3.2 The agency has two main funding programmes

- Loans of £1 million or more that are pooled and funded through bond issues that are cross-guaranteed by all local authorities participating in the pool.
- Loans of £250 million or more to either a single, or small group of local authorities, that are outside the pool and the associated guarantee.

3.3 The council has limited sources of capital finance available to it. Like other local authorities, the council has historically borrowed from the Public Works Loan Board ("PWLB") which is now part of HM Treasury's Debt Management Office. The PWLB's terms and conditions have changed frequently, therefore It is desirable to have an alternative to the PWLB that is not subject to changes in government policy.

3.4 The agency is wholly owned by 56 local authorities and the Local Government Association ("LGA") representing 62 local authorities and the Greater Manchester Combined Authority. The Council is a shareholder in the agency with a total investment of £50,000.

3.5 The agency had a difficult gestation. Having gained widespread support for its proposed lending framework in 2014, concern grew regarding the joint and several guarantee arrangements necessary, at the time, to support the pooled bonds. In 2019, the decision was taken to outsource the agency's operations and to reform its offer to local authorities. PFM, the largest financial advisor to the public sector in the US, has taken over the day-to-day operations of the agency and the LGA has taken over the accounting and company secretariat functions.

3.6 The agency's framework agreement sets out the arrangements for borrowing from the agency. The council has the power to enter into the framework agreement under Section 1 of the Localism Act 2011 – the general power of competence. Borrowing under the framework agreement will be under Section 1 of the Local Government Act 2003 – the power to borrow.

3.7 Acting on behalf of prospective borrowers, a small group of authorities previously appointed lawyers, Allen & Overy, to review and advise upon the Agency's original documentation. Allen & Overy instructed counsel to obtain senior opinion on vires and reasonableness. The advice and opinion resulted in a small number of changes to the agency's documentation.

3.8 Counsel raised three key considerations that a local authority must take into account when taking a decision to enter into the framework agreement. Despite the less onerous terms of the current documentation, the agency has suggested that it remains prudent to address these considerations:

- its specific financial position;
- whether or not the council is "reasonably financially robust" i.e. the council can meet the potential demands that the framework agreement places upon it; and
- whether it is to the authority's advantage to enter into the framework agreement taking into account the advantages and disadvantages of doing so.

3.9 Taken together, these three considerations help address a key requirement of the Wednesbury principles that the council exercises its powers in a reasonable manner.

3.10 Although the council has no immediate need to borrow or refinance, entering into the framework agreement enables the council to access funding from the agency as and when required. Access to the cheapest source of finance will reduce the costs of borrowing and thus its impact on council tax. Over time, the agency's business case suggested that the savings delivered by the agency would be 0.2 per cent.

3.11 The framework agreement includes the joint and proportional guarantee, which requires all local authorities borrowing through the agency's pooled loan programme to guarantee the bonds issued by the agency to fund the pooled loans. Under the guarantee, the council's exposure is limited to its own borrowings and, in the event of a default, its percentage of the pool of loans made by the UKMBA not subject to a default, which is significantly less onerous than the joint and several guarantee previously required by the agency.

3.12 The framework agreement incorporates a mechanism to prevent a call under the guarantee by bondholders through its "contribution mechanism" which requires pooled borrowers to lend the agency money to cover a default by another local authority, and operates in identical fashion to the joint and proportional guarantee. Its purpose is to contain a default within the local government orbit and prevent costly litigation while a default is resolved.

3.13 No local authority has ever defaulted on a loan in the history of UK local government. This dates back to the establishment of the Corporation of London in 1067. The National Audit Office in its *Financial Sustainability of Local Authorities* report of November 2014 observed:

> *"A legal framework at the core of the local government accountability system effectively prevents local authorities becoming insolvent. Local authorities cannot borrow to finance revenue expenditure or run deficits."*

3.14 UK local authorities are heavily supervised and subject to tight statutory control that significantly reduces the probability that a local authority will default on its financial obligations. In effect, a local authority cannot be made bankrupt to the detriment of creditors because parliamentary approval is required to dissolve a local authority. Furthermore, for pooled loans, the Agency will undertake credit assessments of councils and limit the proportion of the loan pool that an individual authority can borrow. In the event that a local authority needs to refinance its borrowings from the agency, the PWLB is available to all local authorities as lender of last resort. No UK local authority has ever defaulted on one of its primary debt obligations. Taken together, the risk of a default is judged to be low and thus the risk of entering into the framework agreement and guarantee is deemed to be low.

3.15 If a local authority does default, the agency has liquidity facilities available to it so that it can meet the interest payments due on a bond and cover a limited default on a principal repayment by a local authority; the provisions of the framework agreement will be used only if these facilities are exhausted. The council has adequate reserves well in excess of the current target level of £7.59 million and in the unlikely event of a call for contributions under the framework agreement or payment under joint and proportional guarantee, has access to PWLB funds if required.

3.16 The risks associated with the joint and proportional guarantee are limited. Therefore, from a practical perspective, the real risk to the council is the requirement to make contributions in the event of a default by another borrower and this exposure is proportional because it is calculated by reference to the amount borrowed by the council as a proportion of all non-defaulting loans made by the agency. If the council has no borrowings via the agency, it will not be called upon under the framework agreement.

3.17 Section 13 of the Local Government Act secures all debts of a local authority on its revenues and therefore it is extremely likely that the agency will be able to recover amounts owed to it by a defaulting authority. In turn, this will enable the agency to repay sums lent to it under the framework agreement or paid out by the council under the guarantee. The most likely source of a late payment or a default is error by a local authority.

3.18 The risk that the council suffers a loss under the framework agreement and the joint and proportional guarantee is therefore a combination of the low risk of a default by a local authority and the low risk that if a local authority does default, local authorities cannot recover sums owed to them.

3.19 In return for accepting this low level of risk, the council will receive access to more diverse and cheaper sources of capital finance via the agency. On balance, the financial advantages outweigh the financial disadvantages.

3.20 Although the agency intends that the framework agreement is permanent, there may be a need to either amend the framework agreement or if the council wishes, set aside provisions for a period of time without amending the contributions arrangements or joint and proportional guarantee.

4 The framework agreement and the joint and proportional guarantee

4.1 The framework agreement as set out in **Appendix 1** comprises:

- The *Framework Agreement* itself, which is primarily designed to prevent a call on the joint and several guarantee and lays out how the agency will interact with local authorities.

- Schedule 1: *Form of Authority Accession Deed*, which local authorities sign to commit themselves to the framework agreement.

- Schedule 2: *Form of Guarantee*, which is the joint and proportional guarantee.

- Schedule 3: *Loan Standard Terms*, which is the loan agreement that covers any borrowing by an authority.

- Schedule 4: *Form of Loan Confirmation*, which supplements the Loan Standard Terms and confirms details of a loan such as principal, maturity, interest rate and etc. It is signed by the agency and a borrower.

4.2 The LGA's revised business case highlighted the need for borrowing authorities to sign a guarantee:

- The joint and proportional guarantee allows the agency to issue bonds without having to prepare a full prospectus for each bond issue.

- If, instead of a joint and proportional guarantee, investors were investing in individual bond issues, every bond would require a separate credit rating. Investors would have to assess the participating authorities in each bond, which would materially impact an agency's ability to reduce costs and deter a number of potential investors and lenders from lending money to the agency. The joint and proportional guarantee draws on the strength of the local government sector and is simple for investors to understand.

4.3 The joint and proportional guarantee is a schedule to the framework agreement and is direct, unconditional, irrevocable and not separately administered. In practice this means that all borrowers are collectively guaranteeing the lenders to the agency against a default by a local authority.

4.4 The irrevocable nature of the guarantee means that the council will continue to guarantee the agency's borrowings until it has repaid those borrowings in full. This prevents moral hazard i.e. a local authority borrowing from the agency to achieve a cheaper borrowing rate, but walking away from the obligations. However, the proportionality means that the exposure of the council is limited i.e. it cannot be singled out to cover a default by another local authority, and that the guarantee is timebound i.e. the council is not liable under the guarantee before it has borrowed and once repayments have been made. This is significantly less risky than the unconditional joint and several guarantee that the agency required before it was reorientated.

4.5 In practice, the proportional element of the guarantee means that if the agency had £275m, which paid 3% interest, in outstanding debt, split evenly between 11 councils, and a single council defaulted on an interest payment. Each of the other participating councils would be asked to contribute 10% of the defaulted interest payment to ensure that the investor was paid on time. That would equal £75 thousand each. (The agency has a credit facility in place, which may also be used to cover this default.)

4.6 The defaulting council would then be pursued through the courts for full repayment plus interest costs. Upon resolution of council's default, it is expected that contributions would be returned with interest.

4.7 Measures are in place to reduce the possibility and scale of a default by a local authority borrowing through the pool.:

- The agency must credit assess each borrower and exclude those that do not achieve at least the equivalent of a strong investment grade rating.

- "Concentration limits" ensure that the agency will maintain a diverse loan book over time that limits the proportion of the agency's loan book that can be lent to a single or small group of authorities.

- Credit lines are available to the agency that it must utilise in the event of a local authority missing a payment or defaulting, before it has recourse to other borrowers.

4.8 The framework agreement establishes a "contributions" mechanism that requires borrowers to lend the agency funds to cover its obligations in the event of a default by a local authority. In practice, this default is likely to be on a periodic interest payment due on the bond, and so will be of limited size. There will be time to work with the defaulting authority to correct the position before further default occurs.

4.9 The contributions to cover default are calculated in proportion to an authority's share of the performing loan book, limiting each council's exposure. The proportions are identical to those used for the joint and proportional guarantee. The loans are interest bearing and will be repaid once the agency has recovered the sums owed to it by the defaulting authority, which it is required to do by the framework agreement. If the council has no outstanding borrowings via the agency, it will not be called upon to make contributions.

4.10 The defaulting council would then be pursued through the courts for full repayment plus interest costs. Upon resolution of the council's default, it is expected that contributions would be returned with interest.

5 Financial position and financial robustness of the council

5.1 Although the council has no immediate need to borrow or refinance, entering into the framework agreement enables the council to access funding from the agency as and when required. Access to the cheapest source of finance will reduce the costs of borrowing and thus its impact on council tax.

5.2 The council has identified future borrowing needs, including approximately £350m over 10 years to deliver its programme of 1,000 new council-rented homes. Further borrowing will be needed to support the retro-fitting of existing council homes to improve their energy efficiency and reduce their carbon footprint.

5.3 In addition, the council has approved that future funding for its General Fund capital programme will be financed from capital receipts, when available, and borrowing.

5.4 The council's revenue budget and medium-term financial strategy set out the council's financial position. The council is required to balance its budget and is subject to tight statutory controls and supervision, as highlighted elsewhere in this report. It is therefore extremely unlikely that the council will find itself in the position that it is unable to meet the requirements of the framework agreement and joint and proportional guarantee if it borrows through the pooled loans offered by the agency.

5.5 If the council were called upon, it has access to PWLB funds at short notice if required. Loans made to the agency under the framework agreement as part of the contribution arrangements could constitute capital expenditure because loans to third parties are defined as such under the *(Capital Finance and Accounting) (England) Regulations 2003* (as amended). Given that the agency is likely to recover the amounts owed to it by a defaulting authority and that the contributions are in themselves loans, the impact on the revenue budget is likely to be negligible if the council is required to make a contribution or called upon under the guarantee.

6 Risks and benefits of entering into the framework agreement

6.1 Exposure to the contribution arrangements and the joint and proportional guarantee means that entering into the framework agreement and borrowing via the Agency pooled loans is different in nature to borrowing from the PWLB.

6.2 The inherent risk is that the council could be called upon under the contributions mechanism or joint and proportional guarantee. However, the risks associated with the joint and proportional guarantee are mitigated by the contribution arrangements, such that the council's exposure, from a practical perspective, is the requirement to make contributions in the event of a default by another borrower. This exposure is proportional and is calculated by reference to the amount borrowed by the council as a proportion of all non-defaulting loans made by the agency.

6.3 The risk of a default by a local authority is low as set out in section 3 of this report.

6.4 The Local Government Act 2003 provides several key protections to lenders that greatly reduce the possibility that the agency and therefore the council would be unable to recover sums owed to it if it is required to make a contribution or pay out under the joint and proportional guarantee.

6.5 The framework agreement requires that the agency must pursue any defaulting authority to the extent that if it does not do so promptly, borrowers can force it to do so. Furthermore, the framework agreement provides for a strict application of the proceeds of any debt recovered by the Agency from a defaulting authority.

6.6 There is a risk that the agency does not observe its obligations under the framework agreement, but the council is entitled to expect that the agency will operate in accordance with its obligations under the framework agreement when considering whether or not to enter into the framework agreement. The LGA and local authorities control the agency via their shareholdings so could intervene if the agency did not abide by the framework agreement.

6.7 The prime advantages to the council are:

- The prospect of lower borrowing costs and the possibility to obtain types of loans that are not available from the PWLB. Cheaper capital finance will reduce pressure on the council's finances. This advantage more than offsets the low risk that a local authority defaults and the agency is unable to recover the debts owed to it in order to repay the council any contributions it is required to make.

- Reducing risk by creating a new strategic source of finance that is not so readily exposed to changes in government policy

6.8 Furthermore, the framework agreement only comes into effect if the council borrows from the agency. If the council does not borrow through the pooled loans offered by the agency, there is no risk to the council arising from the contribution arrangements or joint and proportional guarantee. The council is not obligated to borrow via the agency and even if it chooses to legally commit to borrowing via a bond issue, it will not be required to take a loan that is more expensive than the PWLB.

7 Implications

a) Financial Implications
These are set out throughout the report. The council, with appropriate professional advice when required, will continue to keep all potential sources of borrowing under review.

b) Staffing Implications
There are no staffing implications arising from this report.

c) Equality and Poverty Implications
No, there are no equalities issues arising from this report.

d) Net Zero Carbon, Climate Change and Environmental Implications
By signing the framework agreement, the council would gain access to Environmental, Social and Governance (ESG) bonds.

e) Procurement Implications
None.

f) Community Safety Implications
None

8 Background papers

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

9 Appendices

Appendix 1: Background to the UK Municipal Bonds Agency

Appendix 2: UK Municipal Bonds Agency Local Authority Financing Framework Agreement

10 Inspection of papers

To inspect the background papers or if you have a query on the report please contact Caroline Ryba, Head of Finance and Section 151 Officer, tel: 01223 458134, email: caroline.ryba@cambridge.gov.uk

Appendix 1: Background to the UK Municipal Bonds Agency

Establishment

The establishment of the UK Municipal Bonds Agency was led by the LGA following the announcement in the 2010 Autumn Statement that PWLB rates would increase from 0.15 per cent over Gilts to 1 per cent over Gilts, greatly increasing the cost of new borrowing and refinancing. This followed the introduction of punitive early repayment penalties by the PWLB in 2007, which have prevented local authorities from restructuring their loan portfolios to reduce costs while interest rates are low. Although the Government subsequently introduced the "certainty rate", which effectively reduced the PWLB's margin to 0.8 per cent over Gilts in return for the limited disclosure of an authority's borrowing plans, the LGA found that rate remained higher than a bonds agency should be able to achieve

The recent history of the PWLB highlights that the council is at risk due to changes to the PWLB's terms and conditions. The PWLB increased its lending margin by 1 per cent in 2019 before being cut by 1 per cent in late 2020. Changes to the terms and conditions were introduced in late 2020 and further refined in 2021.

At present there are few strategic alternatives to the PWLB available and thus local authorities are reliant upon the PWLB for long term capital finance. Local authorities would never risk investing the majority of their cash balances with one financial institution, but are taking a very similar risk on sources of borrowing; and unlike a financial institution, the PWLB's terms and conditions can be changed at will.

The LGA also noted that it was easy for UK investors such as pension funds to provide capital to overseas local authorities through the London capital markets, but not so to UK local authorities.

The LGA published a revised business case in March 2014 that set out how a bonds agency would issue bonds on behalf of local authorities in an efficient and cost-effective manner and at lower rates than the PWLB. It identified that the regulatory environment meant that the PWLB had a de facto monopoly on providing simple loans to local authorities:

For regulatory purposes a bank must set aside capital when lending to local authorities – unlike when lending to the Government – and therefore it is difficult for banks to compete with the PWLB on rates and make money other than by offering structured lending products.

Bond investors value liquidity and benchmark sized issues (£250 million), which makes it difficult for most local authorities to access the bond markets, particularly as one-off bond issues can be costly.

Investors would typically lend only for large projects or invest in liquid benchmark sized bond programmes, typically around £250 million plus, thereby excluding most local authorities from the capital markets.

The LGA's revised business case was published in March 2014 and the company established in June 2014. The LGA and 56 local government shareholders representing 65 principal local authorities and 1 combined authority invested over £6 million in the agency to establish its operations. The council is a shareholder in the agency with a total investment of £50,000.

Reorientation of the UKMBA

The agency found it difficult to establish itself and to issue a bond into the market. Its initial pooled bond issue was indefinitely postponed due to a potential borrower pulling-out immediately prior to work commencing on the bond. Subsequently, despite widespread support at the outset for its proposed lending framework, concern grew regarding the joint and several guarantee arrangements necessary, at the time, to support the pooled bonds. In 2019, the decision was taken to outsource the agency's operations and to reform its offer to local authorities.

PFM the largest financial advisor to the public sector in the US, was appointed managed service provider in late 2019 following an OJEU compliant procurement process. PFM has taken over the day-to-day operations of the agency comprising lending, borrowing and credit management. The LGA has taken over the accounting and company secretariat functions, which includes oversight of the contract with PFM.

At PFM's recommendation, the agency now offers two main lending programmes:

Loans of £1 million or more that are pooled and funded through bond issues that are cross-guaranteed by all local authorities participating in the pool.

Loans of £250 million or more to either a single, or small group of local authorities, that are outside the pool and the associated guarantee, referred to as “standalone” by the agency.

The agency maintains a credit process and full oversight over the pooled loans. For standalone loans, a local authority must obtain a credit rating from at least one of Moody’s, Standard & Poor’s or Fitch with the agency leaving it to the market to determine the credit worthiness of the borrower through the matching bond issue.

The primary benefits of the standalone bonds to local authorities with sufficient borrowing needs are that the agency undertakes has established bond documentation and does most of the work, thereby reducing the cost of bond issuance to the local authority and providing expertise where a local authority does not possess such skills.

The agency has introduced a Environmental, Social and Governance (“ESG”) Framework that enables it to issue green, social and sustainable bonds. ESG bonds offer slightly better pricing and would help demonstrate the council’s commitments the environment and public services.

The agency has established a special purpose vehicle (“SPV”) to issue bonds on its behalf and to fund the loans to local authorities. This has the following benefits:

- Remove the UKMBA as a point of credit from the bonds.

- Enable the UKMBA to be closed or made completely dormant without precipitating a bond default.

- Reduce the scope for the UKMBA’s bonds to become subject to withholding tax.

The agency does not hold significant capital and is financially not as strong as local authority borrowers that can rely on the government for financial support and have access to the PWLB as lender of last resort. Therefore, bonds issued directly by the agency could attract a higher rate of interest than would be the case if local authorities were accessing the capital markets directly. To nullify the potential risk, the agency issues its bonds through the SPV and all loan repayments are routed through the SPV.

Use of the SPV in this manner also enables the UKMBA to be closed or made dormant were the PWLB to reduce its margins below that available in the capital markets or local authorities' ability to borrow curtailed. Without the SPV, were the UKMBA to be closed or made dormant, any bonds in issue would be in default and might have to be repaid early.

With the UKMBA becoming 100 per cent owned by local authorities, directly and indirectly, due to the LGA becoming a formal body 100 per cent owned by local government, there was greater scope for HMRC to determine that the UKMBA's bonds should be subject to withholding tax were the UKMBA to issue bonds directly. Local authorities are unable to avail themselves of the quoted Eurobond exemption that allows UK entities issuing quoted bonds to pay interest without deducting withholding tax. Were the UKMBA's bonds subject to withholding tax, the effective interest rate on the UKMBA's loans would be much greater than that of PWLB loans.

Client base

The agency will only lend to UK local authorities that can give a joint and proportional guarantee for pooled loans and guarantee a standalone bond. In England, this is currently limited to the principal English local authorities that have the general power of competence under section 1(1) of the Localism Act 2011 and certain combined authorities. The Ministry for Housing, Communities and Local Government specifically intended that local authorities should be able to give guarantees using the power in its regulatory impact assessment.[1]

Northern Irish local authorities have the general power of competence via legislation specific to Northern Ireland and the ability to give guarantees may in due course be extended to other local authorities e.g. Welsh or Scottish authorities. It is likely that where feasible to do so, the agency will establish separate pools for the devolved nations.

Loan pricing

The agency operates a transparent pricing structure. It will charge local authorities the interest the agency pays to obtain the funds it on-lends, plus transaction costs, plus a margin to cover its costs. This margin is

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[1] Certain county fire authorities may have the general power of competence, but the Agency has not sought legal opinion concerning fire authorities.

currently set at an annualised 0.05%, which will be reduced for new and existing borrowers as the Agency's finances are strengthened.

The agency may adjust these margins for new borrowing transactions at its discretion, although it is expected that these margins will reduce once the agency is profitable.

Transactions costs include the agency's credit rating agency fees, bank syndicate fees and legal costs. The council has the option to amortise these over the life of the loan or to expense them at the time of borrowing.

The UKMBA has two bonds in issue at this time, both issued to fund loans to Lancashire County Council. Both of the bonds trade at yields that are considerably below the interest rates offered by the PWLB, thereby proving the agency's business case that it can deliver loans that are cheaper than the PWLB:

- The 5-year bond is currently priced at 0.55 per cent over Gilts, which is 0.25 per cent below the PWLB certainty rate of 0.8 per cent over Gilts.

- The 40-year bond is currently priced at 0.71 per cent over Gilts, which is 0.09 per cent below the PWLB certainty rate.

As at 31 August 2021, the agency was quoting the following loan rates:

Standard Loan Rates

	Margin over Gilts (%)	Fixed Rate (%) (Inclusive of all fees)	Saving to PWLB Certainty Rate (%)
5-yr	0.54	1.04	0.08
10-yr	0.62	1.41	0.05
25-yr	0.67	1.78	0.06
45-yr	0.76	1.63	0.02

Lifetime Savings per £250 million over PWLB	Lifetime Savings per £100 million over PWLB
1,035,085	414,034
1,335,085	534,034
3,810,085	1,524,034
1,722,585	689,034

ESG Loan Rates

	ESG Margin over Gilts (%)	Fixed Rate (%) (Inclusive of all fees)	Saving to PWLB Certainty Rate (%)
5-yr	0.51	1.01	0.11
10-yr	0.59	1.38	0.08
25-yr	0.64	1.75	0.09
45-yr	0.73	1.60	0.05

Lifetime Savings per £250 million over PWLB	Lifetime Savings per £100 million over PWLB
1,410,085	564,034
2,085,085	834,034
5,685,085	2,274,034
5,097,585	2,039,034

The Aaency will not require local authorities to borrow at a rate that is higher than the PWLB, thus when borrowing via the agency the council should always achieve a saving. Over time, the rates offered by the agency are likely to improve as its bonds programme develops and it is able to borrow from international institutions such as the EIB.

Early repayment (Prepayment)

The agency will pass on the cost of early repayment by a local authority (usually referred to as prepayment in financial services) to that local authority. However, the agency will not profit from the transaction and will assist any local authority seeking early repayment to find the cheapest solution.

Prepayment rights will track through between the loans to local authorities and the Aaency's financing. For bond issues, voluntary prepayment is calculated in a similar way to the PWLB's early redemption penalties, although one option available to local authorities will be to buy back part of the bond.

Governance

The agency is a public limited company and as such is directed by its Board.

In addition, the Board will have the following 2 sub- committees, chaired by independent non-executives:

- Risk, Audit and Compliance Committee; and
- Nomination and Remuneration Committee.

Credit process

Prior to approving any pooled loans, the agency will carry out a credit assessment of each potential borrower.

The agency has developed a proprietary credit scoring model based on similar methodologies to the main credit rating agencies. In order to access funding from the agency, a local authority will need to be able to achieve a "single A" credit rating on a standalone basis; rating agencies typically "notch up" a local authority to account for implied Government support.

The model is based on Moody’s, one of the main three global credit ratings agencies. It has been reviewed independently by Ernst & Young to validate its robustness and fitness for purpose. The model looks at both quantitative, e.g. the financial performance of the council, the existing level of borrowing, how much flexibility does the council have in generating revenues and qualitative factors, e.g. is the council heavily dependant upon revenues from a single business or industry, has the council had governance, audit or other performance related issues.

The agency will assess the council informally, upon an expression of interest, and advise if there are likely to be any credit related problems in advance of any formal request for borrowing

In addition to credit scoring, the agency will ensure appropriate diversification of its lending portfolio, through concentration limits that limit the amount of the pool that can be lent to any one local authority.

The agency will not conduct any credit assessment of any borrower taking out a standalone loan.

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CLIFFORD
CHANCE

DATED [●] 2020

UK MUNICIPAL BONDS AGENCY PLC

LOCAL AUTHORITIES

LOCAL AUTHORITY FINANCING FRAMEWORK AGREEMENT

CONTENTS

THIS AGREEMENT is dated [●] 2020 and made between:

(1) **UK MUNICIPAL BONDS AGENCY PLC** (the "**Company**"); and

(2) **THE ENTITIES** named on the signing pages as Authorities (the "**Original Authorities**").

RECITALS

(A) The Company has been established to facilitate borrowing by UK local authorities. The Company will make Authority Loans to certain UK local authorities participating in these arrangements. The Company's rights under such Authority Loans will be assigned (an "**Assignment**") to a Finance SPV immediately on funding, in consideration for which the Finance SPV shall make a payment to the Company, from funds which the Finance SPV has raised for such purpose. Such funds may be borrowed under loans, private placements, notes, and any other borrowing arrangements, with lenders and/or investors, which may include UK local authorities and other entities. There may be more than one Finance SPV.

(B) One Finance SPV (the "**Finance Company**") will establish a programme for the issuance of notes (the "**Notes**"), which may be listed on the London Stock Exchange, on another exchange, or unlisted. The Finance Company will also have the benefit of a liquidity facility, intended to be sized at an amount sufficient to service the debts of the Finance Company over the immediately following 6 month period. The providers of such liquidity facility will have minimum short-term credit ratings of at least P-1, A-1 or F-1 (or equivalent).

(C) To facilitate the issuance of Notes and borrowing from other lenders and/or investors by the Finance Company, Authorities which borrow Authority Loans which are to be assigned to the Finance Company will agree (subject to the limits set out below) to guarantee the payment of all sums expressed to be payable from time to time by the Finance Company in respect of the Notes, loan agreements, hedging arrangements or other borrowing arrangements that the Finance Company may enter into from time to time. The liability of each Authority under the guarantee will be proportionate to the amount it has borrowed (as a proportion of all amounts borrowed) under Authority Loans assigned to the Finance Company, and will be capped at a maximum amount equal to such Authority's Outstanding Loan Amount.

(D) Other guarantee arrangements may be agreed between the Company and one or more other Authorities in relation to guarantees of debt issued by a Finance SPV other than the Finance Company. Such arrangements shall only apply to those Authorities which elect and agree to participate in them.

(E) This Agreement sets out, *inter alia*, the arrangements between the Company and the Authorities in respect of borrowing from the Company, the issuance of the Guarantee in respect of the debts or other obligations of the Finance Company, and contribution arrangements relating to any demands in respect of debt or any other obligation incurred by the Finance Company which has the benefit of the Guarantee.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Authority**" means each Original Authority and any person which becomes a Party as an Authority in accordance with the terms of Clause 3.2 (*Accession to this Agreement*).

"**Authority Contribution**" means, in relation to an Authority, the Authority Proportion relating to such Authority multiplied by the Shortfall Amount, *provided that* no Authority shall be liable to make an Authority Contribution if and to the extent that the aggregate amount that would have been paid by such Authority pursuant to all Authority Contributions and not otherwise recovered by such Authority would exceed the higher of (A) its Outstanding Loan Amount as at the date falling 10 Business Days prior to the date on which the related amount is due under the relevant Finance Company Document (ignoring any grace period); and (B) its Outstanding Loan Amount as at the date falling 10 Business Days prior to the date on which the amount was due under the relevant Finance Company Document (ignoring any grace period) which related to the first Authority Contribution required to be made by such Authority.

"**Authority Document**" means this Agreement, each Authority Accession Deed, the Guarantee, each Supplemental Deed of Guarantee, the Loan Standard Terms, each Loan Confirmation and any document under which the Company lends an Authority Loan to an Authority.

"**Authority Accession Deed**" means a deed substantially in the form set out in Schedule 1 (*Form of Authority Accession Deed*).

"**Authority Loan**" means a loan from the Company (as lender) to an Authority (as borrower), either (i) having the Loan Standard Terms, as modified and supplemented by the relevant Loan Confirmation or (ii) in such other form as may be agreed between the Company and an Authority.

"**Authority Proportion**" means, in relation to any Authority that is not a Defaulting Authority, the result of the fraction where the numerator is that Authority's Outstanding Loan Amount and the denominator is the Total Performing Outstanding Loan Amount, in each case as at the Reference Date.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

"**Cancellation Notice**" shall have the meaning given to such term in Clause 6.3.4.

"**Certificate of Approval**" means, in respect of each Authority, a certificate signed by each of the monitoring officer (appointed pursuant to section 5 of the Local Government and Housing Act 1992, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000, or any replacement or equivalent provision) and the chief finance officer (appointed pursuant to section 151 of the Local Government Act 1972, or any replacement or equivalent provision) in respect of such Authority, confirming that:

(a) the Authority has the necessary power to enable it to enter into this Agreement and the Guarantee, and perform its obligations thereunder;

(b) the Authority has approved the entering into of this Agreement and the Guarantee;

(c) all necessary authorisations have been obtained, and all appropriate and applicable decision-making procedures have been followed and completed, to enable it to enter into this Agreement and the Guarantee,

and identifying in the certificate, by way of attaching copies or by the inclusion of weblinks to specified and publicly available copies, all documentation required to evidence the chain of authority from the council to the relevant signatories on behalf of such Authority, and including any representations which the Company requires, in each case in a form satisfactory to the Company (in its absolute discretion).

"**Confidential Information**" means all information relating to any Authority, the Company, any Finance SPV, this Agreement or the Finance Company Documents of which a Party becomes aware in its capacity as, or for the purpose of becoming, a Party or which is received by a Party in relation to, or for the purpose of becoming a Party under this Agreement from any Authority or the Company or any Finance SPV or any of their respective advisers in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(a) is required to be posted on the public website of the Company in accordance with Clause 4.3.1;

(b) is or becomes public information other than as a direct or indirect result of any breach by an Authority of Clause 10 (*Confidentiality*);

(c) becomes public information pursuant to a valid request under the Freedom of Information Act (2000), as amended from time to time;

(d) is identified in writing at the time of delivery as non-confidential by the Party delivering the information; or

(e) is known by the relevant Party before the date the information is disclosed to it in connection with this Agreement or is lawfully obtained by the relevant Party after that date, from a source which is, as far as such Party is aware, unconnected with any Party and which, in either case, as far as such Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Contribution Interest**" shall have the meaning given to such term in Clause 6.4.

"**Contribution Loan**" means a contribution by an Authority to the Company pursuant to Clause 4 (*Default and Contributions*) of an amount in respect of the Authority

Contribution for such Authority specified in a Contribution Notice or a Further Contribution Notice.

"**Contribution Notice**" shall have the meaning given to such term in Clause 6.3.1.

"**Defaulting Authority**" means a Failed Contribution Authority and any other Authority:

(a) which has failed to make a payment when due under an Authority Document, which shall include any failure to pay on the relevant Funding Date (or has notified the Company that it will not make a payment when due under an Authority Document);

(b) which has otherwise rescinded or repudiated an Authority Document;

(c) which is dissolved or otherwise ceases to exist (other than as a result of the enactment of legislation creating a statutory successor to such Authority which becomes responsible for substantially all of the Authority's obligations, including hereunder); or

(d) in respect of which the High Court has appointed a receiver under Section 13(5) of the Local Government Act 2003.

"**Effective Date**" in respect of each Authority means the date of the first agreement between such Authority and the Company pursuant to which the Company agrees (subject to the terms of that agreement) to make an Authority Loan to such Authority.

"**Failed Contribution Authority**" shall have the meaning given to such term in Clause 6.5.3.

"**Finance Company Creditor**" means each lender or other provider of credit or financial accommodation (or agent or trustee on their behalf) to the Finance Company pursuant to a Finance Company Document, which shall include (without limitation):

(a) any trustee for itself in respect of a note trust deed entered into by the Finance Company, and on behalf of the holders of notes issued thereunder; and

(b) each lender under each and any Liquidity Facility Agreement or working capital facility agreement entered into by the Finance Company (as borrower).

"**Finance Company Document**" means any facility agreement, hedging arrangement or other instrument entered into by the Finance Company for any credit or other financial accommodation, as the same may be supplemented or amended from time to time.

"**Finance SPV**" means any company to which rights of the Company in respect of one or more Authority Loans will be, or has been, assigned, and which shall include the Finance Company.

"**Further Contribution Notice**" shall have the meaning given to such term in Clause 6.3.3.

"**Guarantee**" means the guarantee executed by each Authority in or substantially in the form set out in Schedule 2 (*Form of Guarantee*) and, for the avoidance of doubt, includes any Supplemental Deed of Guarantee.

"**Guaranteed Liabilities**" has the meaning given to that term in the Guarantee.

"**Guarantee Limit**" has the meaning given to that term in the Guarantee.

"**Guarantor Agent**" has the meaning given to that term in the Guarantee.

"**Lending Authority**" means any local authority that provides a loan or other financial accommodation to the Finance Company pursuant to a Finance Company Document.

"**Liabilities**" means, in relation to a party, all present and future liabilities and obligations at any time of such party, both actual and contingent and whether incurred solely or jointly or as principal or surety or in any other capacity together with any of the following matters relating to or arising in respect of those liabilities and obligations:

(a) any refinancing, novation, deferral or extension;

(b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;

(c) any claim for damages or restitution; and

(d) any claim as a result of any recovery by any party of a Payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

"**Liquidity Facility Agreement**" means each liquidity facility agreement or working capital facility agreement entered into by the Finance Company (as borrower), as the same may be amended from time to time.

"**Loan Confirmation**" means a loan confirmation substantially in the form set out in Schedule 4 (*Loan Confirmation*), as modified with the agreement of the relevant Authority and the Company.

"**Loan Standard Terms**" means the standard terms set out in Schedule 3 (*Loan Standard Terms*).

"**Outstanding Loan Amount**" means, in relation to an Authority and at any time, the aggregate principal amount outstanding (or in relation to any index-linked Authority Loan, the nominal amount outstanding) at that time under all Authority Loans under which the rights of the Company have been assigned to the Finance Company.

"**Party**" means a party to this Agreement.

"**Payment**" means, in respect of any Liabilities (or any other liabilities or obligations), a payment, prepayment, repayment, redemption, defeasance or discharge of those Liabilities (or other liabilities or obligations).

"**Recoveries**" has the meaning given to that term in Clause 6.8 (*Order of Application*).

"**Reference Date**" means, in respect of any calculation of the Authority Proportion, the date falling 10 Business Days prior to the date on which the related amount is due under the relevant Finance Company Document (ignoring any grace period), [provided that where the Authority Contribution is required as a result of an Authority failing to make a payment when due under an Authority Document, the initial Reference Date calculated in relation to any such Authority Contribution shall apply as the Reference Date for the calculation of the Authority Proportion in respect of all subsequent Authority Contributions required as a result of that same Authority failing to make any further payment when due under an Authority Document].

"**Shortfall Amount**" means the amount of any actual or expected payment shortfall in respect of amounts falling due under the Finance Company Documents (or, in the case of Clause 6.3.1(c), the amount unpaid by such Authority), calculated as follows:

(a) for the purpose of determining the Authority Contribution of any Authority to whom a Contribution Notice is to be sent under Clause 6.3.1, calculated at the time of such determination; and

(b) for the purpose of determining the Authority Contribution of any Authority to whom a Further Contribution Notice is to be sent under Clause 6.3.3, calculated at the time of such determination after taking into account any amounts received by the Company (on behalf of the Finance Company) in respect of Authority Contributions.

"**Supplemental Deed of Guarantee**" means, in respect of each Authority other than the Original Authorities, a supplement to the Guarantee pursuant to which such Authority accedes to the Guarantee, in or substantially in the form set out in the Annex to Schedule 2 (*Form of Guarantee*).

"**Total Performing Outstanding Loan Amount**" means, at any time, the aggregate of each Authority's Outstanding Loan Amount at that time, less the aggregate Outstanding Loan Amount of each Defaulting Authority.

1.2 Construction

1.2.1 Unless a contrary indication appears, a reference in this Agreement to:

(a) any person shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under this Agreement;

(b) any agreement or instrument is a reference to that agreement or instrument as amended, novated, supplemented, extended or restated in accordance with its terms;

(c) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(d) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);

(e) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and

(f) a provision of law is a reference to that provision as amended or re-enacted.

1.2.2 Clause and Schedule headings are for ease of reference only.

1.3 **Third party rights**

1.3.1 Unless expressly provided to the contrary in this Agreement, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

1.3.2 Notwithstanding any term of this Agreement, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

1.4 **Effectiveness**

This Agreement shall become effective in relation to an Original Authority only on and from the relevant Effective Date in respect of such Authority. For the avoidance of doubt, this Agreement will become effective as between the Company and each Original Authority in respect of which an Effective Date has occurred, notwithstanding that an Effective Date may not have occurred in respect of all Original Authorities.

2. **BORROWING**

2.1.1 The Company and any Authority may from time to time agree terms upon which the Company will make an Authority Loan to such Authority. The Company and such Authority will either (i) execute a Loan Confirmation in order to document such terms, which shall incorporate the Loan Standard Terms, save as modified or supplemented by the relevant Loan Confirmation or (ii) execute an agreement in such other form as may be agreed between the Company and such Authority.

2.1.2 The Parties acknowledge that the Company is not obliged to enter into any financing arrangement with any Authority, and the Company retains an absolute discretion to reject any request for finance.

2.1.3 The Company shall not, as lender, enter into any financing arrangement with a local authority or any other person unless such a person is an Authority under this Agreement.

2.1.4 In addition, if an Authority Loan will be funded by an Assignment to the Finance Company, the Company shall not enter into such Authority Loan unless the Authority has issued a Guarantee (or a Supplemental Deed of Guarantee, if applicable) which has not been terminated.

3. PARTICIPATING AUTHORITIES

3.1 Documents required to participate

Each Authority shall deliver to the Company on the date such Authority signs or accedes (as the case may be) to this Agreement an original Certificate of Approval.

3.2 Accession to this agreement

3.2.1 If the Company and a local authority so agree, such local authority may accede to this Agreement by delivery to the Company of an Authority Accession Deed duly executed by the Company and the new Authority.

3.2.2 Provided the Company and the new Authority have executed the Authority Accession Deed, on the Effective Date in respect of the relevant new Authority such new Authority shall assume the same obligations and become entitled to the same rights as if it had been an original Party as an Authority.

3.2.3 Each of the Parties appoints the Company to enter into and receive on its behalf each Authority Accession Deed delivered to the Company.

4. UNDERTAKINGS OF THE COMPANY

The Company undertakes to the Authorities as follows:

4.1 Credit assessments

The Company will carry out a credit assessment of each Authority:

4.1.1 at the time of accession;

4.1.2 at the time of entry into an Authority Loan;

4.1.3 in any event, not less than once per year whilst Authority Loans to that Authority are outstanding,

and will perform ongoing monitoring. The Company will undertake an external review of its credit assessment process by an appropriately qualified adviser not less than once every five years.

4.2 Finance SPV arrangements

4.2.1 The Company will enter into an agreement with the Finance Company pursuant to which:

(a) the Finance Company and the Company will agree the terms on which certain Authority Loans will be assigned from the Company to the Finance Company;

(b) the Finance Company will appoint the Company as its agent as servicer of the Authority Loans;

(c) the Finance Company will undertake only to borrow for the purposes of (i) facilitating an Assignment from the Company or (ii) avoiding a default under a Finance Company Document, where a Defaulting Authority fails or an Authority is expected to fail to make a payment due under an Authority Loan; and

(d) the Finance Company will agree that if an Authority elects to prepay an Authority Loan, the Finance Company will apply the proceeds of such prepayment as soon as practicable to repay principal under the relevant Finance Company Document pursuant to which funds were borrowed by the Finance Company to pay to the Company as consideration for the assignment of such Authority Loan.

4.2.2 The Company will obtain such separate undertakings from each Finance SPV (other than the Finance Company) as may be agreed between the Company and the Authority or Authorities which are borrowers in respect of Authority Loans to be assigned to such Finance SPV, where such undertakings will be agreed prior to the utilisation of such Authority Loans.

4.3 Reporting

4.3.1 The Company shall establish and maintain a public, freely accessible, electronic website, on which it shall post (with signatures redacted, where relevant):

(a) copies of the executed Guarantee and each Supplemental Deed of Guarantee;

(b) a monthly report setting out the Authority Loans utilised by each Authority during each calendar month, to be posted within 10 Business Days of the relevant month-end; and

(c) a quarterly report setting out the outstanding borrowings of each Authority as at the end of each calendar quarter, to be posted within 20 Business Days of the relevant quarter-end.

4.3.2 The Company shall provide to the Guarantor Agent on reasonable request a report setting out the outstanding borrowings of each Authority.

5. GENERAL

5.1 Representations

Each Party represents and warrants to each other Party that:

5.1.1 the obligations expressed to be assumed by it in this Agreement are, subject to any general principles of law limiting its obligations which are applicable to creditors generally, legal, valid, binding and enforceable obligations; and

5.1.2 the entry into and performance by it of this Agreement does not and will not:

(a) conflict with any law or regulation applicable to it, its constitutional documents or any agreement or instrument binding upon it or any of its assets; or

(b) constitute a default or termination event (however described) under any agreement or instrument binding on it or any of its assets.

5.2 Information: Miscellaneous

5.2.1 Each Authority shall notify the Company in writing (forthwith upon becoming aware of the same):

(a) if such Authority becomes aware that it will be unable to make any payment when due under an Authority Document, or otherwise becomes a Defaulting Authority;

(b) if such Authority is unable to pay its debts as they fall due;

(c) of any report issued in respect of it under Section 114 of the Local Government Finance Act 1988 (or any replacement or equivalent provision);

(d) of any failure to comply with the prudential framework established by Part 1 of the Local Government Act 2003 and related regulations, including the Prudential Code for Capital Finance in Local Authorities published by CIPFA, as amended or reissued from time to time;

(e) of any failure to set a balanced budget in accordance with Section 31A and Section 42A of the Local Government Finance Act 1992;

(f) if the chief finance officer's report on robustness of budget estimates and adequacy of reserves under section 25 of the Local Government Act 2003 states either that the estimates are not robust and/or the reserves are inadequate, and the Authority passes that budget without action to remedy those deficiencies;

(g) if external auditors issue a qualified audit opinion in respect of such Authority's accounts;

(h) if the Authority is or will be unable to publish audited accounts by the statutory deadline;

(i) any Change of Status of the Authority (as defined in the Loan Standard Terms);

(j) promptly upon becoming aware that any representation or statement made or deemed to be made by it in this Agreement, its Certificate of Approval, any Authority Loan or any other document delivered by or on behalf of it in relation to such documents was incorrect or misleading when made or deemed to be made;

(k) promptly upon becoming aware of them, the status and description of any dispute, litigation, arbitration, expert determination or administrative proceedings which are current, threatened or pending against it, which is reasonably likely to be adversely determined, and which, if adversely determined either individually or taken as a whole, are reasonably likely to have a material adverse effect on its ability to meet its obligations under any Authority Loan;

(l) promptly upon becoming aware of them, any event or circumstance which the Authority reasonably believes might have a material adverse effect on its ability to meet its obligations under any Authority Loan; or

(m) promptly on request, such additional information as may be reasonably requested by the Company,

and, in each case, the Authority shall set out in such notice reasonable details associated therewith, the effects of such an event or occurrence and any actions being undertaken to mitigate or remedy such event or occurrence.

5.2.2 Each Authority acknowledges that the Company may provide any information provided to it under this Clause 5.2 to any Authority, Finance SPV, rating agency or other person the Company reasonably believes to have a legitimate interest in such information.

5.3 **Amendments**

This Agreement may only be amended with the consent of all Parties hereto.

5.4 **Assignments and transfers**

5.4.1 The Company shall have the ability to assign the benefit of any Authority Loan to a Finance SPV.

5.4.2 No Authority may assign any of its rights or transfer any of its rights and obligations in respect of this Agreement, other than pursuant to Clause 5.5 below.

5.5 **Statutory Successor to an Authority**

Any statutory successor to an Authority shall, on the date on which the relevant amending legislation is enacted and to the extent permitted by such amending legislation or any other applicable laws, become a successor Authority under this Agreement without the execution or filing of any paper or any further act of an Authority, the Company or any Finance SPV (following an Assignment to such Finance SPV), and from such date all references in this Agreement to an Authority shall be construed accordingly. Each such successor Authority shall execute all such further documents and do all such further acts and things as may be necessary at any time or times in the opinion of the Company to give effect to the provisions of this Agreement.

5.6 **Payments**

5.6.1 On each date on which an Authority is required to make a payment to the Company under this Agreement, that Authority shall make the same available to the Company for value on the due date by no later than 11 a.m. London time.

5.6.2 Payment shall be made to such account in London as the Company may specify by written notice.

6. **CONTRIBUTION LOANS**

6.1 **Prompt Payment**

In order for the Finance Company to have sufficient funds available to meet any payments due under the Finance Company Documents, the terms of each Authority Loan to be assigned to the Finance Company shall require the relevant Authority to fund all payments due to the Finance Company by transferring the relevant amounts to an account nominated by the Finance Company (or the Company as its agent) by no later than 11 a.m. on the fifth Business Day (or, in respect of principal and unless otherwise agreed between the Company and the relevant Authority, the tenth Business Day) prior to the due date of such amount under the Authority Loan (the required date for transfer in respect of each payment being the "**Funding Date**").

If the Authority fails to transfer such amount by 5 p.m. London time on the Funding Date the Company (acting as agent for the Finance Company) shall promptly demand immediate payment from such Authority of the unpaid amount.

6.2 **Drawdown under Liquidity Facility Agreement**

If any Authority fails to make a payment on the relevant Funding Date in accordance with Clause 6.1 above, and prior to serving any Contribution Notice (as defined below), the Company (as agent of the Finance Company) shall request a utilisation under any Liquidity Facility Agreement(s) available to the Finance Company to enable it to pay such amounts falling due under the Finance Company Documents.

6.3 **Contribution Notices**

6.3.1 If:

(a) at 11 a.m. on the date falling 4 Business Days (or, in respect of principal and unless otherwise agreed between the Company and the relevant Authority, 8 Business Days) prior to a day on which a payment is due under the Finance Company Documents, sufficient funds have not been received by the Finance Company from (i) one or more lenders under Liquidity Facility Agreement(s) or (ii) one or more Lending Authorities or lenders or other providers of financial accommodation, in each case, under Finance Company Document(s), in each case to enable it to pay such amounts falling due under the Finance Company Documents, the Company shall; or

(b) at any other time the Company is aware that the Finance Company expects to be unable to pay, or does fail to pay, any amount when due under the Finance Company Documents, the Company shall; or

(c) on any date after the Funding Date on which an amount due by an Authority pursuant to Clause 6.1 above remains unpaid by the relevant Authority (notwithstanding that the Finance Company has sufficient funds to enable it to make all payments of amounts due under the Finance Company Documents), the Company may,

notify each Authority (other than any Defaulting Authority) from which an Authority Contribution is required as soon as reasonably practicable (or, in the case of paragraph (a) above, by 5 p.m. on such date). Such notice (a "**Contribution Notice**") shall specify the Shortfall Amount and shall set out the Authority Contribution required from each Authority which is not a Defaulting Authority.

6.3.2 Each Authority shall ensure that it pays an amount equal to its Authority Contribution to the Company no later than 11 a.m. on the date specified in the Contribution Notice, such date to be at least 2 Business Days (or, in respect of principal and unless otherwise agreed between the Company and the relevant Authority, 4 Business Days) after the date of the Contribution Notice.

6.3.3 In the event that any Authority fails to pay an amount equal to its Authority Contribution (including any further Authority Contribution) pursuant to Clause 6.3.2 by 11 a.m. on the date such amount is due under this Agreement, that Authority shall be a "**Failed Contribution Authority**" and, unless the Company elects otherwise, which it shall only be entitled to do if the Finance Company has obtained other funds (from (i) one or more lender(s) under Liquidity Facility Agreement(s) or (ii) one or more Lending Authorities or lenders or other providers of financial accommodation, in each case, under Finance Company Document(s)) to enable it to meet its obligations under the Finance Company Documents, the Company shall calculate the further Authority Contribution required from each Authority which is still not a Defaulting Authority taking into account any amounts received in respect of Authority Contributions which have been made and issue a notice (a "**Further Contribution Notice**") to each such Authority, which shall set out the amount of the further Authority Contribution for such Authority (as well as the amount of any sums already paid by the relevant Authority as an Authority Contribution), which amount shall be paid to the Company by such Authority by no later than 11 a.m. on the Business Day (or, in respect of principal and unless otherwise agreed between the Company and the relevant Authority, the second Business Day) after the date of such Further Contribution Notice.

6.3.4 If at any time the Company determines that (i) there no longer is, or will be, a Shortfall Amount, disregarding for the purposes of such calculation any Authority Contribution, or (ii) that the Finance Company otherwise has sufficient funds to enable it to make all payments of amounts due under the Finance Company Documents, the Company may cancel a Contribution Notice or a Further Contribution Notice by sending a notice (a "**Cancellation Notice**") to each relevant Authority. The effect of a Cancellation Notice shall be that no Authority is obliged to pay any Authority Contribution pursuant to the cancelled Contribution Notice or any amounts payable under the cancelled Further Contribution Notice and any amounts already paid to the Company pursuant to the cancelled Contribution Notice or Further Contribution Notice shall be reimbursed by the Company to the relevant Authority (without interest or penalty).

6.4 Contribution Loans

6.4.1 All amounts received by the Company from an Authority pursuant to a Contribution Notice or Further Contribution Notice shall be immediately provided to the Finance Company and shall be treated as Contribution Loans made by the relevant Authority to the Finance Company, and applied towards discharging any sums owing by the Finance Company to any Finance Company Creditor as and when such amounts fall due or otherwise in accordance with Clause 6.8 (*Order of application of proceeds*).

6.4.2 The repayment of such Contribution Loans, and the payment of any interest thereon, shall be made in accordance with Clause 6.8 (*Order of application of proceeds*) and shall be due and payable only at the times and to the extent that the Finance Company has funds available to make such payments in accordance with Clause 6.8 (*Order of application of proceeds*). Interest on Contribution Loans ("**Contribution Interest**") shall accrue at an interest rate equal to the higher of (i) the interest rate payable by the Defaulting Authority under the relevant Authority Loan, and (ii) the prevailing rate offered by the Public Works Loan Board (or any replacement agency) in respect of loans having the same maturity and interest basis under the relevant Authority Loan (and to the extent (ii) applies, the relevant Defaulting Authority shall be required to indemnify the Finance Company in respect of such cost pursuant to the Loan Standard Terms). Such interest, if unpaid, will be compounded with the amount due under the relevant Contribution Loan on the date falling 6 months after the relevant Contribution Loan is made and at 6-monthly intervals thereafter, but will remain immediately due and payable subject to availability of funds to make such payments in accordance with Clause 6.8 (*Order of application of proceeds*).

6.4.3 For the avoidance of doubt, nothing in this Clause 6 limits the power of the Finance Company to borrow amounts, including from any Lending Authority or under any Liquidity Facility Agreement, to enable it to meet its obligations under the Finance Company Documents (and the Company shall be permitted, as agent of the Finance Company, to assist with such borrowing).

6.5 **Indemnity in respect of unpaid Authority Contributions**

6.5.1 Each Defaulting Authority which fails to pay an amount equal to its Authority Contribution as specified in a Contribution Notice or any amounts payable under a Further Contribution Notice on the date such amount was due under this Agreement shall indemnify the Company, within three Business Days of demand, against any cost, loss or liability incurred by it as a result of such non-payment.

6.5.2 Any amount payable to the Company under Clause 6.5.1 above shall include the cost of utilising the Company's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Company may notify to such Defaulting Authority.

6.6 **Enforcement by the Company**

If an Authority becomes a Defaulting Authority, the Company will promptly exercise its rights and take action to recover all sums owing from the Defaulting Authority to the Company, and (acting as agent of the Finance Company) shall promptly exercise its rights and take action to recover all sums owing from the Defaulting Authority to the Finance Company. Such action may include (without limitation) exercising any right to:

6.6.1 declare its Liabilities to be immediately due and payable;

6.6.2 sue for, commence or join any legal or arbitration proceedings against the Defaulting Authority to recover any Liabilities;

6.6.3 exercise any right of set-off;

6.6.4 exercise any rights it may have under Section 13(3) of the Local Government Act 2003; or

6.6.5 apply to the High Court to have a receiver appointed under Section 13(5) of the Local Government Act 2003.

6.7 **Action to recover debt**

6.7.1 The Authorities shall not have any independent power to take action against a Defaulting Authority.

6.7.2 Without prejudice to the right of an Authority to enforce the other obligations of the Company under this Agreement, each Authority agrees that, to the extent that it has made a payment in respect of its Guarantee, it will not exercise any rights it may have against the Finance Company to require repayment or reimbursement in respect of such payment (whether by way of subrogation, indemnification or otherwise), but shall be entitled to recover such amounts in accordance with Clause 6.8 (*Order of application of proceeds*) (and shall notify the Company and the Finance Company of the relevant amount on request), *provided that* such amounts are deemed to become due and payable only at the times and to the extent that the Finance Company has funds available to make such payments in accordance with Clause 6.8 (*Order of application of proceeds*).

6.8 **Order of application of proceeds**

The Company shall ensure that the agreements which it enters into with the Finance Company will provide for all amounts from time to time received or recovered by the Finance Company from a Defaulting Authority or otherwise identified by the Finance Company as being available for distribution (for the purposes of this Clause 6.8, the "**Recoveries**") to be applied by the Finance Company at any time as it (acting reasonably) sees fit, to the extent permitted by applicable law, in the following order of priority:

6.8.1 in discharging any sums owing by the Finance Company to any Finance Company Creditor which are due or overdue on such date;

6.8.2 pro rata and *pari passu* in payment or distribution to any Authority which has been required to make a payment in respect of its Guarantee, for application towards the discharge of the sums due from the Finance Company to each relevant Authority in respect of such Authority's right of subrogation;

6.8.3 pro rata and *pari passu* in payment or distribution to the Authorities which made Contribution Loans pursuant to a Further Contribution Notice, in proportion to the amounts of such Contribution Loans, for application towards the discharge of the sums due from the Finance Company to the relevant Authorities in respect of such Contribution Loans and any Contribution Interest thereon;

6.8.4 pro rata and *pari passu* in payment or distribution to the Authorities which made Contribution Loans pursuant to a Contribution Notice, in proportion to the amounts of such Contribution Loans, for application towards the discharge of the sums due from the Finance Company to the relevant Authorities in respect of such Contribution Loans and any Contribution Interest thereon; and

6.8.5 the balance, if any, to be held by the Company.

6.9 **Payment obligations continue**

Nothing in this Agreement shall release any Authority from the liability to make any Payment (including of default interest, which shall continue to accrue) under any Authority Loan.

6.10 **Guiding principle**

In addition to the specific obligations of the Company set out in this Agreement (including the obligation to issue Contribution Notices as set out in Clauses 6.3.1(a) and 6.3.1(b)):

6.10.1 in exercising any of its rights under this Agreement, the Company shall, where practicable, act with the aim of avoiding any demand on a Guarantee ever being made; and

6.10.2 the Company shall issue such Contribution Notices in accordance with Clause 6.3 as will ensure (provided the relevant Authorities comply with such Contribution Notices) that the Finance Company has sufficient funds to pay amounts falling due under the Finance Company Documents to which it is a party and thus prevent any demands being made under any Guarantee.

7. RESIGNATION OF AN AUTHORITY

7.1.1 An Authority may resign from this Agreement only if:

(a) any and all Liabilities of the relevant Authority to the Company have been fully and finally discharged to the satisfaction of the Company;

(b) any and all Liabilities of the relevant Authority to the Finance Company have been fully and finally discharged to the satisfaction of the Company (acting as agent of the Finance Company); and

(c) the Company is under no further obligations to provide financial accommodation (including, without limitation, any Authority Loan) to the relevant Authority.

7.1.2 If an Authority notifies the Company in writing that it wishes to resign from this Agreement, and requests that the Company confirm the above conditions to be satisfied, if such conditions are satisfied, the Company shall provide such confirmation within 10 Business Days of such request. Following such confirmation, the Authority may provide a further notice of resignation referring to this Clause 7.1.2, and upon such notice the relevant Authority shall cease to be an Authority under this Agreement and shall have no further rights or obligations under this Agreement as an Authority.

8. NOTICES

8.1 Communications in writing

Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by letter sent by registered post or electronic mail. All communications made by electronic mail shall, unless otherwise agreed in writing between the relevant parties, be followed with a letter sent by registered post, and such letter will be the effective communication for the purposes of this Agreement, save that all communications under Clause 6.3 (*Contribution Notices*) shall be sent by electronic mail only and such communication shall be effective for the purposes of this Agreement.

8.2 Addresses

The address and electronic mail address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement is identified with its name below or will be set out in the relevant Authority Accession Deed, or any substitute address, email address or department or officer which that Party may notify to the Company (or the Company may notify to the other Parties, if a change is made by the Company) by not less than five Business Days' notice.

8.3 **Delivery**

Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective:

1.1.1 if by way of letter, three Business Days after being sent by registered post to the relevant address; or

1.1.2 if by way of electronic mail, when actually received in readable form,

and, if a particular department or officer is specified as part of its address details provided under Clause 8.2 (*Addresses*), if addressed to that department or officer.

8.4 **English language**

Any notice and all other documents provided under or in connection with this Agreement must be in English.

9. **PRESERVATION**

9.1 **Partial invalidity**

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of that provision under the law of any other jurisdiction will in any way be affected or impaired.

9.2 **No impairment**

If, at any time after its date, any provision of this Agreement is not binding on or enforceable in accordance with its terms against a person expressed to be a party it, neither the binding nature nor the enforceability of that provision or any other provision of this Agreement will be impaired as against the other parties to this Agreement.

9.3 **Remedies and waivers**

No failure to exercise, nor any delay in exercising, on the part of any Party, any right or remedy under this Agreement shall operate as a waiver of any such right or remedy or constitute an election to affirm this Agreement. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

9.4 **Waiver of defences**

The provisions of this Agreement will not be affected by an act, omission, matter or thing which, but for this Clause 9.4, would reduce, release or prejudice the provisions of this Agreement including (without limitation and whether or not known to any Party):

9.4.1 any time, waiver or consent granted to, or composition with, any Authority or other person;

9.4.2 the release of any Authority or any other person under the terms of any composition or arrangement with any creditor of the Company or the Finance Company;

9.4.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Authority or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument;

9.4.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the status of any Authority or other person;

9.4.5 any amendment, novation, supplement, extension (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature, and whether or not more onerous) or replacement of this Agreement or any other document;

9.4.6 any unenforceability, illegality or invalidity of any obligation of any person under this Agreement or any other document or security;

9.4.7 any intermediate Payment of any Liabilities of a Party in whole or in part; or

9.4.8 any insolvency or similar proceedings.

10. CONFIDENTIALITY

10.1 Disclosure of Information

Each Authority acknowledges that the Company will post information as regards such Authority onto its public website, as set out in Clause 4.3.1, and may provide copies of the Guarantee and any Supplemental Deed of Guarantee to various persons, including any Finance Company Creditor.

10.2 Confidentiality

Each Authority and the Company agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 10.3 (*Disclosure of Confidential Information*), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

10.3 Disclosure of Confidential Information

Each Party may disclose:

10.3.1 to any of its subsidiaries and any of its or their officers, directors, employees, professional advisers, auditors, partners and representatives such Confidential Information as such Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this Clause 10.3.1 is informed in writing of its confidential nature and that some or all of such Confidential Information may be commercially sensitive and/or price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

10.3.2 to any person:

(a) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation (including pursuant to a valid request under the Freedom of Information Act (2000));

(b) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes; or

(c) with the consent of the relevant Party;

in each case, such Confidential Information as the Party shall consider appropriate if in relation to paragraphs 10.3.2(a) and 10.3.2(b) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be commercially sensitive and/or price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the relevant Party, it is not practicable so to do in the circumstances; and

10.3.3 to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to such Party if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be commercially sensitive and/or price-sensitive information.

10.4 **Inside information**

Each Party acknowledges that some or all of the Confidential Information is or may be commercially sensitive and/or price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each Party undertakes not to use any Confidential Information for any unlawful purpose.

10.5 **Notification of disclosure**

Each Authority and the Company agrees (to the extent permitted by law and regulation) to inform the Company or the relevant Authority (as relevant):

10.5.1 of the circumstances of any disclosure of Confidential Information made pursuant to Clause 10.3.2(a) (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory function; and

10.5.2 upon becoming aware that Confidential Information has been disclosed in breach of this Clause 10.

10.6 **Continuing obligations**

The obligations in this Clause 10 are continuing and, in particular, shall survive and remain binding on each Party following termination of this Agreement.

11. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

12. WAIVER OF IMMUNITY

To the extent that an Authority may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Authority or its assets or revenues, the Authority agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

13. GOVERNING LAW AND JURISDICTION

13.1 **Governing Law**

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

13.2 **Jurisdiction**

13.2.1 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or the consequences of its nullity or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**").

13.2.2 The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

This Agreement has been entered into on the date stated at the beginning of this Agreement and executed as a deed by the Parties.

SCHEDULE 1
FORM OF AUTHORITY ACCESSION DEED

THIS AGREEMENT is made on [*date*] and made between:

(1) [*Insert name of New Authority*] (the "**Acceding Authority**"); and

(2) **UK Municipal Bonds Agency PLC** (the "**Company**"), for itself and on behalf of the other Authorities which are currently parties to the framework agreement referred to below.

This Agreement is made on [*date*] by the Acceding Authority in relation to a local authority financing framework agreement (the "**Framework Agreement**") dated [●] between, amongst others, UK Municipal Bonds Agency PLC and the other Authorities (as defined in the Framework Agreement).

IT IS AGREED as follows:

1. Terms defined in the Framework Agreement shall, unless otherwise defined in this Agreement, bear the same meaning when used in this Agreement.

2. The Acceding Authority confirms that it intends to be party to the Framework Agreement as an Authority, undertakes to perform all the obligations expressed to be assumed by an Authority under the Framework Agreement and agrees that it shall be bound by all the provisions of the Framework Agreement as if it had been an original party to the Framework Agreement.

3. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

4. This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

THIS AGREEMENT has been executed as a deed by the Company and the Acceding Authority and is delivered on the date stated above.

The Acceding Authority

EXECUTED AS A DEED)
by [*Name of Acceding Authority*])

………………………………………

………………………………………

Address:

Email:

Attention:

The Company

EXECUTED AS A DEED)
by **UK Municipal Bonds Agency PLC**)

……………………………………… Director

……………………………………… Director/Secretary

SCHEDULE 2
FORM OF GUARANTEE

THIS DEED OF GUARANTEE (the "**Guarantee**") is made on [*date*] by:

(1) **THE ENTITIES** named on the signing pages as Guarantors (the "**Original Guarantors**");

IN FAVOUR OF

(2) **each Beneficiary** (as defined below).

1. **DEFINITIONS**

1.1 In this Guarantee:

"**Beneficiary**" means each and every Finance Company Creditor under each Finance Company Document from time to time.

"**Defaulting Guarantor**" has the meaning given to the term in Clause 9.3 of this Guarantee.

"**Finance Company**" means [New SPV].

"**Finance Company Creditor**" means each lender or other provider of credit or financial accommodation (or agent or trustee on their behalf) to the Finance Company pursuant to a Finance Company Document, which shall include (without limitation):

(a) any trustee for itself in respect of a note trust deed entered into by the Finance Company, and on behalf of the holders of notes issued thereunder; and

(b) each lender under each and any liquidity facility agreement or working capital facility agreement entered into by the Finance Company (as borrower).

"**Finance Company Document**" means any facility agreement, hedging arrangement or other instrument entered into by the Finance Company for any credit or other financial accommodation, as the same may be supplemented or amended from time to time.[1]

"**Guaranteed Liabilities**" means any and all present and future obligations and liabilities at any time due, owing or incurred by the Finance Company to any Beneficiary arising under each Finance Company Document whether actual or contingent, whether originally incurred by the Finance Company or by any other person and whether incurred solely or jointly and whether as principal or surety or in any other capacity.

"**Guarantee Limit**" means, in relation to each demand under this Guarantee, a maximum amount which can be claimed from each Authority in respect of such demand, which in respect of each Authority shall be equal to:

[1] TBC whether Contribution Loans should be expressly excluded.

(a) the aggregate Guaranteed Liabilities which are due and unpaid at such time and are being claimed pursuant to such demand (the "**Aggregate Demanded Amounts**"); multiplied by

(b) the result of the fraction where the numerator is that Authority's Outstanding Loan Amount and the denominator is the Total Performing Outstanding Loan Amount, in each case as at the Reference Date,

provided that if any Authority fails (or refuses) to meet its payment obligations in respect of such demand under the Guarantee, the Total Performing Outstanding Loan Amount shall be deemed to be reduced by the aggregate Outstanding Loan Amount of such Authority and the Guarantee Limits shall be recalculated accordingly, and amounts in respect of the increased Guarantee Limits can be demanded by the Guarantor Agent on behalf of the Beneficiaries,

and provided further that no Authority shall be liable to meet a demand under this Guarantee if and to the extent that the aggregate amount that would have been paid by such Authority under this Guarantee and not otherwise recovered by such Authority would exceed the higher of (A) its Outstanding Loan Amount as at the date of the relevant demand; and (B) its Outstanding Loan Amount as at the date falling 10 Business Days prior to the date of the first demand on such Authority under this Guarantee.

"**Guarantor**" means each Original Guarantor and any person which becomes a Party as a Guarantor by executing a supplement to the Guarantee, in or substantially in the form set out in the Annex to this Guarantee (*Form of Accession to the Deed of Guarantee*).

"**Guarantor Agent**" means [●] or any replacement thereof appointed for the purpose of this Guarantee and notified by the Finance Company to each Beneficiary in accordance with the notice provisions of the relevant Finance Company Document.

"**Outstanding Loan Amount**" means, in relation to an Authority and at any time, the aggregate principal amount outstanding (or in relation to any index-linked Authority Loan, the nominal amount outstanding) at that time under all Authority Loans between the Finance Company and the relevant Authority.

"**Total Performing Outstanding Loan Amount**" means, at any time, the aggregate of each Authority's Outstanding Loan Amount at that time, less the aggregate Outstanding Loan Amount of each Defaulting Guarantor.

2. GUARANTEE

2.1 Subject to the Guarantee Limit, each Guarantor irrevocably and unconditionally:

2.1.1 guarantees to each Beneficiary the due and punctual payment of all sums from time to time payable by the Finance Company in respect of the Guaranteed Liabilities as and when the same become due and payable, and accordingly undertakes to pay to each Beneficiary, forthwith upon demand in accordance with this Guarantee, and in the manner prescribed in the Finance Company Document, any and every sum which the Finance Company is at any time liable to pay in respect of the Guaranteed Liabilities and which the Finance Company has failed to pay; and

2.1.2 agrees as a primary obligation to indemnify each Beneficiary from time to time, forthwith upon demand in accordance with this Guarantee, from and against any loss, liability or cost incurred by such Beneficiary as a result of any such Guaranteed Liability being or becoming void, voidable, unenforceable or ineffective as against the Finance Company for any reason whatsoever, whether or not known to such Beneficiary, the amount of such loss being the amount which such Beneficiary would otherwise have been entitled to recover from the Finance Company.

Without prejudice to the Guarantee Limit, the indemnity under clause 2.1.2 constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent course of action.

3. PRESERVATION OF RIGHTS

3.1 The obligations of each Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

3.2 The obligations of the Guarantors contained in this Guarantee shall be in addition to and independent of every other security which any Beneficiary may at any time hold in relation to any of the Guaranteed Liabilities.

3.3 Neither the obligations of the Guarantors contained in this Guarantee nor the rights, powers and remedies conferred in respect of the Guarantors upon the Beneficiaries by this Guarantee or by law shall be discharged, impaired or otherwise affected by:

3.3.1 the winding-up, dissolution, administration or reorganisation of the Finance Company or any other person or any change in its status, function, control or ownership;

3.3.2 any of the Guaranteed Liabilities or any of the obligations of the Finance Company or any other person under any security relating to any of the Guaranteed Liabilities being or becoming illegal, invalid, unenforceable or ineffective in any respect;

3.3.3 any time or other indulgence being granted or agreed to be granted to the Finance Company or any other person in respect of any of the Guaranteed Liabilities or under any other security;

3.3.4 any amendment, novation, supplement, extension, (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature) or replacement, waiver or release of, any of the Guaranteed Liabilities or any obligation of any person under any other security or other guarantee or indemnity in respect thereof including without limitation any change in the purposes for amounts obtained pursuant to a Finance Company Document are to be applied and any extension of or any increase of the obligations of the Finance Company under any Finance Company Documents or the addition of any new obligations for the Finance Company under the Finance Company Documents;

3.3.5 any increase in the Guaranteed Liabilities;

3.3.6 any failure to take, or fully to take, any security agreed to be taken in relation to any of the Guaranteed Liabilities;

3.3.7 any failure to realise or fully to realise the value of, or any release, discharge, exchange or substitution of, any security taken in respect of any of the Guaranteed Liabilities; or

3.3.8 any other act, event or omission which, but for this Clause 3.2, might operate to discharge, impair or otherwise affect any of the obligations of the Guarantor contained in this Guarantee or any of the rights, powers or remedies conferred upon any Beneficiary by this Guarantee or by law.

3.4 Any settlement or discharge given by any Beneficiary to any Guarantor in respect of such Guarantor's obligations under this Guarantee or any other agreement reached between any Beneficiary and such Guarantor in relation to it shall be, and be deemed always to have been, void if any act on the faith of which the relevant Beneficiary gave such Guarantor that settlement or discharge or entered into that agreement is subsequently avoided by or in pursuance of any provision of law.

3.5 The Beneficiaries shall not be obliged before exercising any of the rights, powers or remedies conferred upon them in respect of the Guarantors by this Guarantee or by law:

3.5.1 to make any demand of the Finance Company (save, where the Beneficiary is claiming in respect its rights as a holder of a note issued pursuant to a trust deed entered into by the Finance Company, for the presentation of such note);

3.5.2 to take any action or obtain judgment in any court against the Finance Company;

3.5.3 to make or file any claim or proof in a winding-up or dissolution of the Finance Company; or

3.5.4 to enforce or seek to enforce any security taken in respect of any of the obligations of the Finance Company in respect of the Guaranteed Liabilities,

and (save as aforesaid) the Guarantors hereby expressly waives presentment, demand, protest and notice of dishonour in respect of any note issued pursuant to a trust deed entered into by the Finance Company.

3.6 Each Guarantor agrees that, so long as an amount owing by the Finance Company in respect of any of the Guaranteed Liabilities is overdue, such Guarantor shall not exercise any rights which it may at any time have by reason of performance by it of its obligations under this Guarantee:

3.6.1 to be indemnified by the Finance Company or to receive any collateral from the Finance Company;

3.6.2 to claim any contribution from any other guarantor of any of the Guaranteed Liabilities; and/or

3.6.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of a Beneficiary in respect of any of the Guaranteed Liabilities or of any other security taken pursuant to, or in connection with, any of the Guaranteed Liabilities by any Beneficiary.

4. REPRESENTATIONS AND WARRANTIES

Each Guarantor represents in respect of itself that:

4.1.1 it has and will have the necessary power to enable it to enter into and perform its obligations under this Guarantee;

4.1.2 this Guarantee constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;

4.1.3 all necessary authorisations to enable it to enter into this Guarantee have been obtained and are and will remain in full force and effect; and

4.1.4 the execution, delivery and performance of this Guarantee will not:

(a) conflict with any law or regulation applicable to it, its constitutional documents or any agreement or instrument binding upon it or any of its assets; or

(b) constitute a default or termination event (however described) under any agreement or instrument binding on it or any of its assets.

5. PAYMENTS

All payments to be made by the Guarantors to a Beneficiary under this Guarantee shall be made without set-off or counterclaim and without any deduction or withholding whatsoever, whether on account of taxes or otherwise. If the Guarantors are obliged by law to make any deduction or withholding from any such payment, subject to the Guarantee Limit, the amount due from the Guarantors in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Beneficiary receives a net amount equal to the amount the Beneficiary would have received had no such deduction or withholding been required to be made.

6. CONTINUING SECURITY

Subject to the Guarantee Limit, the obligations of the Guarantors contained in this Guarantee shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever, and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the obligations of the Finance Company in relation to any of the Guaranteed Liabilities and shall continue in full force and effect until final payment in full of all amounts owing by the Finance Company in respect of the Guaranteed Liabilities and total satisfaction of all the Finance Company's actual and contingent obligations in relation to the Guaranteed

Liabilities. If for any reason this Guarantee ceases to be a continuing security, any Beneficiary may either continue any then existing account(s) or open new account(s) for the Finance Company, but in any case the Guarantors' obligations under this Guarantee shall be unaffected by, and shall be calculated without regard to, any payment into or out of any such account after this Guarantee has ceased to be a continuing security.

7. TERMINATION OF GUARANTEE

Any Guarantor may terminate this Guarantee as a continuing security by notice to the Finance Company and the Guarantor Agent if the Outstanding Loan Amount relating to such Guarantor has been zero for at least 10 Business Days and there are no amounts then due but unpaid under the Finance Company Documents.

8. SUSPENSE ACCOUNT

All monies received, recovered or realised by the Guarantor Agent on behalf of any Beneficiary under or pursuant to this Guarantee (including the proceeds of any conversion of currency) may in its discretion be credited to and held in any suspense or impersonal account pending their application from time to time in or towards the discharge of this Guarantee.

9. DEMANDS

9.1 Each Beneficiary shall be entitled to instruct the Guarantor Agent in relation to any demand under this Guarantee (the "**Guarantee Demand Instruction**") which Guarantee Demand Instruction shall set out the amount to be demanded pursuant to this Guarantee. Any Guarantee Demand Instruction in respect of this Guarantee shall be served by leaving it at the address of the Guarantor Agent as specified in Clause 11 below (*Notices*) (or such other address as the Guarantor Agent may specify by notice, from time to time, to each Finance Company Creditor in accordance with the relevant Finance Company Document) or by letter posted by registered post to such address.

9.2 Upon valid receipt of a Guarantee Demand Instruction, the Guarantor Agent shall promptly, and in any case, within 1 Business Day of receipt of the Guarantee Demand Instruction, present to the Guarantors a demand for immediate payment from the Guarantors (a "**Guarantee Demand**") in respect of their respective Guaranteed Liabilities pursuant to Clause 2 (*Guarantee*) hereof (and subject to the Guarantee Limit), which amount shall be paid to the Guarantor Agent by the Guarantors by no later than 11 a.m. on the fifth Business Day after the date of the Guarantee Demand.

9.3 In the event that any Guarantor fails to pay, and, for the avoidance of doubt, has not already paid an amount equal to the Guarantee Limit to the Guarantor Agent or Finance Company, pursuant to Clause 9.2 above, an amount equal to its Guaranteed Liabilities by 11 a.m. on the fifth Business Day after the date of the Guarantee Demand, that Guarantor shall be a "**Defaulting Guarantor**" and the Guarantor Agent shall calculate the additional amount to be demanded from each Guarantor other than each Defaulting Guarantor, to ensure the Guarantor Agent receives in aggregate the amount set out in the Guarantee Demand Instruction (taking into account any amounts already received). Promptly following such calculation (and in any event no later than the sixth Business Day after the date of the first Guarantee Demand, the Guarantor Agent shall issue a notice (a "**Further Guarantee Demand**") to each Guarantor (other than each Defaulting Guarantor), which shall set out the further amount to be paid by such Guarantor, and such amount shall be paid to the Guarantor Agent by such Guarantor by no later than 11 a.m. on the third Business Day after the date of such Further Guarantee Demand. In the event that any Guarantor fails to pay the amount demanded in a Further Guarantee Demand, the provisions of this Clause 9.3 may be repeated until the Guarantor Agent holds funds equal to the amount specified as to be demanded under the Guarantee Demand Instruction.

9.4 On receipt by the Guarantor Agent of funds equal to the amount specified as to be demanded under the Guarantee Demand Instruction (and Further Demand Guarantee ,if applicable), the Guarantee Agent shall transfer such amounts to the relevant Beneficiary (unless the Beneficiary notifies the Guarantor Agent that it has received all amounts due to it, in which case the Guarantor Agent will return such amounts to the relevant Guarantors).

10. **NOTICES**

All notices, instructions and other communications hereunder shall be made in writing and in English (by letter sent by registered post or electronic mail) and shall be sent as follows (or in each case to such other address, email address or for the attention of such other person or department as the relevant party has notified to the Finance Company and the Guarantor Agent):

10.1 If to the Guarantor Agent, to it at:

[Address]
Email:
Attention: [•]

10.2 If to the Finance Company, to it at:

[Address]
Email:
Attention: [•]

10.3 If to the Guarantors, to each at the address set out with its signature below or in the relevant Supplemental Deed of Guarantee with a copy to the Company (at the address set out with its signature below).

Every notice or other communication sent in accordance with this Clause 10 (N*otices*) will only be effective:

(a) if by way of letter, three Business Days after being sent by registered post to the relevant address; and

(b) if by way of electronic mail, when actually received in readable form,

and, if a particular department or officer is specified as part of its address details provided above, if addressed to that department or officer, **provided that** any such notice or other communication which would otherwise take effect (a) on a day which is not a business day in the place of the addressee or (b) after 4.00 p.m. on any particular day shall not, in either case, take effect until 10.00 a.m. on the immediately succeeding business day in the place of the addressee.

11. ASSIGNMENTS AND SUCCESSORS

11.1 Each Beneficiary may at any time assign all or any of its rights and benefits under this Guarantee and this Guarantee shall remain in effect despite any amalgamation or merger (however effected) relating to any Beneficiary. References to a Beneficiary or the Beneficiaries shall be deemed to include any assignee or successor in title of a Beneficiary and any person who, under the laws of its jurisdiction of incorporation or domicile, has assumed the rights and obligations of a Beneficiary under this Guarantee or to which under such laws the same have been transferred.

11.2 Any statutory successor to any Guarantor shall, on the date on which the relevant amending legislation is enacted and to the extent permitted by such amending legislation or any other applicable laws, become a successor Guarantor under this Guarantee without the execution or filing of any paper or any further act of any Guarantor, the Guarantor Agent or a Beneficiary and, from such date, all references in this Guarantee to such Guarantor shall be construed accordingly. Each such successor Guarantor shall execute all such further documents and do all such further acts and things as may be necessary at any time or times to give effect to the provisions of this Guarantee.

12. BENEFIT OF GUARANTEE

This Guarantee shall take effect as a deed for the benefit of the Beneficiaries from time to time.

13. PARTIAL INVALIDITY

If at any time, any provision of this Guarantee is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Guarantee nor of such provisions under the law of any other jurisdiction shall in any way be affected or impaired thereby.

14. WAIVER OF IMMUNITY

To the extent that any Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to such Guarantor or its assets or revenues, such Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

15. LAW AND JURISDICTION

This Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by English law and the English courts shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Guarantee (including a dispute relating to the existence, validity or termination of this

Guarantee or the consequences of its nullity or any non-contractual obligation arising out of or in connection with this Guarantee).

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

IN WITNESS WHEREOF this Guarantee has been executed as a deed by the Guarantors and is intended to be and is hereby delivered by it as a deed on the date specified above.

EXECUTED as a DEED
by [GUARANTORS]

Address:

Email:

Attention:

[Replicate signature block per Guarantor as necessary]

ANNEX TO GUARANTEE

FORM OF ACCESSION TO THE DEED OF GUARANTEE

THIS DEED POLL is made on [*date*] and is supplemental to the deed of guarantee (the "**Guarantee**") dated [●] and made by [●], [●] and [●] as Original Authorities.

[*Acceding Authority*] (the "**New Guarantor**") of [*address*] agrees that, with effect from [*Insert Date*], the New Guarantor will be bound by the Guarantee as a Guarantor in respect of, *inter alia*, each and every obligation and liability of the Finance Company relating to the Guaranteed Liabilities (subject to the Guarantee Limit) as more fully set out in the Guarantee.

The New Guarantor also agrees as follows:

1. Terms defined in the Guarantee shall, unless otherwise defined in this Deed, bear the same meaning when used in this Deed.

2. The New Guarantor confirms that it intends to be party to the Guarantee as a Guarantor, undertakes to perform all the obligations expressed to be assumed by a Guarantor under the Guarantee and agrees that it shall be bound by all the provisions of the Guarantee as if it had been an original party to the Guarantee.

3. This Deed shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

4. This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by English law and the English courts shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed or the consequences of its nullity or any non-contractual obligation arising out of or in connection with this Deed).

5. Upon execution of this Deed, the New Guarantor shall promptly send a copy of this fully executed Deed to the Guarantor Agent.

THIS DEED has been executed as a deed by the New Guarantor and is delivered on the date stated above.

EXECUTED AS A DEED)
by [NEW GUARANTOR])

………………………………………

………………………………………

Address:

Email:

Attention:

SCHEDULE 3
LOAN STANDARD TERMS

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Standard Terms:

"**Agreement**" means these Standard Terms as supplemented, amended and/or replaced by the relevant Loan Confirmation.

"**Assignment Effective Date**" means the Utilisation Date, immediately following the utilisation of the Loan.

"**Authorisation**" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

"**Change of Status**" means any legislative amendment which results in any Authority ceasing to be treated as a "local authority", "council" and/or "District Council" within the meaning of (as applicable) either:

(a) the Local Government Act 2003;

(b) the Local Government etc. (Scotland) Act 1994; or

(c) Local Government Act (Northern Ireland) 2014,

or in each case, any re-enactment or amendment thereof, or any other legislation which regulates local authorities, councils and/or District Councils.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in the relevant Loan Confirmation and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of

(1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(c) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Default**" means an Event of Default or any event or circumstance specified in Clause 13 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) be an Event of Default.

"**Determination Date**" means:

(a) in the case of a prepayment under Clause 6.3 (*Voluntary Prepayment*), a date selected by the Lender falling after delivery of the notice of prepayment by the Authority to the Lender but before the date falling 30 days prior to the date of prepayment; or

(b) in the case of a prepayment following an Event of Default, any date selected by the Lender falling on or after the occurrence of the Event of Default.

"**Event of Default**" has the meaning given to such term in Clause 13.

"**Final Repayment Date**" means the date specified as such in the relevant Loan Confirmation.

"**Finance SPV**" has the meaning given to it in the relevant Loan Confirmation.

"**Framework Agreement**" means the local authority financing framework agreement dated [•] 2020 between, amongst others, UK Municipal Bonds Agency PLC and the Authority.

"**Gross Redemption Yield**" means a yield calculated in accordance with principles consistent with those used in the United Kingdom Debt Management Office notice "*Formulae for Calculating Gilt Prices from Yields*" page 5, Section One: Price/Yield Formulae "*Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date*" published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005 (and as further updated, supplemented, amended or replaced from time to time).

"**Increased Costs**" means:

(a) a reduction in the rate of return from the Loan or on the Lender's overall capital;

(b) an additional or increased cost; or

(c) a reduction of any amount due and payable under the Agreement,

which is incurred or suffered by the Lender, and in respect of paragraphs (a) and (b) above only, to the extent that it is attributable to the Lender having entered into a commitment or funding or performing its obligations under the Agreement.

"**Interest Payment Date**" has the meaning given in the relevant Loan Confirmation.

"**Interest Period**" means each period beginning on (and including) the Utilisation Date (in respect of the first Interest Period) or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"**Interest Rate** has the meaning given in the relevant Loan Confirmation.

"**Lender**" means the Original Lender or, on and following the Assignment Effective Date, the Finance SPV.

"**Loan**" has the meaning given to such term in Clause 2.

"**Loan Confirmation**" means a loan confirmation in the form set out in Schedule 4 to the Framework Agreement, with such terms as may be agreed between the Original Lender and the Authority.

"**Material Adverse Effect**" means a material adverse effect on the status or governance of the Authority, its assets, its operations, its condition (financial or otherwise), its prospects or its ability to comply with the Agreement.

"**Original Lender**" means UK Municipal Bonds Agency PLC.

"**Prepayment Amount**" has the meaning given in the relevant Loan Confirmation, provided that if "Make-Whole" amount is specified in the relevant Loan Confirmation, it shall mean the amount equal to the principal amount outstanding of the Loan to be prepaid multiplied by the higher of:

(a) 1; and

(b) the price (as reported to the Lender by a leading broker and/or primary dealer operating in the gilt-edged market selected by the Lender) expressed as a percentage and rounded up to four decimal places at which the Gross Redemption Yield on the Loan (if the Loan was to remain outstanding to its original Repayment Date(s)), on the Determination Date would be equal to the sum of the Gross Redemption Yield on the Determination Date of the Reference Gilt and the Prepayment Margin.

"**Prepayment Margin**" has the meaning given in the relevant Loan Confirmation (if applicable).

"**Principal Amount**" has the meaning given in the relevant Loan Confirmation.

"**Reference Gilt**" has the meaning given in the relevant Loan Confirmation (if applicable).

"**Regular Period**" means:

(a) where interest is scheduled to be paid only by means of regular payments, each period from and including the Utilisation Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Representations**" means the representations set out in Clause 12 (*Representations*) or specified as additional Representations in the relevant Loan Confirmation.

"**Taxes**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under the Agreement.

"**Utilisation Date**" has the meaning given in the relevant Loan Confirmation.

"**Voluntary Prepayment Date(s)**" has the meaning given in the relevant Loan Confirmation.

1.2 Construction

1.2.1 Unless a contrary indication appears, a reference in these Standard Terms to:

(a) any person shall be construed so as to include its successors in title permitted assigns and permitted transferees to, or of, its rights and/or obligations under these Standard Terms;

(b) any agreement or instrument is a reference to that agreement or instrument as amended, novated, supplemented, extended or restated in accordance with its terms;

(c) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(d) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);

(e) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and

(f) a provision of law is a reference to that provision as amended or re-enacted.

1.2.2 Clause and Schedule headings are for ease of reference only.

2. THE FACILITY

Subject to the terms of the Agreement, the Lender makes available to the Authority on the Utilisation Date a sterling term loan facility (the "**Loan**") in an amount equal to the Principal Amount.

3. CONDITIONS PRECEDENT

The Lender will only be obliged to make the Loan available to the Authority if:

3.1 it has received prior to the Utilisation Date, in form and substance satisfactory to it:

3.1.1 evidence of the authority of a specified person or persons, on behalf of the Authority, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Loan, and a specimen of the signature of each person so authorised;

3.1.2 a copy of the Loan Confirmation in the form agreed between the Lender and the Authority executed by the Lender and the Authority; and

3.1.3 any other conditions precedent set out in the relevant Loan Confirmation;

3.2 on the Utilisation Date no Event of Default is continuing or would result from the proposed Loan and the Representations are true in all material respects and the Authority provides the Lender with a certificate dated the Utilisation Date confirming the same; and

3.3 on or prior to the Utilisation Date, the Lender has received the funds it expects to receive on or by such date pursuant to any funding arrangements which the Lender entered into in order to fund the making of the Loan.

4. **UTILISATION**

If the conditions set out in Clause 3 have been met, the Lender shall make the Loan to the Authority on the Utilisation Date.

5. **REPAYMENT**

5.1 The Authority shall repay the Loan on the Repayment Date(s) and in the amounts set out in the relevant Loan Confirmation.

5.2 The Authority may not reborrow any part of the Loan which is repaid.

6. **PREPAYMENT**

6.1 **Illegality Prepayment**

If, in any applicable jurisdiction, it becomes unlawful for the Lender to perform any of its obligations as contemplated by the Agreement or to fund or maintain the Loan:

6.1.1 the Lender shall promptly notify the Authority upon becoming aware of that event whereupon the Loan will be immediately cancelled; and

6.1.2 the Authority shall repay the Loan on the Interest Payment Date immediately following the date on which the Lender has notified the Authority, or if earlier, the date specified by the Lender in the notice delivered to the Authority, together with interest accrued (if any).

6.2 **Mandatory prepayment of funding arrangements**

If the Lender is required to prepay any funding which the Lender entered into in order to fund the making of the Loan, the Lender shall promptly notify the Authority of such requirement and the Authority shall repay the Loan on the Interest Payment Date immediately following the date on which the Lender has notified the Authority, or if earlier, the date specified by the Lender in the notice delivered to the Authority, together with interest accrued (if any).

6.3 **Voluntary Prepayment for Tax**

If the Authority is required to pay any additional amounts pursuant to Clause 9 (*Tax Gross Up*), the Authority may elect to prepay the Loan in whole on any Interest Payment Date at the relevant Prepayment Amount on the Authority giving not less than 60 days' notice to the Lender (which notice shall be irrevocable and shall oblige the Authority to prepay the Loan in whole plus accrued interest (if any) to such date).

6.4 **Change of Status**

If at any time a Change of Status occurs then the Lender may by notice to the Authority require it to prepay the Loan on the Interest Payment Date immediately following the date of such notice, together with interest accrued (if any).

6.5 **Voluntary Prepayment**

If Voluntary Prepayment is specified as applicable in the relevant Loan Confirmation, the Loan may be prepaid at the option of the Authority in whole or in part on any Voluntary Prepayment Date at the relevant Prepayment Amount on the Authority giving not less than 60 days' notice to the Lender, or such other period(s) as may be specified in the relevant Loan Confirmation (which notice shall be irrevocable and shall oblige the Authority to prepay the Loan in whole or, as the case may be, in part, as specified in such notice on the relevant Voluntary Prepayment Date at the Prepayment Amount plus accrued interest (if any) to such date), provided that the Loan may not be prepaid pursuant this Clause prior to the date falling 12 months after the Utilisation Date or following the date falling 12 months prior to the Final Repayment Date.

6.6 **No other prepayment**

The Authority shall not, without the prior written consent of the Lender, be entitled to prepay the Loan otherwise than as provided in Clauses 6.1 to 6.5 above.

7. **INTEREST**

7.1 **Calculation of interest**

7.1.1 Interest shall accrue on the Loan at the Interest Rate, and shall be payable in arrear on each Interest Payment Date (subject as provided in Clause 8 (*Payments*)).

7.1.2 The amount of interest payable in respect of the Loan for any period shall be calculated by applying the Interest Rate to the principal amount of the Loan, and multiplying the product by the Day Count Fraction, rounding the resulting figure to the nearest penny (half a penny being rounded upwards).

7.2 **Default Interest**

7.2.1 If the Authority fails to pay any amount payable by it under the Agreement on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is two per cent. per annum above the Interest Rate.

7.2.2 Any interest accruing under this Clause 7.2 shall be immediately payable by the Authority on demand by the Lender.

7.2.3 Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period but will remain immediately due and payable.

8. **PAYMENTS**

8.1 If any sum falls due on a day that is not a Business Day, payment will be postponed to the next Business Day or, if such day would fall in the next succeeding calendar month, the immediately preceding Business Day.

8.2 The Authority shall fund all payments due to the Lender under the Agreement by transferring the relevant amounts to an account nominated by the Lender by no later than 11 a.m. on the tenth Business Day in respect of principal, or the fifth Business Day in respect of any other amounts, prior to the due date of such amount (the required date for transfer in respect of each payment being the "**Funding Date**").

8.3 Any adjustment to the date of payment as a result of this Clause 8 shall not result in a corresponding adjustment in the amount payable on such date.

8.4 In respect of payments of principal only, any amount of interest which the Lender actually obtains by placing the amounts received by it from the Authority pursuant to Clause 8.2 in an interest-bearing account or on deposit with a bank following receipt of such amounts up until no later than the due date of such amounts shall, to the extent reasonably practicable, be for the account of the Authority, **provided that** nothing in this Clause 8.4 shall oblige the Lender to place such amounts in an interest-bearing account or on deposit.

9. TAX GROSS UP

9.1 The Authority shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

9.2 If a Tax Deduction is required by law to be made by the Authority, the amount of the payment due from the Authority shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

9.3 If the Lender is required to make a Tax Deduction in respect of any funding arrangement which the Lender entered into in order to fund the making of the Loan, the Lender shall promptly notify the Authority of such requirement and the Authority shall pay such amount as the Lender certifies to the Authority as being the amount required to meet its obligations.

10. INCREASED COSTS

10.1 Increased costs

Subject to Clause 10.3 (*Exceptions*) the Authority shall, within three Business Days of a demand by the Lender, pay for the account of the Lender the amount of any Increased Costs incurred by the Lender as a result of:

10.1.1 the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation after the date of the Agreement; or

10.1.2 compliance with any law or regulation made after the date of the Agreement.

10.2 Increased cost claims

If the Lender intends to make a claim pursuant to Clause 10.1 (*Increased costs*), the Lender shall promptly notify the Authority.

10.3 Exceptions

Clause 10.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

10.3.1 attributable to a deduction or withholding for or on account of UK Taxes required by law to be made by the Authority; or

10.3.2 attributable to the wilful breach by the Lender of any law or regulation.

11. INDEMNITY

11.1 Indemnity

11.1.1 The Authority shall, within three Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by the Lender as a result of:

(a) the occurrence of any Event of Default;

(b) a failure by the Authority to pay any amount due under the Agreement on its due date or otherwise to comply with Clause 8.2 (*Payments*);

(c) funding, or making arrangements to fund, the Loan where the Loan is not made by reason of the operation of any one or more of the provisions of the Agreement (other than by reason of default or negligence by the Lender); or

(d) the Loan not being prepaid in accordance with a notice of prepayment given by the Authority.

11.1.2 The Authority shall promptly indemnify the Lender against any cost, loss or liability incurred by the Lender (acting reasonably) as a result of:

(a) investigating any event which it reasonably believes is a Default; or

(b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

11.2 Enforcement costs

The Authority shall, within three Business Days of demand, pay to the Lender the amount of all costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, the Agreement.

12. REPRESENTATIONS

The Authority makes the representations and warranties set out in this Clause 12 on the date of the Agreement.

12.1 Binding Obligations

The obligations expressed to be assumed by it in the Agreement are legal, valid, binding and enforceable obligations.

12.2 **Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Agreement do not and will not conflict with:

12.2.1 any law or regulation applicable to it;

12.2.2 its constitutional documents; or

12.2.3 any agreement or instrument binding upon it or any of its assets.

12.3 **Power and authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Agreement and the transactions contemplated by the Agreement.

12.4 **Compliance with statutory requirements**

In entering into the Agreement and borrowing thereunder, it is acting in compliance with all statutory requirements relating to borrowing which are applicable to it, including (without limitation) the prudential framework established by Part 1 of the Local Government Act 2003 and related regulations, including the Prudential Code for Capital Finance in Local Authorities published by CIPFA, as amended or reissued from time to time.

12.5 **Validity and admissibility in evidence**

All Authorisations required or desirable:

12.5.1 to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Agreement; and

12.5.2 to make the Agreement admissible in evidence,

have been obtained or effected and are in full force and effect.

12.6 **Pari passu ranking**

Its obligations in respect of the Loan will be secured by a statutory charge under Section 13(3) of the Local Government Act 2003 and such obligations and charge will rank at least *pari passu* with all its obligations to other lenders.

12.7 **No proceedings**

12.7.1 No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect has or have (to the best of its knowledge and belief) been started or threatened against it.

12.7.2 No judgment or order of a court, arbitral tribunal or other tribunal or any order or sanction of any governmental or other regulatory body which is reasonably likely to have a Material Adverse Effect has (to the best of its knowledge and belief (having made due and careful enquiry)) been made against it or its assets.

12.8 **Repetition**

The foregoing Representations, and any additional Representations specified in the relevant Loan Confirmation, are deemed to be repeated by the Authority by reference to the facts and circumstances then existing, on the date of the relevant Loan Confirmation, on the Utilisation Date and on each Interest Payment Date.

13. EVENTS OF DEFAULT

Save for the final paragraph in this Clause 13, each of the events or circumstances set out in this Clause 13 is an Event of Default:

13.1 The Authority fails to pay any amount due under the Agreement on its due date or to comply with Clause 8.2 (*Payments*);

13.2 The Authority is in breach of any other obligation under the Agreement and has failed to remedy same within 15 calendar days of being requested to do so;

13.3 The Authority is unable to pay its debts as they fall due;

13.4 The Authority enters into any composition with its creditors;

13.5 The High Court has appointed a receiver under Section 13(5) of the Local Government Act 2003 in respect of the Authority;

13.6 The Authority is dissolved or otherwise ceases to exist (other than as a result of the enactment of legislation creating a statutory successor to the Authority which becomes responsible for substantially all of the Authority's obligations, including hereunder);

13.7 The Authority fails to pay on its due date any amount due under the Framework Agreement;

13.8 An event of default (howsoever described) occurs under any other loan agreement, Loan Confirmation or other instrument evidencing indebtedness of the Authority to the Lender; or

13.9 The occurrence of any additional Event of Default specified in the relevant Loan Confirmation.

On, or at any time after the occurrence of an Event of Default, the Lender may, by notice to the Authority declare that the Loan, together with accrued interest be immediately due and payable, at which time they shall become immediately due and payable at the Prepayment Amount.

14. CHANGES TO THE LENDER AND AUTHORITY

14.1 Transferability of the Lender's rights and obligations

The Lender may not assign any of its rights or transfer any of its rights and obligations in respect of the Agreement without the consent of the Authority, other than (i) an assignment from the Original Lender to the Finance SPV or (ii) any transfer following the occurrence of an Event of Default which is continuing.

On the Assignment Effective Date, the Original Lender will assign absolutely to the Finance SPV all the rights of the Original Lender under the Agreement.

14.2 Transferability of the Authority's rights and obligations

The Authority may not assign or transfer any of it rights or obligations under the Agreement, other than pursuant to this Clause 14.2. Any statutory successor to the Authority shall, on the date on which the relevant amending legislation is enacted and to the extent permitted by such amending legislation or any other applicable laws, become the successor Authority under the Agreement without the execution or filing of any paper or any further act of either the Authority or the Lender and, from such date, all references in the Agreement to the Authority shall be construed accordingly. Each such successor Authority shall execute all such further documents and do all such further acts and things as may be necessary at any time or times in the opinion of the Lender to give effect to the provisions of the Agreement.

15. MISCELLANEOUS

15.1 Account details

All payments to the Lender in respect of the Loan should be made to the account specified in the relevant Loan Confirmation, and as updated by notice from the Lender to the Authority from time to time.

15.2 Third Party Rights

A person who is not a party to the Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of the Agreement.

15.3 Notices

15.3.1 Any communication to be made under or in connection with the Agreement shall be made in writing and, unless otherwise stated, may be made by letter sent by registered post or electronic mail. Unless otherwise agreed in writing between the Lender and the Authority, all communications made by electronic mail shall be followed with a letter sent by registered post, and such letter will be the effective communication for the purposes of the Agreement.

15.3.2 The address and electronic mail address (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication or document to be made or delivered under or in connection with the Agreement shall be as specified in the Loan Confirmation, or any substitute address, email address or department or officer which that party may notify to the other party by not less than five Business Days' notice.

15.3.3 Any such communication will only be effective:

(a) if by way of letter, three Business Days after being sent by registered post to the relevant address; or

(b) if by way of electronic mail, when actually received in readable form,

and, if a particular department or officer is specified as part of its address details, if addressed to that department or officer.

15.3.4 Any notice and all other documents provided under or in connection with this Agreement must be in English.

16. GOVERNING LAW AND JURISDICATION

16.1 Governing Law

The Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

16.2 Jurisdiction

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Agreement (including a dispute relating to the existence, validity or termination of the Agreement or the consequences of its nullity or any non-contractual obligations arising out of or in connection with the Agreement).

17. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

SCHEDULE 4
FORM OF LOAN CONFIRMATION

Date:

This Loan Confirmation is entered into between [*Insert name of Authority*] (the **Authority**) and UK Municipal Bonds Agency PLC (the "**Original Lender**"). The parties hereto acknowledge that, in connection with the provision of funds to the Authority, payments and repayments are due from it in accordance with the standard terms set out in Schedule 3 (*Loan Standard Terms*) to the local authority financing framework agreement dated [●] between, amongst others, the Lender and the Authority (the "**Standard Terms**"), as supplemented, amended and/or replaced by this Loan Confirmation. Terms used in this Loan Confirmation have the meanings given to such terms in the Standard Terms, unless otherwise specified herein.

PRINCIPAL AMOUNT	GBP [•]
UTILISATION DATE	[•]
ADDITIONAL CONDITIONS PRECEDENT (IF ANY)	[•] / [Not applicable]
REPAYMENT DATE[S] AND AMOUNT OF PRINCIPAL TO BE REPAID ON SUCH REPAYMENT DATE[S]	Repayment Date — Repayment Amount [•] — GBP [•] [•] — GBP [•] [•] (the "**Final Repayment Date**") — GBP [•]
ADDITIONAL PREPAYMENT PROVISIONS (IF ANY)	[•] / [Not applicable]
PREPAYMENT AMOUNT	[•] / REFERENCE GILT: [•] PREPAYMENT MARGIN: [•]
VOLUNTARY PREPAYMENT	[Applicable]/[Not applicable] *The row immediately below may be deleted if "Not applicable"*
VOLUNTARY PREPAYMENT DATE(S)	[•] **/ [**Any date prior to the Final Maturity Date.**]**
INTEREST PAYMENT DATES	[•] **[**and [•]**]** in each year

DAY COUNT FRACTION	[Actual/Actual (ICMA)] / [Actual/365 (Fixed)] / [Actual/360] / [•]
INTEREST RATE	[•]
ADDITIONAL REPRESENTATIONS (IF ANY)	[•] / [Not applicable]
ADDITIONAL EVENTS OF DEFAULT (IF ANY)	[•] / [Not applicable]
ACCOUNT DETAILS	Lender: [•] Authority: [•]
ADDRESS DETAILS	Lender: [•] Authority: [•]
FINANCE SPV	[•]
OTHER	[*Insert any other amendments or additions to the Standard Terms, including any provisions relating to indexation if applicable*]

This Loan Confirmation may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Loan Confirmation.

By: ____________________________________
[*Authority*]

By: ____________________________________
UK MUNICIPAL BONDS AGENCY PLC

SIGNATURES

The Company

EXECUTED AS A DEED

by **UK MUNICIPAL BONDS AGENCY PLC**

Director

Director/Secretary

Address:

Email: [mail@ukmba.org]

Attention: [Chief Executive]

Original Authorities

EXECUTED AS A DEED

by [●]

Address:

Email:

Attention:

Item

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2021/22

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

Strategy & Resources Scrutiny Committee 11th October 2021

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 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2021/22; and;
- An update on interest rate forecasts following economic news in the first half of the 2021/22 financial year.

1.3 Cash and investment balances are forecast to stay at past levels at around £125.8 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.

1.5 Interest receipts for the year are projected at £852,000 which is £94,000 below budget. Interest receipts are forecast 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 2021/22 to 2024/25 (Appendix A).

2.2 That the counterparty limit for building societies with assets over £100bn be increased by £10m to £30m (Appendix B).

2.3 To approve the changes to the Cambridge Investment Partnership loans in the counterparty list, to bring these into line with the approved expenditure per the approved capital plan (Appendix B).

3. Background

3.1. The Council is required to comply with the CIPFA Prudential Code (December 2017 edition) and the CIPFA Treasury Management Code of Practice (Revised December 2017). The Council is required to set prudential and treasury indicators, including an Authorised Limit for borrowing, for a three-year period and should ensure that its capital plans are affordable, prudent and sustainable.

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

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

3.4 The Council is currently supported in its treasury management functions by specialist advisors who are Link Asset Services. These services include the provision of advice to the Council on developments and best practice in this area and provide information on the creditworthiness of potential counterparties, deposits, borrowing, interest rates and the economy.

4. The Council's Capital Expenditure and Financing 2021/22 to 2024/25

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 2021/22 and is in line with the agreed Capital Plan and estimated future capital expenditure.

Estimate	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
General Fund Capital Expenditure	95,375	52,400	43,074	16,140
HRA Capital Expenditure	67,754	86,302	76,283	149,855
Total Capital Expenditure	**163,129**	**138,702**	**119,357**	**165,995**
Resourced by:				
• Capital receipts	-25,603	-17,884	-13,445	-7,819
• Other contributions	-71,360	-82,444	-58,100	-104,606
Total resources available for financing capital expenditure	**-96,963**	**-100,328**	**-71,545**	**-112,425**
Financed from cash balances & any Prudential Borrowing required	**66,166**	**38,374**	**47,812**	**53,570**

4.3 In addition to a total of £21.5 million for the Mill Road and Cromwell Road developments, the Medium Term Financial Strategy now includes capital expenditure of £10.4 million for the L2 Orchard Park site and £90.8 million for the redevelopment of Park Street. This is General Fund expenditure which will be funded from cash balances and borrowing. 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	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
General Fund Capital Financing Requirement	143,657	179,475	208,490	215,019
HRA Capital Financing Requirement	208,654	210,904	229,162	275,559
Total Capital Financing Requirement	**352,311**	**390,379**	**437,652**	**490,578**
Movement in the Capital Financing Requirement	**65,860**	**38,068**	**47,273**	**52,926**
Financed from cash balances & any Prudential Borrowing required	*66,166*	*38,374*	*47,812*	*53,570*
Minimum Revenue Provision	*(306)*	*(306)*	*(539)*	*(644)*
Estimated External Gross Debt/Borrowing (Including HRA Reform)	279,738	318,112	365,924	419,494
Authorised Limit for External Debt	400,000	450,000	550,000	550,000
Operational Boundary for External Debt	357,311	395,379	442,652	495,578

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.

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 2021	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 2021. 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 March 2022, at least (with the date agreed annually). However, the Council notes the publication of the HM Treasury Public Works Loans Board (PWLB) revised lending terms and guidance, which puts in place restrictions on borrowing from the PWLB where an authority's capital plan includes commercial schemes in the year that borrowing is required. The Council's capital plan does not include any schemes that are classified as commercial under these revised lending terms.

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 August 2021 is 0.67%, compared to 1.04% in 2020/21. The current quoted return on the CCLA Local Authorities Property Fund is an annual return of 4.33%. Loans extended to CIP projects on Mill Road and Cromwell Road have an annual return of 4.35% for working capital loans with 0.62% 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 0.2%) will be used to transfer interest receipts to the HRA.

7.4 Current estimates for 2021/22 include gross interest receipts of £852,000. This is mainly due to interest rates being low.

7.5 Interest rates are currently very low. Building societies have better rates than other local authorities and therefore it would be beneficial to have more capacity to use them at this time. We recommend increasing the investment limit with large building societies from £20m to £30m. See Appendix B for proposed changes to the Counterparty List.

7.6 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	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Short Term – 40%*	50,300	42,700	28,450	42,600	42,600
Medium Term - 30%*	37,750	32,050	21,350	31,900	31,900
Long Term – 30%*	37,750	32,050	21,350	31,900	31,900
TOTAL	**125,800**	**106,800**	**71,150**	**106,400**	**106,400**

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

7.7 The Council's balances reduce in the short term in line with the cash requirements of the redevelopment of Park Street and of 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. All loans are secured against assets in various CIP limited companies.

7.8 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 2021 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. The United Kingdom left the EU on 31st January 2020 with an 'exit deal' coming into force on 31 January 2021.

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.

9.2 As above, building societies currently have better interest rates available compared with other counterparties. See Appendix B for proposed changes to the Counterparty List.

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:

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PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

Estimates	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- General Fund	95,375	52,400	43,074	16,140
- HRA	67,754	86,302	76,283	149,855
Total	**163,129**	**138,702**	**119,357**	**165,995**
Capital Financing Requirement (CFR) as at 31 March				
- General Fund	143,657	179,475	208,490	215,019
- HRA	208,654	210,904	229,162	275,559
Total	**352,311**	**390,379**	**437,652**	**490,578**
Change in the CFR	**65,860**	**38,068**	**47,273**	**52,926**
Deposits at 31 March (Average cash balances annualised)	125,800	106,800	71,150	106,400
External Gross Debt	245,878	322,213	386,397	425,513
Ratio of financing costs to net revenue stream				
-General Fund	-69	1,410	1,927	1,993
-HRA	7,375	7,353	7,792	8,709
Total	**7,306**	**8,763**	**9,719**	**10,702**
% of net revenue expenditure				
-General Fund	-0.25%	8.10%	12.96%	12.92%
-HRA	16.63%	15.74%	15.59%	16.62%
Total (%)	**16.39%**	**23.84%**	**28.55%**	**29.54%**

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
TREASURY INDICATORS				
Authorised limit				
for borrowing	400,000	450,000	550,000	550,000
for other long-term liabilities	0	0	0	0
Total	**400,000**	**450,000**	**550,000**	**550,000**
Operational boundary				
for borrowing	357,311	395,379	442,652	495,578
for other long-term liabilities	0	0	0	0
Total	**357,311**	**395,379**	**442,652**	**495,578**
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	7,306	8,763	9,719	10,702
Net interest on variable rate borrowing/deposits	-15	-17	-17	-17
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit	
10 years and above (PWLB borrowing for HRA Reform)		100%	100%	

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Appendix B

Current Counterparty List

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

Name	Council's Current Deposit Period	Category	Limit (£)
Specified Investments: -			
All UK Local Authorities	N/A	Local Authority	20m
All UK Passenger Transport Authorities	N/A	Passenger Transport Authority	20m
All UK Police Authorities	N/A	Police Authority	20m
All UK Fire Authorities	N/A	Fire Authority	20m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Barclays Bank Plc – NRFB*	Using Link's Credit Criteria	UK Bank	35m
HSBC Bank Plc – NRFB*	Using Link's Credit Criteria	UK Bank	20m
HSBC UK Bank Plc – RFB*	Using Link's Credit Criteria	UK Bank	20m
Standard Chartered Bank	Using Link's Credit Criteria	UK Bank	20m
Bank of Scotland Plc (BoS) – RFB*	Using Link's Credit Criteria	UK Bank	20m
Lloyds Bank Plc – RFB*	Using Link's Credit Criteria	UK Bank	20m
National Westminster Bank Plc (NWB) – RFB*	Using Link's Credit Criteria	UK Nationalised Bank	20m
Santander UK Plc	Using Link's Credit Criteria	UK Bank	5m
The Royal Bank of Scotland Plc (RBS) – RFB*	Using Link's Credit Criteria	UK Nationalised Bank	20m
Other UK Banks	Using Link's Credit Criteria	UK Banks	20m
Members of a Banking Group	Using Link's Credit Criteria	UK Banks and UK Nationalised Banks	30m
Svenska Handelsbanken	Using Link's Credit Criteria	Non-UK Bank	5m

Name	Council's Current Deposit Period	Category	Limit (£)
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/S1)	Over 3 months and up to 1 year	Financial Instrument	10m (per single counterparty)
Enhanced Money Market Funds (not below AAf) - VNAV	Over 3 months and up to 1 year	Financial Instrument	5m (per fund)
Money Market Funds (AAAf) – CNAV, VNAV & LVNAV	Liquid Rolling Balance	Financial Instrument	15m (per fund) With no maximum limit overall
Custodian of Funds	Requirement for Undertaking Financial Instruments	Fund Managers	Up to 15m (per single counterparty)
UK Government Treasury Bills	Up to 6 months	Financial Instrument	15m
Other Specified Investments - UK Building Societies: -			
Name	**Council's Current Deposit Period**	**Asset Value (£'m) – as at 23rd November 2020**	**Limit (£)**
Nationwide Building Society	1 month or in line with Link's Credit Criteria, if longer	245,732	**Assets greater than £100bn - £30m (previously £20m)** Assets between £50,000m and £99,999m - £5m Assets between £5,000m and £49,999m - £2m
Yorkshire Building Society		52,815	
Coventry Building Society		48,771	
Skipton Building Society		23,648	
Leeds Building Society		21,162	
Principality Building Society		10,483	
West Bromwich Building Society		5,565	
Non-Specified Investments: -			
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	Up to 35m (in total)
Cambridge City Council Housing (CCHC) Working Capital Loan *	Up to 1 year	Loan	200,000
CCHC Investment *	Rolling Balance	Loan (Asset Security)	7,500,000
Cambridge Investment Partnership (Mill Road)*	**Rolling Balance**	**Loan (Asset Security)**	**21,505,000**

Name	Council's Current Deposit Period	Category	Limit (£)
Cambridge Investment Partnership (Cromwell Road)*	**Rolling Balance**	**Loan (Asset Security)**	**48,350,000**
Cambridge Investment Partnership (Orchard Park L2)*	**Rolling Balance**	**Loan (Asset Security)**	**11,529,000**
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 – Allia Limited	N/A	Local Business Bond	Up to 5m in total
Supranational Bonds – AAA	Using Link's Credit Criteria	Multi-lateral Development Bank Bond	15m
UK Government Gilts	Over 1 year & up to 30 Years	Financial Instrument	15m

Note: In addition to the limits above, the total non-specified items over 1 year **(excluding balances with related parties*)** will not exceed £50m.

Sources of the Council's Deposits

Local authorities are free to deposit surplus funds not immediately required in order to meet the costs of providing its services. The Council deposits amounts set aside in its general reserves and earmarked reserves.

The interest earned on these deposits is credited to the General Fund and Housing Revenue Account respectively and helps to fund the cost of providing services. This currently amounts to around £852,000 each year based on current deposit and interest rate levels.

At 1st April 2021, the Council had deposits of £162.0 million. The table below provides a sources breakdown of the funds deposited at that date: -

Funds Deposited as at 1 April 2021	**£'000**	**£'000**
Working Capital		32,832
General Fund:		
General Reserve	16,594	
Asset Renewal Reserves	2,144	
Other Earmarked Reserves	49,099	67,837
Housing Revenue Account (HRA): -		
General Reserve	18,420	
Asset Renewal Reserves	2,534	
Major Repairs Reserve	13,647	
Other Earmarked Reserves	14,733	
Capital Financing Requirement (Including HRA)	-286,451	
PWLB Borrowing for HRA	213,572	-23,545
Capital:		
Capital Contributions Unapplied	44,672	
Usable Capital Receipts	40,213	84,885
Total Deposited		**162,009**

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 £895bn, on 5th August 2021. Going-forward, the Council's treasury advisor, Link, has provided the following interest rate forecasts, issued on 2nd September 2021:

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.50%
3 month LIBID	-	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.30%	0.30%	0.30%	0.50%
6 month LIBID	-	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.30%	0.40%	0.50%	0.50%
12 month LIBID	-	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.40%	0.50%	0.60%	0.70%
5yr PWLB rate	1.20%	1.20%	1.20%	1.30%	1.30%	1.30%	1.40%	1.40%	1.40%	1.50%	1.50%
10yr PWLB rate	1.60%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	1.90%	2.00%	2.00%
25yr PWLB rate	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%
50yr PWLB rate	1.70%	1.80%	1.90%	2.00%	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.30%

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

Item

Extending Cherry Hinton Library to Create a Community Hub Facility

To:

The Executive Councillor for Finance & Resources: Councillor Mike Davey

Strategy and Resources Committee - 11 October 2021

Report by:

Allison Conder - Strategic Project Manager, Community Services

Wards affected:

Cherry Hinton

Key Decision

1. Executive Summary

1.1 The Council's Community Centres Strategy (2019) identified Cherry Hinton Ward as having a gap in access to community facilities, and a high priority to identify options that would address this gap.

1.2 Cherry Hinton Library is a City Council owned building located in the centre of Cherry Hinton, on the corner of the High Street and Colville Road, and is ideally positioned to be extended to include additional community facilities and create a Cherry Hinton Community Hub (CH Hub) (see Appendix 1 for the existing building layout).

1.3 The County library service currently operates from the building but there is no defined legal document for its' occupation and is currently occupying under statutory user rights following the 1973 local government re-organisation. The County has fully supported development of the library into a broader community hub facility as it will bring additional residents into the building and improve use and sustainability of the library service in the longer term. The County will be both a funding partner in the CH Hub and have been engaged as a key stakeholder on the steering group throughout the project's development.

1.4 In September 2020, planning approval was granted for a scheme to extend Cherry Hinton Library at a total estimated cost £767,000. There is a potential risk of cost over run but the architects budget includes 10% contingency. The funding sources to deliver this approved scheme include £197k city council allocated S106 funding (secure), £28k County allocated S106 funding (secure), £50k of community raised funding (not yet secured).

1.5 A budget bid was submitted to Council for the CH Hub and approved in Feb 2019 (ref. 100256) allocating £282k of capital funding to deliver the scheme in a single construction phase. However, this budget allocation was contingent on securing £250k funding from Royal British legion (RBL).

1.6 On 8th Sept 21 RBL Branch Property Trust Trustees Committee (RBL BPTTC) met to review a funding business case but rejected the proposal to provide any upfront development funding in lieu of any hire charges. The RBL BPTTC Trustees decision will mean that the local branch will now have to hire facilities for their use in the hub.

1.7 The RBL BPTTC's decision means that to deliver CH Hub scheme as a single phase of development, £492,000 of funding is now required (this is the scheme budget requirement of £767k less £197k city council allocated S106 funding, £28k County allocated S106 funding, £50k of community raised funding).

1.5 The community funding contribution of £50,000 has not yet been secured and fundraising efforts have also been impacted by the pandemic. To manage a risk that this funding may not be secured in time for the building work to start, it will be used to focus specifically on expenditure associated with the fit out the new café kitchen, seating area and garden, as these will be later work packages to be contracted within the overall programme of works.

1.8 In order for the Cherry Hinton Hub to be financially sustainable, and to protect the various stakeholder interests in the building, it is envisaged that the Council will have a Head Lease with the Cherry Hinton Community Benefit Society (CHCBS) who will manage and operate the hub, and they in turn will have a sub-lease with the County Library service who will pay an annual charge for use library space in the building. The County has indicated a preference for a 50-year lease term.

2. Recommendations

The Executive Councillor is recommended to:

1. Approve £210,000 of funding from capital receipts or borrowing (according to availability of receipts) in addition to the £282,000 capital funding already approved in the February 2019 budget bid (ref. 100256). This brings the total Council capital funding required to deliver this scheme to £492,000 within a total estimated scheme budget of £767,000.

2. To delegate authority to the Strategic Director in consultation with the Head of Property Services and Executive Councillor for Finance & Resources, to approve any leases and associated management agreements for up to 50 years, as may be required for the management of the CH Hub building.

3. Background

3.1 In September 2013, Cherry Hinton Residents Association (CHRA) successfully secured £11,000 of S106 to create a new community meeting space within the current footprint of Cherry Hinton Library, working in partnership with the County Library service. Until 2013 there was no definitive, central Cherry Hinton community facility and this new meeting room project proved very successful, increasing footfall into the library from 25,000 to 62,000 in just 18 months.

3.2 In 2014, the Royal British Legion (RBL) sold Fishers Lane Hall for development, and the local RBL branch lost its dedicated base for providing support services to ex-military personnel, and for its fund-raising activities.

3.3 In 2016 Cherry Hinton Residents Association (CHRA) successfully secured grant funding from Marshalls, to appoint an architect to develop plans to extend Cherry Hinton Library. However, these initial plans could not be delivered within the funding envelope identified for the scheme.

3.4 In 2017 the Council completed a strategic, evidence-based review of community facilities and published a Community Centres Strategy. Priority 9 within the strategy is to ‘address the gaps in provision in Cherry Hinton Ward, and ensure access to City Council services within a 15-minute walk-time for this high need neighbourhood area’.

3.5 In 2018, the Council agreed to provide project management support to the CHRA to develop a scheme to address the facility gap. Local architects Ingleton Wood Martindale (IWM) submitted a successful tender and began working on new plans for an extension scheme that could be delivered, either as a single phase, or a two-phase construction.

3.6 A steering group was formed to enable key stakeholders in the hub scheme to work collaboratively with the architects, and includes representatives from the Council’s Community Services team, County Library service team, the local Ward Councillors, the County Councillor for Cherry Hinton, CHRA, and local RBL branch members. The concept plans developed by IWM, were taken out for wide pre-planning community consultation and feedback and received strong local support. The feedback received from the community and from pre-application advice from the planning team and urban designer, led to further design changes and improvements to the scheme.

3.7 In September 2020, planning approval was granted for a scheme to extend the library to create 122m2 of additional accommodation space. This additional space will create a new Cherry Hinton Community Hub, which will include three new flexible community meeting spaces; new storage; a refurbished library and library staff room; a new kitchen and community café and outside café garden and seating area (see Appendix 2 for architect’s indicative visuals of the new community hub, and Appendix 3 for the new layout plans).

3.8 IWM’s concept cost plan (based on an overall m2 rate) indicates that £767,000 is required to deliver the Cherry Hinton Hub scheme in a single phase of construction. The funding sources identified to meet this cost include:

i. Council S106 - £197,664 (secure)
ii. County S106 - £28,000 (secure)
iii. Community raised funding - £50,000 (not yet secure)

3.9 In February 2019, a capital bid was approved within the MTFS (ref. 100256) for £282,000 of Council capital funding towards Cherry Hinton Hub. However, this original budget bid envisaged £250k of funding from the RBL Branch Property Trust Trustees Committee (BPTTC) but this funding business case was rejected on 8th September 2021.

3.10 Following the RBL BPTTC decision, the funding now only totals £275,000, and this leaves a funding shortfall of £492,000 to achieve the required scheme budget of £767,000.

3.11 Funding of £50k will now be contributed to the scheme through local funding raising by the community, and this will help to offset some of funding lost from the RBL BPTTC. The local community has now set up a new charitable trust The Cherry Hinton Community Benefit Society (CHCBS) to lead the local fundraising effort, and to be responsible for leasing, operating and maintaining the hub. Community fund raising efforts been impacted by COVID since March 2020, but a local fundraising committee has been established to raise the agreed £50k target.

3.12 To manage the risk of the community not securing £50k of funding by on commencement of the building work, this funding will be used specifically to contract for the fitout of the café kitchen; landscaping of the outside garden and fit out of the garden seating. These are all elements of the scheme required in the later stages of the programme, and can initially be constructed to shell and core, to not delay the main construction programme. Their completion can also be delayed until such time as the community does reach the £50k funding raising target.

3.16 A detailed business plan has been developed for the new hub to ensure that sufficient income can be raised to meet running and maintenance costs each year. This has indicated that it will be most advantageous for the Council to have a Head Lease with the CHCBS, as they are a registered charity and will benefit from rate relief. Alongside the Head Lease, the CHCBS will also have a Section 106 funding agreement that will ensure that community use of Cherry Hinton Hub is assured for a minimum of 11 years.

3.17 There is an opportunity to clarify and formalise the County's specific occupation and responsibilities within the hub scheme as a sub-lease arrangement with the CHCBS. In this arrangement the County Council Library service will pay an annual charge of £11,355 pa to the CHCBS towards the overhead and maintenance costs for the areas of the hub that they will occupy. The County Council has confirmed that its preferred leasing term with the CHCBS is 50 years, so it seems sensible for the Council to issue a Head Lease for the same period.

3. Implications

a) Financial Implications
Awaiting VAT advice.

b) Staffing Implications
The County Council has required that should at any time during their 50-year lease term the CHCBS ceases to operate as a registered charity, that their Head Lease responsibilities will revert to the City Council, except for operation of the community café facility. If this risk does become an issue in future, the Community Services Team would provide two days of Band 4 staffing time (£13kpa) to ensure that bookings can be made, and that the hub facilities remain open and available to the community and library service to use, whilst efforts are made to secure another community or voluntary sector organisation for the Head Lease.

c) Equality and Poverty Implications

An EQIA has been completed for this scheme and is attached at Appendix 4.

d) Environmental Implications

The architects submitted an energy statement with the planning application for the overall increase of floor area by 122m2, which includes a strategy to reduce carbon emissions by:
1. upgrading the building fabric
2. replacing the heating plant and lighting with new energy efficient equipment and controls

A variety of key energy efficiency and were recognised through the initial design process, which resulted in a 2% reduction in C02 emissions. A reduction from 4,806 kg/C02/year to 4,723 kg/C02/year is predicted despite the increased footprint.

By implementing passive design and fabric first measures and renewable energy technology with the installation of an Air Source Heat Pump (ASHP), a 28% carbon reduction is achievable overall. Consequently, the scheme will comply with the council’s carbon reduction policy.

Key points from the Climate Change Rating Assessment at Appendix 5 are:

1. Overall rating assessed as net high positive – this is because of the 28% carbon reduction
2. There will be additional toilet provision and inclusion of a community café and garden, which may increase overall use of water. To mitigate this, the most water efficient toilet systems and push taps will be included in the design to minimise wastage, and water butts will be included in the garden to reduce use of mains water as far as possible

e) Procurement Implications

The Council will be complete an open procurement process for a Design and Build team to complete the detailed and technical design stages and the construction phase.

f) Community Safety Implications

A site visit on the 23.05.2019 with the Cambridgeshire Constabulary Designing Out Crime Officer identified some areas of Anti-Social Behaviour (ASB) risk with the existing maisonette resident's entrance and access to the garages and bin stores. The Estate and Facilities team now have an approved Estate Improvement Scheme (EIS) that will fund the police recommendations to reduce the risk of ASB and improve resident safety.

4. Consultation and communication considerations

The Cherry Hinton Hub scheme was initiated by representatives of the local community, and a steering group was set up to ensure resident engagement and input through the pre-planning design stage. The steering group also includes the Ward Councillor's, RBL and County library service team. An extensive pre-planning application consultation process was planned and implemented jointly between the architects, statutory agencies to coincide with the Cherry Hinton festival.

Consultation and engagement will continue through the detailed and technical design stages to ensure representation from different groups and future users of the hub.

The appointed design and build team will be required to submit a communication plan to show how they plan to engage in an inclusive and accessible way to practical completion.

5. Background papers

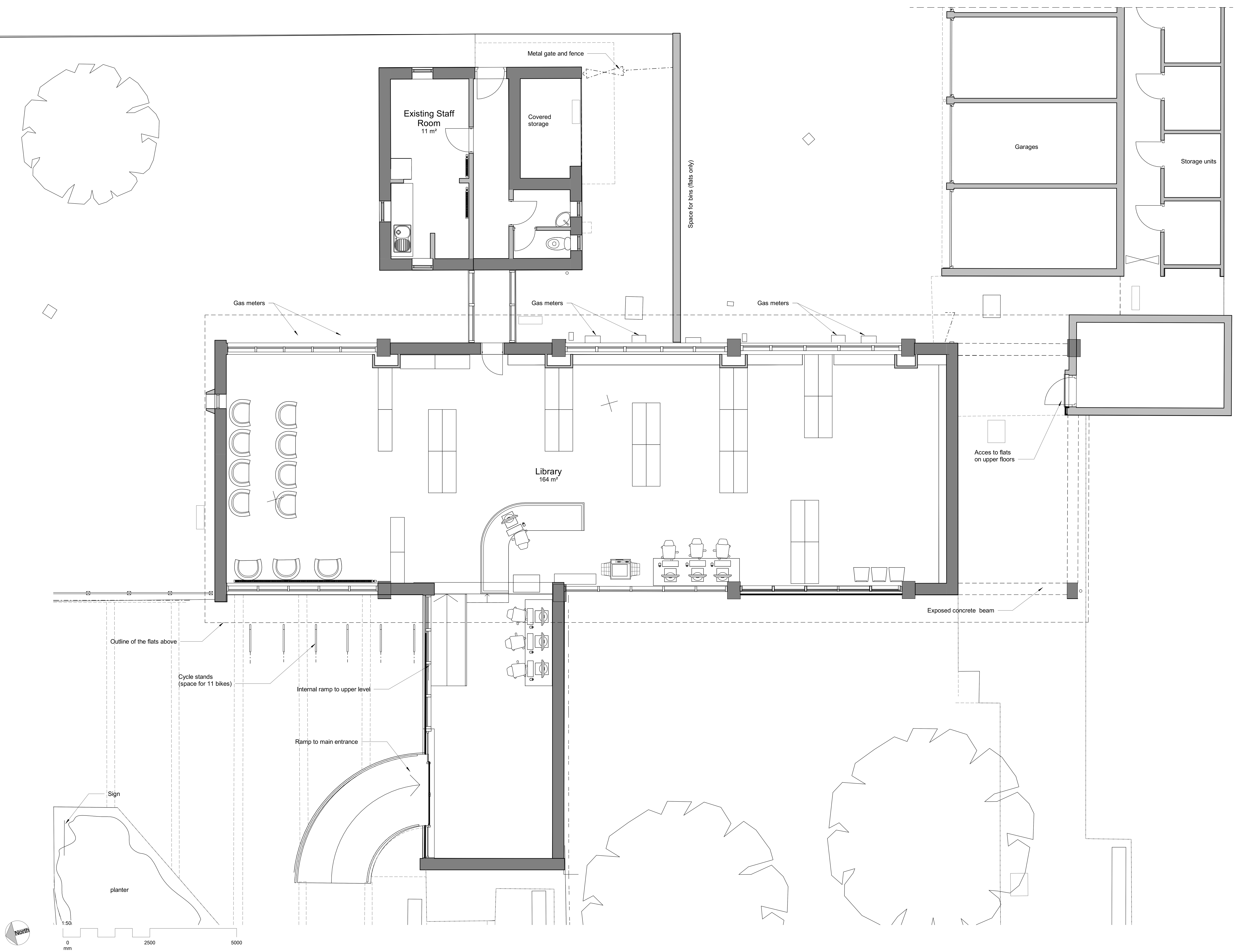
None.

6. Appendices

Appendix 1 – Existing Cherry Hinton Library Ground Floor Layout
Appendix 2 – Architects indicative visuals of Cherry Hinton Hub
Appendix 3 – New Cherry Hinton Community Hub Ground Floor Layout Plan
Appendix 4 – Equality Impact Assessment
Appendix 5 - Climate Change Rating Assessment

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Allison Conder, Strategic Project Manager, tel: 01223 457862, email: Allison.conder@cambridge.gov.uk



Rev	Description	Date	Drawn
1	PLANNING ISSUE	09.12.19	EK

Project No:	Scale @ A1:		
200102	1 : 50	21/09/18	LG

Ingleton Wood martindales
1A Oakington Business Park, Cambridge, CB24 3DQ
T: 01223 202040
www.iwmartindales.co.uk

Project:
Cherry Hinton Library

Client:
Cambridge City Council

Title:
Existing Ground Floor Plan

Drawing Number:
CHH-IWM-ZZ-00-DR-A-0090

Purpose of Issue: PLANNING

Revision: 1

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View looking towards cafe space

View looking at main entrance

High level view

Outdoor seating area

3	Revised to match plans	09.12.19	EK
2	Elevations revised to planners' comments	03.09.19	EK
1	Scheme revised following planning and steering group comments	22.07.19	ICM
Rev	Description	Date	Drawn
Project No: 200102	Scale @ A3:	20/09/18	LG

Ingleton Wood martindales
1A Oakington Business Park, Cambridge, CB24 3DQ
T: 01223 202040
www.iwmartindales.co.uk

Project:
Cherry Hinton Library

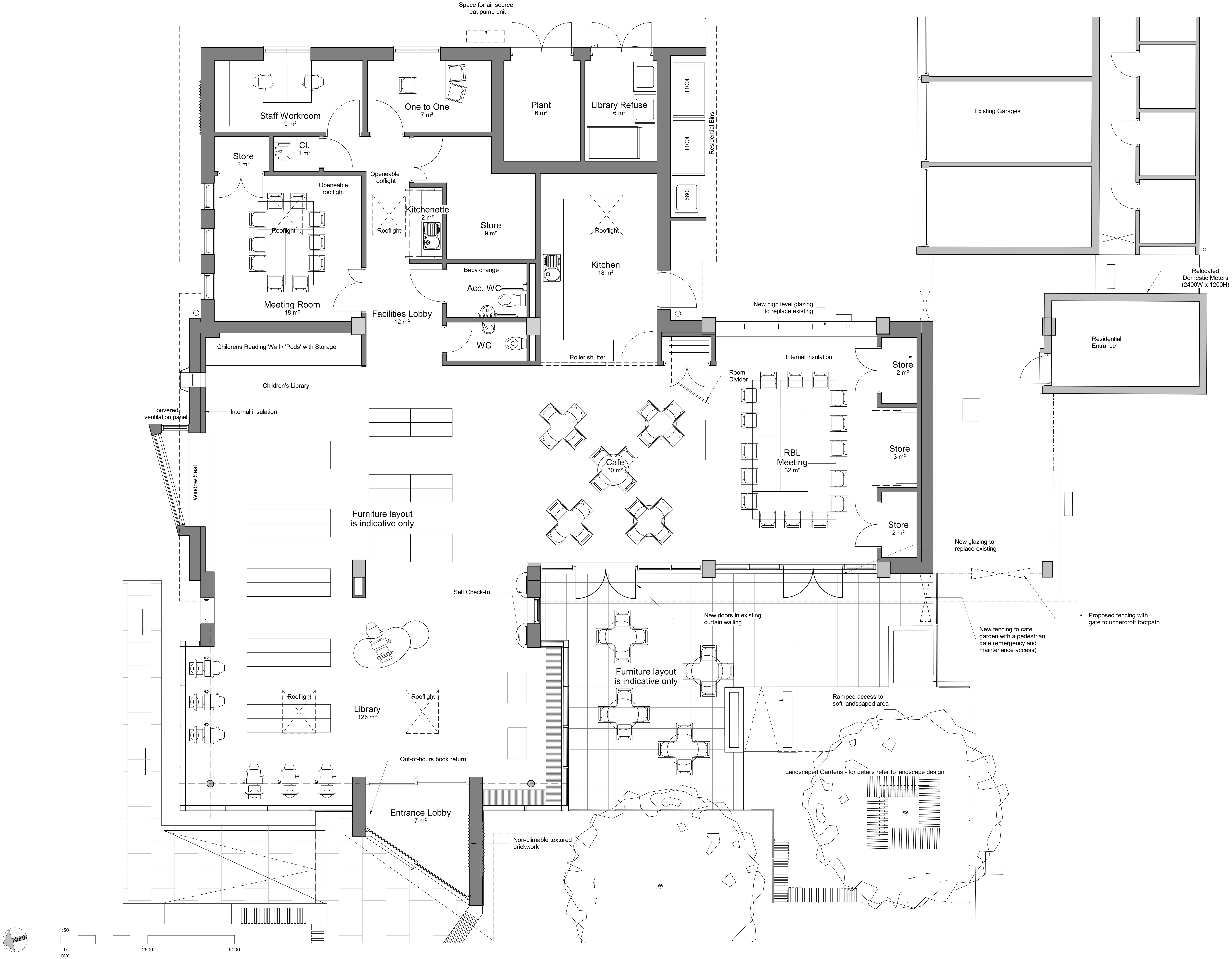
Client:
Cambridge City Council

Title:
Indicative visuals

Drawing Number:
CHH-IWM-XX-XX-DR-A- 0010

Purpose of Issue:
PLANNING

Revision:
3



Note:

All dimensions are approximate and subject to full survey and detailed design

Rev	Description	Date	Drawn
6	PLANNING ISSUE	09.12.19	EK
5	Revised to Client's comemnts	05.12.19	EK
4	Details added	18.09.19	EK
3	Elevations revised to planners' comments	03.09.19	EK
2	Scheme revised following planning and steering group comments	22.07.19	ICM
1	Planning Pre-app Issue	19.09.18	LG

Project No:	Scale @ A1:		
200102	1 : 50	14/08/18	JKA

Ingleton Wood martindales
1A Oakington Business Park, Cambridge, CB24 3DQ
T: 01223 202040
www.iwmartindales.co.uk

Project:
Cherry Hinton Library

Client:
Cambridge City Council

Title:
Proposed Ground Floor Plan

Drawing Number:
CHH-IWM-XX-00-DR-A-0100

Purpose of Issue:
PLANNING

Revision:
6

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Cambridge City Council Equality Impact Assessment (EqIA)

This tool helps the Council ensure that we fulfil legal obligations of the Public Sector Equality Duty to have due regard to the need to –

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Guidance on how to complete this tool can be found on the Cambridge City Council intranet. For specific questions on the tool email Helen Crowther, Equality and Anti-Poverty Officer at equalities@cambridge.gov.uk or phone 01223 457046.

Once you have drafted the EqIA please send this to equalities@cambridge.gov.uk for checking. For advice on consulting on equality impacts, please contact Graham Saint, Strategy Officer, (graham.saint@cambridge.gov.uk or 01223 457044).

1. Title of strategy, policy, plan, project, contract or major change to your service
Cherry Hinton Hub

2. Webpage link to full details of the strategy, policy, plan, project, contract or major change to your service (if available)
https://www.cherryhintonhub.org/

3. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?
The objective is to address a gap in access to community facilities for high need residents in Cherry Hinton that was identified in the Community Centres Strategy. The project will extend the existing council owned Cherry Hinton Library building to create an additional 122m2 of accommodation space that will provide three new flexible community meeting spaces; new storage; a refurbished library and library staff room; a new kitchen and community run café and outside café garden and seating area

4. **Responsible service**
Community Services

5. **Who will be affected by this strategy, policy, plan, project, contract or major change to your service?** **(Please tick all that apply)**	☒ Residents ☒ Visitors ☐ Staff

Please state any specific client group or groups (e.g. City Council tenants, tourists, people who work in the city but do not live here):

The Cherry Hinton Hub scheme is in the commercial centre of Cherry Hinton, on the corner of the High Street and Colville Road, and is ideally positioned to be accessible to Cherry Hinton residents and community groups. The hub facilities will also be available for hire by neighbouring community groups and by commercial organisations who need to hire a meeting space.

6. **What type of strategy, policy, plan, project, contract or major change to your service is this?**	☐ New ☐ Major change ☒ Minor change

7. **Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service? (Please tick)**	☒ Yes ☐ No

If 'Yes' please provide details below:

Property Services (Dave Prinsep) – the library building is a council owned asset
Estates and Facilities (Will Beavitt) - there are 5 council maisonettes above the library and there is an Estate Improvement Scheme to improve residential safety and access to these properties

8. **Has the report on your strategy, policy, plan, project, contract or major change to your service gone to Committee? If so, which one?**
A budget bid for £282k capital reserves was approved at Council in Feb 2019 (ref. 100256) This is EQIA is to accompany a report to S&R Committee on 11th October for additional reserves funding

9. What research methods/ evidence have you used in order to identify equality impacts of your strategy, policy, plan, project, contract or major change to your service?

A strategic review of community facilities was completed in 2016-17 and the evidence base from this was used to map accessibility to community facilities and outreach services. The strategy identified a gap in facility access for high need residents in Cherry Hinton.

Cherry Hinton Hub was granted planning approval in September 2020. There was wide community pre-application consultation and feedback on the scheme from residents and community groups and adjustments were made to the concept design from this feedback.

10. Potential impacts

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

(a) Age - Please also consider any safeguarding issues for children and adults at risk

Positive – Cherry Hinton Ward has a concentration of young people and families aged 30-44yrs and this scheme will provide a refurbished library area and a dedicated children's reading area. Safeguarding has been considered in the design of access to the garden area which will be fenced and secure. The library is currently only staffed 2.5 days per week, but the county is assessing whether to provide open hours access and/or whether to use volunteers to open for longer and give greater access for children and families and adults to online

(b) Disability

The hub and new garden area will all be fully accessible (Part M compliant) and will have hearing loops in all meeting rooms and the library. The Cherry Hinton Community Benefit Society membership includes disabled representatives from the community who have input to the consultation and design process.

(c) Gender reassignment

The toilets will both be gender neutral and self-contained, both with individual wash basins and hand dryers, and one will also be accessible with a baby change.

The Cherry Hinton Community Benefit Society will be encouraged to promote the hub as a Safe Space and receive training from the Encompass Network to ensure is as welcoming, accessible and inclusive as possible for people under the protected characteristic of gender reassignment (and transgender/gender variant people more widely).

(d) Marriage and civil partnership

No impact has been identified specific to this equality group

(e) Pregnancy and maternity

Positive – there will be a gender neutral, fully accessible toilet with baby change facility (not currently available in the existing library)

There will also be scope for parenting classes, and mother and toddler clubs to use the hub in future

(f) Race – Note that the protected characteristic ‘race’ refers to a group of people defined by their race, colour, and nationality (including citizenship) ethnic or national origins.

No impact has been identified specific to this equality group

(g) Religion or belief

No impact has been identified specific to this equality group

(h) Sex

The Council has committed to ensure all its buildings are breastfeeding friendly. By law women can breastfeed in public spaces but to be breastfeeding friendly means there will be signage to make women feel welcome to do so and staff working on the premises will be informed as to legal rights of women.

(i) Sexual orientation
The Cherry Hinton Community Benefit Society will be encouraged to promote the hub as a Safe Space and receive training from the Encompass Network, to ensure it is as safe, welcoming, and inclusive as possible for LGBTQ+ people.

(j) Other factors that may lead to inequality – in particular, please consider the impact of any changes on: • Low-income groups or those experiencing the impacts of poverty • Groups who have more than on protected characteristic that taken together create overlapping and interdependent systems of discrimination or disadvantage. (Here you are being asked to consider intersectionality, and for more information see: https://media.ed.ac.uk/media/1_l59kt25q).
Low income Groups - Positive. The hub will be used to support the ongoing COVID pandemic support work and community fridge, to ensure people who are struggling financially have access to fresh food and to mitigate holiday hunger. The Library will also provide free access to IT and online learning resources The hub will also provide a base for the local branch of the Royal British Legion to provide services and support to ex-military personnel. The RBL are providing £165k of upfront funding to brand the hub and to have access to the facilities for their activities

11. Action plan – New equality impacts will be identified in different stages throughout the planning and implementation stages of changes to your strategy, policy, plan, project, contract or major change to your service. How will you monitor these going forward? Also, how will you ensure that any potential negative impacts of the changes will be mitigated? (Please include dates where possible for when you will update this EqIA accordingly.)
An EQIA will next be completed at the technical and detailed design stage

12. Do you have any additional comments?
Over 30% of residents in the Ward live in single occupancy households, and bringing together the RBL, library, community café and meeting spaces into one building will provide a safe environment for the community to access services and support e.g. reducing social isolation and accessing counselling support services.

13. Sign off
Name and job title of lead officer for this equality impact assessment: Allison Conder Names and job titles of other assessment team members and people consulted: Ariadne Henry (CDO Inclusion and Engagement), Helen Crowther (Equality and Anti-Poverty Officer) Date of EqIA sign off: Click here to enter text. Date of next review of the equalities impact assessment: At the detailed and technical design stage after developing the Employers Requirements Date to be published on Cambridge City Council website: 11th October 2021

All EqIAs need to be sent to Helen Crowther, Equality and Anti-Poverty Officer. Ctrl + click on the button below to send this (you will need to attach the form to the email):

Send form

Project / Proposal Name or Reference: **Date:** **Your Name:**

1. IMPACT ON CARBON EMISSIONS (MITIGATION OF CLIMATE CHANGE)

	HOW WILL THIS PROJECT/PROPOSAL AFFECT THE FOLLOWING KEY AREAS:	WHAT IS THE IMPACT CONSIDERED TO BE? *See guidance in the purple box, below, to help you assess the degree of the negative and positive impacts e.g. High, Medium or Low*		CLIMATE CHANGE RATING: *Use drop down list*	WILL THE PROJECT MOVE CAMBRIDGE CITY COUNCIL CLOSER TO THE OBJECTIVE OF A BEING NET ZERO CARBON BY 2030? *Use drop down list*	WILL THE PROJECT MOVE THE CITY CLOSER TO THE OBJECTIVE OF A NET ZERO CARBON CAMBRIDGE BY 2030? *Use drop down list*	PLEASE DETAIL HERE THE ACTION THAT WILL BE TAKEN TO AVOID, MITIGATE OR COMPENSATE FOR THE NEGATIVE IMPACTS AND MAXIMISE POSITIVE IMPACTS?		HAS A NET ZERO CARBON OPTION BEEN CONSIDERED? PLEASE PROVIDE DETAILS.
1	ENERGY USE	Positive Impact:	Energy use will be reduced or renewable energy will be used	High Positive	Yes	Yes	**Consider:** ▫ Reducing demand for energy ▫ Specifying energy efficiency measures (e.g. insulation, low energy lighting) ▫ Generating renewable energy (e.g. heat pumps,	The scheme will replace an existing gas fired boiler with an Air Sourse Heat Pump, and this, combined with the upgraded fabric and energy efficiency measures mentioned above, will enable a 28% carbon reduction to be achieved overall	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	No extra energy use is involved						
		Negative Impact:	More energy (gas and/ or electricity) will be consumed (by CCC or others)						
2	WASTE GENERATION	Positive Impact:	Less waste will be generated OR amount of waste that is reused/ recycled will be increased	Nil			**Consider:** ▫Will resources be reduced or reused? ▫Will you use recycled goods? ▫Will recycling facilities be increased?	The building will provide the county's library service and a local community run café. The café will puse reuseable plates, cups and cutlery and will ensure it sources products with packaging that is recyclable	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	No waste will be generated						
		Negative Impact:	More waste will be generated (by CCC or others)						
3	USE OF TRANSPORT	Positive Impact:	The use of transport and/or of fossil fuel-based transport will be reduced	Nil			**Consider:** ▫ Will you purchase an electric vehicle? ▫ Will you specifiy the use of public transport ▫ How will you reduce the need to travel or transport goods	The Community Hub is located in the heart of Cherry Hintons commercial centre to ensure that it becomes part of combined visits to the library and the local shops, thereby reducing trabel. The scheme will include cycle parking and has no onsite parking to encourage walking and cycling, and discourage arrival by car	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	No extra transport will be necessary						
		Negative Impact:	CCC or others will need to travel more OR transport goods more often/ further						
4	SUSTAINABLE FOOD	Positive Impact:	Food will be locally grown and/ or meat-free	Medium Positive	Yes	Yes	**Consider:** ▫ Use of locally grown/ produced food ▫ Reducing use of imported food ▫ Reducing use of meat	The community café will ensure it sources locall grown produce where this is viable and the community hub will also be assessed for how it can support anti-poverty and food hardship issues in the Ward	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	No change in supply of food						
		Negative Impact:	Food will travel long distances and include meat						

2. IMPACT ON RESILIENCE (ADAPTATION) TO THE EFFECTS OF CLIMATE CHANGE

	HOW WILL THIS PROJECT/PROPOSAL AFFECT THE FOLLOWING KEY AREAS :	WHAT IS THE IMPACT CONSIDERED TO BE? *See guidance in the purple box, below, to help you assess the degree of the negative and positive impacts e.g. High, Medium or Low*		CLIMATE CHANGE RATING: *Use drop down list*	WILL THE PROJECT HELP CAMBRIDGE AND/ OR CCC TO BE MORE RESILIENT TO THE IMPACTS OF CLIMATE CHANGE?	WILL THE PROJECT HELP CAMBRIDGE AND/ OR CCC TO BE MORE RESILIENT TO THE IMPACTS OF CLIMATE CHANGE?	PLEASE DETAIL HERE THE ACTION THAT WILL BE TAKEN TO AVOID, MITIGATE OR COMPENSATE FOR THE NEGATIVE IMPACTS AND MAXIMISE POSITIVE IMPACTS?		HAS A NET ZERO CARBON OPTION BEEN CONSIDERED? PLEASE PROVIDE DETAILS.
5	HEATWAVES	Positive Impact:	Increased/ improved shade & natural ventilation	Medium Positive	Yes	Yes	Consider: Building orientation and installing measures such as Brise Soleil to reduce heat gain and plant hydration methods.	The community hub has been designed to have over-hanging roofs to minimise heat gain	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	No impact on existing levels of shade & ventilation						
		Negative Impact:	Lack of or reduced shade (e.g. from trees or buildings) & natural ventilation						
6	WATER AVAILABILITY	Positive Impact:	Provision made for an enhancement of water efficiency measures to minimise the impact on water resource availability	Low Positive	Yes	Yes	Consider: Managing water use efficiently, installing measures to use less water such as low water use taps, planting drought resistant plants and using rainwater for irrigation.	The new café kitchen and staff kitchenette and toilets fit out will be specified to be the most water efficient available. Water butts will be included for water reuse in the garden area and to reduce use of mains water.	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	Levels of water use will not be changed						
		Negative Impact:	Water use will increase and/or no provision made for water management = Negative Impact						
7	FLOODING	Positive Impact:	Sustainable drainage measures incorporated, positive steps to reduce & manage flood risk	Medium Positive	Yes	Yes	Consider: The installation of measures to reduce the speed and increase the absorption of rainwater e.g. green roofs, SuDS, permeable paving etc. and alternative arrangements (business continuity)	The new roof on the extended hub will be a green roof to slow down surface water run off. Water butts will be installed and used in the new café garden	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	Levels of surface water run-off & flood risk are not affected						
		Negative Impact:	Levels of surface water run-off will increase, no management of flood risk						
8	HIGH WINDS / STORMS	Positive Impact:	Exposure to higher wind speeds is being actively managed & reduced	Nil			Consider: the need to install stabilisation measures and ensure robust structures resilient to high winds	This is an existing building and there is no change to the exposure to high winds	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	No change to existing level of exposure to higher wind speeds						
		Negative Impact:	Exposure to higher wind speeds is increased or is not managed = Negative Impact						
9	FOOD SECURITY	Positive Impact:	Opportunities & resources for local food production are increased/ enhanced	Low Positive	Yes	Yes	Source food locally, and provide meat-free catering to reduce vulnerability to food shortages and reduce emissions from transport and farming of food	The community hub will be assessed to identify how it can play a role in reducing food insecurity in Cherry Hinton alongside the existing community fridge scheme	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	No change to opportunities & resources for local food production						
		Negative Impact:	Opportunities & resources for local food production are reduced						
10	BIODIVERSITY	Positive Impact:	Biodiversity will be protected/ enhanced	Medium Positive	Yes	Yes	Provide net gain mitigation if required and seek enhancement in projects of all types and scale	The community hub extension will include a green roof and a new outside café garden area that will be landscaped to encourage pollinating insects	No, this is an extension to an existing 1960's concreate frame building and so net zero carbon is not achievable
		Nil Impact:	Level of biodiversity will not change						
		Negative Impact:	Biodiversity will not decrease						

Weighing up the negative and positive impacts of your project, what is the overall rating you are assigning to your project?: ***Net High Positive***

This overall rating is what you need to include in your report/ budget proposal, together with your explanation to be included in the red box below

In the box below please summarise the projects impacts (the reasons for the ratings given in column E and F above) to explain how the overall rating for the project/ proposal has been derived (Cell E37). Please also highlight any negative impacts your project may have and how you plan to avoid, mitigate or compensate for these (as you will have detailed in column I above).

Reduced energy use and carbon reduction is the main positive impact and overall rating as Net high positive. The will be additional toilet provision and inclusion of a community café and garden, which may increase overall use of water, but to mitigate this the most water efficient toilet systems and push taps will be included in the design to minimise wastage, and water butts will be included in the garden to reduce use of mains water as far as possible.

Guidance on Assessing the Degree of Negative and Positive Impacts:
Note: Not all of the considerations/ criteria listed below will necessarily be relevant to your project

Low Impact (L)	* No publicity
	* Relevant risks to the Council or community are Low or none
	* No impact on service or corporate performance
	* No capital assets, or capital assets with lifetime of less than 3 years
Medium Impact (M)	* Local publicity (good or bad)
	* Relevant risks to the Council or community are Medium
	* Affects delivery of corporate commitments
	* Affects service performance (e.g.: energy use; amount of waste; distance travelled) by more than 10%
	* Capital assets with a lifetime of more than 3 years
High Impact (H)	* National publicity (good or bad)
	* Relevant risks to the Council or community are Significant or High
	* Affects delivery of regulatory commitments
	* Affects corporate performance by more than 10%
	* Capital assets with a lifetime of more than 6 years

Yes

No

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CAMBRIDGE CITY COUNCIL

Item

Strategy & Resources 11 October 2021: 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 2022/23 budget cycle and specific implications, as outlined in the MTFS October 2021 document, which is attached and to be agreed.

1.2 This report recommends the approval of new revenue and capital items and funding proposals for the council's capital plan, the results of which are shown in the MTFS.

1.3 At this stage in the 2022/23 budget process the range of assumptions on which the Budget Setting Report (BSR) published in February 2021 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 the budget for 2022/23 and to provide indicative budgets to 2031/32. All references to the recommendations to Appendices, pages and sections relate to MTFS Version 1.0

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 pressures, as presented in Sections 3 and 4 respectively [pages 19 to 30 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 6 [page 36 refers] and reserves [Section 7 pages 37 to 41 refer] of the MTFS document.

2.3 To agree the revenue budget proposals as set out in Section 4 [pages 19 and 20 refer].

Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Additional communications posts and digital consultation platform (license fee) - recurring	45	125	125	125	125
Additional costs of redevelopment of commercial units at Colville Road Phase 3		120	120		
Set up costs of a new housing company and Registered Provider	73				
Feasibility study to expand Cambridge City Housing Company	70				
Total	**188**	**245**	**125**	**125**	**125**

Capital

2.4 To note the changes to the capital plan and funding as set out in Section 5 [pages 31 to 35 refer] and Appendix A [pages 49 to 52] of the MTFS document.

2.5 To agree changes to the budget for the Meadows Community Hub and Buchan Street retail outlet scheme as set out below.

Ref.	Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	Proposals							
SC694	Meadows Community Hub and Buchan Street retail outlet	(1,224)	2,551	158	-	-	-	1,485
	Total proposals	**(1,224)**	**2,551**	**158**	**0**	**0**	**0**	**1,485**

2.6 To agree the replacement of third-party contributions of £210k for the community extension to Cherry Hinton library with council funding.

Reserves

2.7 To agree the transfer of £3.1m and £0.8m of GF reserves into earmarked reserves to support the delivery of the Our Cambridge transformation and recovery programme and to provide a contingency fund for the programme [page 41 refers]. Furthermore, to agree authorisation to draw down funding from these reserves to be as described.

2.8 To agree changes to GF reserve levels, the prudent minimum balance being set at £6.64m and the target level at £7.98m as detailed in Section 7 [page 39 refers] and Appendix B [pages 53 and 54 refer].

3. Background

3.1 The purpose of this report is to outline the overall financial position of the council and to consider the prospects for the 2022/23 budget process within the context of projections over the medium term. The detailed analysis undertaken to fulfil this is presented in the MTFS October 2021 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 ten-year projection period through to the year 2031/32, 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 revenue and capital costs, as identified, are included.

3.6 The analysis undertaken leads to a recommended integrated financial strategy for the 2022/23 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 6 refers].

6. Background papers

6.1 Background papers used in the preparation of this report:

- MTFS working papers on the 2021/22 and 2022/23 files

7. Appendices

The following item is included in this report:

- MTFS October 2021

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 1.0
11 October 2021
Strategy and Resources
Scrutiny Committee

General Fund
Medium Term Financial Strategy

October
2021

2021/22 to 2030/31

Cambridge City Council

CAMBRIDGE
CITY COUNCIL

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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 and beyond

The pandemic continues to have a profound impact on the daily life of the people of Cambridge. The forecasting undertaken by the Council in May and June 2020 proved remarkably accurate and allowed us the scope to plan effectively throughout the last financial year, despite the uncertainty caused by repeated lockdowns. Our most significant costs were from loss of income from Car Parking Services and Cambridge Live, allied to increased spending on Housing and Homelessness. As reported at the BSR earlier in the year, despite central Government promises to ensure we were recompensed for losses incurred as a result of COVID, that did not prove to be the case. We were left 40% short of the overall costs met by the Council, leaving us with a shortfall of approximately £7m.

The impact on the City's economy have been significant yet varied. Whilst some of our companies, most notably AstraZeneca, have been at the forefront of the national and global fight against COVID, there has also been significant personal cost. There has been a rise of over 100% in unemployment claimants. The reduction in footfall in the City Centre by over 80% for significant periods of last year has had a major and negative impact upon the retail, tourism, and hospitality sectors. At the time of writing (September 2021) there are encouraging signs of recovery, but these are early days, and we must ensure we work in partnership with businesses and other stakeholders to agree a Recovery Plan which will ultimately lead to a future vision of the City. This is all well and good but it is apparent that there has been a disproportionate impact upon our most deprived communities, and it is therefore vital we maintain a commitment to the core priorities of the Council, namely tackling poverty, and ensuring a sustainable carbon free future.

Shortfalls in Government Funding

Allied to the shortfalls in funding from central Government due to COVID there are further constraints that make accurate forecasting extremely problematic. Funding reform of Local Government has been anticipated for some years, however it is uncertain, when, if ever the Fair Funding Review will take place and the outcome Business Rates Review remains unclear. This has required us to make a series of assumptions which are outlined within the report. One thing is for sure however, the outlook for the next five years does not look positive, and we will have to plan to make savings. It is our estimation that these will amount to approximately £7.5m. In particular, post COVID, the financial years 2022-23 and 202324 look very challenging.

The Transformation Programme; “Our Cambridge”

In recognition of the financial challenges we face, the Council has embarked on an ambitious Transformation Programme, namely “Our Cambridge”. Rather than respond to the issues we face on an annual, reactive way, we are keen to build the Council we want to be in the future, aspiring towards ambitious goals, albeit within a financially sustainable plan. We will place working with our communities and our staff at the heart of this work. We aim to encourage an enhanced customer focus, strengthen strategic partnerships whilst encouraging an entrepreneurial approach to the work of the Council. This Programme will make us fit for purpose for the future, placing our core themes of tackling climate change and alleviating poverty at the heart of all that we do. This work will not come cheap, and we will have to invest now to succeed in time, which is why we propose spending £3.1 m from our reserves to fund the Programme.

Use of Reserves

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. We are in essence using our reserves to invest in our Council. Whilst we are fortunate to have reserves available, this is due to responsible and prudent management in the past and we will continue to be guided by the mantra 'you can only spend reserves once'.

Because of the ongoing uncertainty work has been ongoing to identify a base line over the next 5 years and then a best- and worst-case scenarios. I would draw your attention to this work. It was our belief last year that the long-term economic impacts of Covid-19 will only start to be understood in this financial year 2021-22 and the implications will be long term. That view has not changed. As outlined in the BSR we remain keen to use Reserves for Green Investments, and in the near future we will require funds to be used for the replacement of the Depot.

Managing Brexit and other 'unknowns'

As if the above isn't sufficient, the challenge of managing the impact of leaving the EU remains and remains largely unknown. We are already aware of the impact of low staffing levels in certain sectors e.g., haulage and hospitality. This has had some, albeit manageable implications for the work of Cambridge Investment Partnership whereby some unexpected delays and costs have been felt. It is worth noting however that this Partnership has continued to deliver beyond expectations, and we have built the 500 Council homes we promised, and on time. This partnership with Hill has rightly been celebrated and is a wonderful example of what can be achieved by Local Authorities with innovative yet prudent management.

Finally, if the pandemic has taught us one thing, it is that we must be aware and responsive to unexpected challenges and as we enter the next 6 months the increase in energy charges and perhaps more significantly interest rates will need to be factored into our future financial planning.

Our Strategy

At the risk of reiterating what was said last year, this is the challenging and uncertain context within which we must deliver our financial plan. We remain unsure of what limited funding will be provided by the Government, so 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. This approach might need to be reviewed in the mid-term depending upon the outcome of central Government funding reviews.

The MTFS has identified the pressures we face in the years ahead and the way we will address those challenges. At the core of this work will be the Transformation Programme, which we believe will enable us to secure and enhance existing services and to make a Council fit for purpose and financially sustainable. Our primary goals 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 ongoing impact of coronavirus.

The MTFS will also help us plan the Budget Setting Report for 2022/23 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 'one city fair 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. Last year, consideration was given to the current and potential future financial impacts of the Covid-19 pandemic. These considerations continue to underlie the development of the financial strategy, with an emphasis on recovery and the creation of a 'new normal' for both the city and the council.

However, the most significant development is the extension of the strategy to cover ten years rather than five. This reflects ongoing concerns that funding for local government has fallen behind the costs of delivering services and that, as a result, some councils are becoming financially unsustainable. Indeed, a number of councils in this position have negotiated financial support from central government. Moving to a ten-year financial strategy will enable the council plan more effectively and show how it intends to address its financial challenges. In so doing, the council is also reflecting best practice and meeting the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code.

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 ten years
    - Resources to be made available for funding the capital plan

    - The level of GF general reserves
- Risks to the delivery of the financial strategy and the levels of uncertainty, particularly in the later years.

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 2021 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
2021	
11 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
21 October	Council considers both GF and HRA MTFS reports
2022	
4 January	Budget Setting Report (BSR) published
7 February	BSR and any budget amendment proposal considered by Strategy & Resources Scrutiny Committee
7 February	The Executive consider and recommend the BSR and Council Tax level to Council
24 February	Council approves Budget Setting Report and sets the level of Council Tax for 2022/23

Section 2
Policy context, priorities and external factors

Local policy context and priorities

Corporate Plan

The council's Corporate Plan was approved in February 2021 at the same time as the budget for 2021/22. It sets out three priority themes and the strategic objectives to deliver the council's vision of 'One Cambridge, Fair for All'. It describes what success will look like and includes performance indicators to measure progress. The priority themes are:

- Tackling poverty and inequality and helping people in the greatest need
- Leading Cambridge's response to the climate change emergency and biodiversity crisis
- Delivering quality services within financial constraints while transforming the council.

A number of significant, long term projects are set out within these themes, including the development of a joint Greater Cambridge Local Plan with South Cambridgeshire District Council, the delivery of the 500 new council homes, with plans for 1,000 more under development, the delivery of a new, low-carbon city quarter in North East Cambridge on the last significant brownfield site within the city, and developing a long-term strategy and plan for whole-council transformation to enhance the services the council delivers for and with communities while meeting the financial challenges the council faces.

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.

The current Corporate Plan expires at the end of the 2021/22 financial year, so is due to be reviewed and refreshed alongside the BSR.

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 (GCP)

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 is considered to be 'on track' to deliver the commitments made as part of the City Deal.

The GCP's vision is 'Working together to create wider prosperity and improve quality of life now and into the future', specifically as shown below.

£500 million Up to £500m from government, with local and private investment	**33,500 Homes** Accelerating delivery of new homes for all	**44,000 Jobs** Supporting jobs and apprenticeship growths in the region
Better Greener Transport Connecting people to homes, jobs, study and opportunity	**Strong & Healthy Communities** Improving quality of life for existing and new communities	**Air Quality** Addressing the damaging effects of air pollution

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. Ways will need to be found to manage congestion and generate revenue to support improved public transport services –

these may have impacts on City Council services and finances. The service and financial impact of such measures will be factored into the council's financial planning as the impacts become clearer.

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 (CPCA)

The CPCA is a Mayoral Combined Authority made up of a directly elected mayor and seven local authorities[1]. It works with these councils, the Business Board, other local public services, government departments and agencies, universities and businesses to grow the local and national economy. Councillor Lewis Herbert represents the council on the CPCA. The key ambitions for the combined authority include:

- doubling the size of the local economy
- accelerating house building rates to meet local and UK need
- delivering outstanding and much needed connectivity in terms of transport and digital links
- providing the UK's most technically skilled workforce
- transforming public service delivery to be much more seamless and responsive to local need
- growing international recognition for our knowledge-based economy
- improving the quality of life by tackling areas suffering from deprivation

The CPCA receives funding and powers from central government in a number of areas including housing, transport and skills. It has been agreed that the CPCA's operating 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 current 500 new council homes programme is supported by £70m of central government funding channelled through the CPCA, bringing an income stream to the Housing Revenue Account as those houses come on stream.

Cambridgeshire County Council

Following the change in political control at Cambridgeshire County Council, progress is being made towards a closer working relationship with that council, where the two councils' interests are complementary and particularly with a view to transforming service provision.

Shared services

The council shares some services with neighbouring councils, benefits include improvements in service delivery, efficiencies and greater resilience. 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 substantially reduced economic activity. Throughout the remainder of 2020 and 2021, lockdowns have been eased and reapplied in response to changes in infection rates, with high streets and workplaces operating with social distancing measures. Whilst the government sought to soften the financial impact on individuals and businesses to support the lock-down, there have been major financial consequences for councils arising from reduced income, service pressures and additional responsibilities. Whilst some funding was made available, the level of funding provided in 2020/21 only met about 60% of budgetary pressures. Some central government funding has continued into the first quarter of 2021/22, reflecting the expectation that the effects of the pandemic will have ceased by summer 2021.

The country is currently (July/ August 2021) experiencing an increase in infections due to the Delta variant. However, high rates of vaccination within the population appear to be controlling the severity of infections and restrictions were largely removed from 19 July 2021. However, risks remain that further variants may arise requiring the re-imposition of restrictions, levels of business activity may not recover to pre-pandemic levels, and that household incomes of those on lower income levels will remain depressed.

As a result, there is considerable financial uncertainty for the council due to the cost of potential additional service demands and downward pressures on income streams, including business rates, council tax and car parking.

The European Union (EU)

The United Kingdom (UK) formally left the EU on 31 January 2020. Following a transition period, the EU-UK Trade and Co-operation Agreement came into force on 1 May 2021. Whilst significant negative impacts on trade between the UK and EU were seen initially, levels have recovered to some extent. Whilst many EU citizens living and working in the UK have returned to their countries of origin, more remain than originally expected. However, shortfalls of workers have been experienced in some sectors, including hospitality, logistics and social care. It has been noted that the overall impacts of Brexit are masked by the effects of the Covid pandemic so it is therefore difficult to assess the likely impact on the UK economy and on businesses more locally.

Inflation rates

The base rate of inflation used to drive expenditure assumptions in this MTFS is the Consumer Price Index (CPI). CPI has been volatile over the last 18 months, with rates ranging from 0.2% to 3.0%.
The Bank of England's Monetary Policy Report of May 2021 forecasts a level of CPI in quarter 2 of each year at 1.7% for 2021, 2.3% for 2022, 2% for 2023 and 1.9% by 2024. The over-arching view is that inflation will return to the target of 2% later this year and will then fluctuate around the target level for the medium term.

The Office of Budgetary Responsibility (OBR), in their Economic and Fiscal Outlook in March 2021, forecast an increase in CPI during 2021, to return to nearer the target level of 2%, again fluctuating close to this level for the medium term.

Continued economic uncertainty, as a result of a combination of factors including the impact of exit from the EU and the longer-term effects of the coronavirus pandemic, make accurate predictions difficult. In addition, shortages of some goods such as building materials, and issues in recruiting to some roles are likely to lead to higher rates of inflation in these areas. Taking account of the views of the Bank of England and the OBR it is considered appropriate to retain the assumption that inflation will remain at the target level of 2% from 2022/23 onwards. 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.

For the purposes of this MTFS and in light of the significant savings requirement identified in BSR 2021, no allowance has been made for non-pay inflation in 2022/23, except where costs are contractually driven. This will create a saving of approximately £279k in 2022/23, with further savings in future years due to the cumulative effect of this change. Thereafter, CPI is applied to these costs.

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. The Bank of England base rate was reduced to 0.1% on 23 March 2020 and has remained at that level. The next review of the rate is due on 22 September 2021. 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 1.04% in 2020/21.

It is anticipated that interest rates will remain low for the foreseeable future, which will result in a near zero return on short-term investments and liquid cash. Coupled with this, the change to the way in which the council finances its capital expenditure going forward (see section 5) will lead to a significant reduction in the level of excess cash balances which are available for the council to invest over the longer term. It is assumed that the council will retain existing long-term investments only where these are delivering a return in excess of the council's external borrowing costs for the financing of new capital expenditure. This combination of factors is likely to see a significant drop in interest income from 2022/23 onwards.

The HRA is entitled to claim a proportion of interest earned on cash balances invested by the authority. The rate of interest assumed is based upon the HRA clawing back interest from the GF 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.

The actual average rate of interest earned on investments that benefited the HRA for 2020/21 was 0.60%, although this included some residual interest from older investments at higher rates that have now matured. The council is unlikely to achieve these rates in the current climate, and it has therefore been assumed that the HRA claws back interest at a rate of 0.2% from 2021/22 on an ongoing basis.

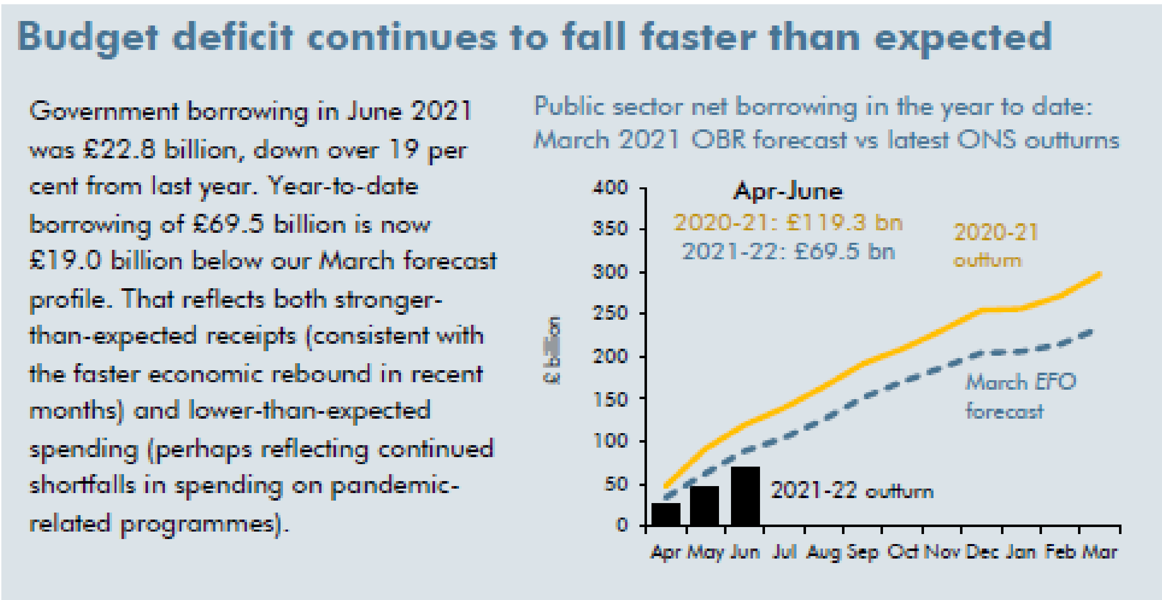
Interest rates on external borrowing

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

Public sector finances

The OBR published its commentary on Public Sector Finances – June 2021 on 21 July, https://obr.uk/monthly-public-finances-briefing/ , highlighting a more positive situation than forecast. Receipts, particularly Corporation Tax and PAYE/NICs, were higher than expected and provide firm evidence for the economic rebound.



On the same day, the Institute for Fiscal Studies (IFS) published a briefing note, 'What does the changing economic outlook mean for the Spending Review? https://ifs.org.uk/publications/15542. The IFS notes that, although the short-term picture is better than expected, 'the medium-term outlook contains much less good news, as the pandemic is still expected to have done permanent damage to the economy'.

This means that the Chancellor could potentially afford some short-term spending increases in the Spending Review, assuming little or no additional Covid-related spending requirements. However, the IFS describes the Chancellor as having much more limited room for manoeuvre in the medium term, with no headroom against his target of a balanced budget in 2024-25 and 2025-26. Day-to-day spending is set to rise by 2.1% per year in real terms over the next four years – but these increases have already been allocated to the NHS, schools, defence and overseas aid, and there is a 'cacophony of calls for additional spending'. The IFS estimates that 'some unprotected budgets would be facing real-terms cuts of around 3% between this year and next'.

Government spending announcements

The Chancellor was expected to launch the Spending Review in the week commencing 19 July, just before the parliamentary summer recess. However, the formal launch was delayed until 7 September. It will be a multi-year spending review covering the years 2022/23 to 2024/25, providing details of overall government spending for those three years. It will conclude on 27 October alongside the Autumn Budget.

From a local government funding perspective, details about the package for local government in 2022/23 are unlikely to be known until later in November, or even in the provisional settlement in December 2021. Whilst the spending review will cover three financial years, it is not yet clear whether the local government finance settlement will be for one year or cover the whole three-year period.

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 was suspended and a one-year finance settlement agreed for 2021/22.

No new implementation date has yet been confirmed and it is now widely anticipated that any reforms will be further delayed until at least 2023/24. In addition, the Chancellor has announced a fundamental review of the business rates system and further uncertainty is introduced by the forthcoming autumn spending review.

During 2020/21 the government provided a number of un-ringfenced Covid-19 emergency grants to the council, alongside other grants to address specific cost pressures arising from the crisis. Whilst this support was welcome, it has been announced piecemeal and often with little warning, which makes financial planning challenging even over the short-term. Furthermore, the support provided was only sufficient to cover 61% of the total cost of the pandemic to the GF in year. Whilst some further one-off funding has been announced for 2021/22, the full extent and duration of this remains uncertain, and again it is unlikely to cover the full ongoing costs. For example, whilst the impacts of the pandemic on income streams such as car parking and Cambridge Live are still very much being felt, the government has to date only offered to partially compensate for this loss up until the end of June 2021.

The government also introduced a new Lower Tier Services Grant in 2021/22, to ensure that no council experienced a loss of spending power in the context of no indexation on lower tier services, and reductions in New Homes Bonus income. However, this was described as a one-off grant, and no announcement has yet been made on whether this funding will be repeated for another year should the FFR be further delayed.

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 funding reform (the FFR and business rates review) will be implemented in 2023/24 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:

- There will be another one-year settlement for 2022/23, based upon a rollover of the 2021/22 settlement with CPI inflation
- The changes resulting from the FFR and business rates retention review are implemented in 2023/24, with a full business rates baseline reset in that year
- The local share of business rates is increased from 50% to 75%, with the District share retained at 40%
- 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

- Real terms year-on-year business rates growth of 1% per annum until 2025/26, with no further growth in business rates income assumed beyond this point due to the level of uncertainty around the future funding model

From the Council's perspective, the largest risk in relation to funding is that the business rates reset occurs a year earlier in 2022/23, or that an alternative mechanism is devised by government for the distribution of business rate surpluses in that year. This would result in a significant loss of business rates income which has been accumulated through growth since the last reset.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Baseline funding level (BFL) / Settlement funding assessment (SFA)	**4,272**	**4,357**	**4,118**	**4,118**	**4,118**	**4,118**
Release of provision for Material Changes in Circumstances (MCCs) no longer required	9,676	0	0	0	0	0
Growth element and other adjustments	71	2,017	883	1,138	1,405	1,405
Business rates income	**14,019**	**6,374**	**5,001**	**5,256**	**5,523**	**5,523**

The current set of base assumptions used to model business rates 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 2021/22 are expected to be the last awards under this scheme, alongside some legacy payments arising from previous years being receivable in 2021/22 and 2022/23, albeit at a reduced level from previous years.
The government consulted on the future of the NHB in Spring 2021, and the outcome of this consultation has not yet been published. Therefore, no receipts of any growth-related funding have been assumed beyond the current year.

Council tax

The impact of Covid-19 on the local economy has seen a significant increase in the volume of local council tax support claims, which has led to a corresponding reduction in the council tax base over the past 2 years. As we enter the recovery phase, it is forecast that the council tax base will begin to grow again, although it may not return to pre-pandemic levels until 2023/24.

The base assumptions modelled in this MTFS are:

- Current referendum principles which allow district councils to increase their precept by the greater of £5 or 1.99% each year will continue for the foreseeable future, and the Council will continue to apply the maximum permissible increase each year
- Gross dwellings will increase in line with the Council's planned housing trajectory, with the mix of valuation bands remaining similar to that experienced in recent years
- The level of student exemptions will return to pre-pandemic levels in 2022/23 and will continue to grow in line with the housing trajectory, on the assumption that some of the new dwellings completed will be occupied by students
- The level of local council tax support claims, and the overall council tax collection rate, will return to their pre-pandemic levels over a two-year period starting in 2022/23

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Forecast tax base for council tax setting	43,530.5	43,983.7	45,343.7	45,699.8	46,077.2	46,393.4
Council precept (£)	207.50	212.50	217.50	222.50	227.50	232.50
Council tax income (£'000)	**9,033**	**9,347**	**9,862**	**10,168**	**10,483**	**10,786**

Section 3
Review of key assumptions

Budget forecasts presented in the February 2021 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 1.0%** (previously 1.5%) plus: 2022/23 and on-going - 2.0%	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.
General inflation (OBR/BoE)	**2022/23 0% and after – 2.0%** (previously 2.0% all years)	The same inflation factors are applied to Central and Support Services as for direct services.

Key area	Assumption	Comment / Sensitivity
Fuel/Utilities	2022/23 and after – 2.0%	Updated central provisions have been made as appropriate for fuel, electricity and gas based on current knowledge of these markets or revised contractual commitments.
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 with the financial impacts of any recommended changes to be brought forward through the budget setting report in February 2022. Property rental income based on detailed projections and rent reviews.
Investment interest rate assumption	Investment specific	Due to changes to the approach to capital financing, only specific long-term investment balances will be held.
Interest paid on HRA cash balances	0.2%	Based on current projections
Council Tax increase	**Greater of £5.00 or 1.99% in each year** (previously 1.99%)	Assuming that current referendum principles remain unchanged for the foreseeable future. A 1% change in council tax represents about £90k p.a. for the council.
Council Tax Base	Per housing trajectory	Gross dwellings are increased in line with the forecast housing trajectory, with exemptions and local council tax support claims increasing in proportion following a 2 year Covid-19 recovery phase commencing in 2021/22. Collection rates are assumed at 96.9% for 2021/22, 97.8% for 2022/23 and 98.7% (pre-Covid levels) for 2023/24 and thereafter.

Section 4
Review of budgets and savings targets

2020/21 outturn

The Covid-19 pandemic had a significant impact upon the council's finances during 2020/21. In July 2020, an interim update to the MTFS was published which forecast additional net service expenditure of £9.8 million, the majority of which related to the loss of key income streams such as car parking and Cambridge Live. At the same time, mitigating measures of £1.5 million were agreed, so that the net impact on service budgets was £8.3 million.

In the event, the pandemic has lasted considerably longer than initially anticipated, and as a result the financial impact on the council has been much larger. Whilst some additional government support was provided, this has not covered the full costs incurred, and the final outturn was a further £1,785k adverse variance against the revised July 2020 budget on net service expenditure (after approved carry forwards). For comparison, a favourable variance of £2k was recorded in 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 a decrease in the GF reserve of £669k *(2019/20: increase of £1,486k)*.

2021/22 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 Covid-19 pandemic is continuing to have a significant impact on the council's finances, and although we are now entering the recovery phase, uncertainty remains around its longer-term impact. For example, with many people now working from home on a more regular basis, it is possible to car park usage may never return to pre-pandemic levels.

As at the end of June 2021, the council is forecasting an adverse variance of £1.5 million against its GF budget for 2021/22. This is largely driven by continuing Covid-19 related pressures on a number of service income lines. This will be partially mitigated by government compensation for sales, fees and charges, although the extent of this is not yet known.

In-year revenue proposals

In general, all revenue proposals are considered during the budget-setting process so that they can be prioritised, and a holistic view of additional spending requests can be taken. Revenue proposals are presented in the MTFS on an exceptional basis only, where essential additional in-year spending has been identified. The following proposals are presented for consideration:

Transforming the council's communications and engagement capacity (2021/22 £45k, 2022/23 and future years £125k)

Cambridge City Council delivers a wide and complex range of services to our communities and stakeholders. Communicating clearly what those services are, how residents can use them and how they are changing, as well as playing a community leadership role on our policy priorities, and engaging in meaningful two-way dialogue with our communities requires a range of communications skills and tools, and the capacity to use them effectively. The council has to date allocated far fewer resources to this area of activity than other comparable councils.

Building on our learning over the last 18 months and looking ahead to a period of transformation in the council and recovery and renewal across the city, the council needs to invest in transforming its communications capacity and capability. We will recruit additional communications professionals and use digital tools and techniques to modernise and manage more effectively the way the council consults and engages with its communities.

Costs of temporary accommodation for Colville III development (2021/22 and 2022/23 £120k per year)

The council is redeveloping commercial units and HRA housing on Colville Road in Cherry Hinton. The proposal covers the revenue costs of providing temporary accommodation for the council's commercial tenants during the redevelopment.

Set up costs of a new housing company and Registered Provider (RP) (2021/22 £73k)

The Council currently has two bodies that can own and let homes, the HRA and the Cambridge City Housing Company. There are restrictions within the HRA which mean that tenancies are let on an introductory and then secure basis and tenants have the right to buy. The housing company has been set up to deliver sub-market rental housing in which homes are let on a non-secure basis through assured short hold tenancy agreements, as in the private rental market. The housing company is not an RP so it is unable to attract funding though Homes England or other government sources and as currently structured cannot be accredited as an affordable housing provider.

A recent bid to Homes England included some rent to buy homes that would need to be let on an assured shorthold tenancy. Initial advice has been that rather using the existing housing company, the better option would be to set up a sister company as an RP. Other benefits would be flexibilities needed to respond to opportunities in relation to funding e.g. MHCLG homelessness funding. Set up costs are expected to consist of legal advice (£28k), tax and accounting advice (£15k) and project management (£30k).

Feasibility study to expand Cambridge City Housing Company (2021/22 £70k)

Cambridge City Housing Company (CCHC) is an independent company wholly owned by the City Council, which was established to alleviate some of the pressures on intermediate housing in Cambridge. During the pandemic CCHC expanded its business to offer accommodation to 10 residents previously sleeping rough. The recent scoping analysis suggests that CCHC could develop a programme to acquire homes, let them at affordable rents, and make improvements to those properties to move them towards net zero carbon. That programme could be financed with long term borrowings.

To assess the feasibility of such a programme more detailed analysis, financial modelling and programme design is necessary. Support from a specialist provider to co-design the programme with the City Council/CCHC will be required (£40k), including advice from treasury advisors (£10k) and property tax lawyers (£20k). The project will be managed in parallel with the project described above to improve value for money, reduce procurement costs and ensure compatibility.

Our Cambridge - Transformation and recovery programme

The council has embarked on a whole-council transformation and recovery programme to reshape and enhance the council and enable it to remain financially sustainable. This programme is a development of, and replacement for, the previous programme of standalone service reviews. We have identified and are using the following themes to direct our work:

- Enhanced customer focus – putting customers at the heart of services, making best use of digital technology to deliver more effectively and efficiently and focusing on what customers value
- Exploring entrepreneurial / commercial opportunities where appropriate, including reviewing our income streams post-Covid to ensure we are investing to support the delivery of our social goals and objectives
- Strategic partnerships including a strengthened relationship with communities building on the Covid-19 response
- Better working in neighbourhoods and communities, linking service delivery to local priorities
- Continuing to deliver cross-cutting policy priorities (anti-poverty, climate and biodiversity, meeting housing need)

In order to deliver the fundamental changes to ways of working and significant saving identified by the programme, a budget of £3.1m spread over the years 2021/22 to 2023/24 is required. In addition, a further contingency of £800k is requested. It is proposed that this is funded from GF reserves, as shown in the table in Section 7 and made available through an earmarked reserve to allow flexibility in the timing of expenditure.

Further consideration of the programme, its purpose, structure benefits and costs are 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.

It should be noted that in calculating these savings requirements, several indicative unavoidable pressures have been modelled, which may or may not crystallise into budget proposals. There also remains significant uncertainty, particularly around future government funding levels. As a result, no adjustment has been made to smooth savings requirements across each year.

Applying revised assumptions, the net savings requirement before unavoidable items totals around £7.5m for the 5-year period. In particular, the savings requirement in both 2022/23 and 2023/24 is exceptionally challenging due to the expected continuation of significant Covid-related pressures.

Description	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Net savings requirement – new each year (BSR Feb 2021)	**2,131**	**1,567**	**320**	**1,194**	**175**	**5,387**
Approval sought as part of this MTFS:						
Additional communications posts and digital consultation platform (license fee)	125	125	125	125	125	
Additional costs of redevelopment of commercial units at Colville Road Phase 3	120	120				
	245	**245**	**125**	**125**	**125**	
Changes to assumptions and technical adjustments:						
Changes to business rates assumptions	(271)	(32)	(32)	(32)	(32)	
Changes to council tax assumptions	33	(130)	(97)	(418)	(722)	
Changes to inflation assumptions	(280)	(505)	(486)	(1,790)	(1,854)	
Indicative cost of revised capital financing strategy	40	180	320	460	600	
Detailed review of recharge and earmarked reserve budgets	(191)	(309)	(307)	(221)	(98)	
Additional Employers NI contributions	220	220	220	220	220	
Further adjustment to correct unallocated budget on earmarked reserves	(389)	(687)	(1,184)	(640)	(640)	
Net impact of funding changes, inflation and other assumptions	**(838)**	**(1,263)**	**(1,566)**	**(2,421)**	**(2,526)**	
Indicative unavoidable pressures – not yet proposals:						
Reduced income – car parks	517	1,695	2,208	2,717	3,220	
Reduced income – commercial property	390	610	560	510	460	
Additional costs – planning[1]	600	600	600	600	600	
Additional costs – waste	100	100	200	200	300	
Removal of Lion Yard MRP	(150)	(150)	(150)	(150)	(150)	
Other unavoidable pressures	108	(42)	8	83	83	
	1,565	**2,813**	**3,426**	**3,960**	**4,513**	
Net indicative changes to funding and expenditure	**972**	**1,795**	**1,985**	**1,664**	**2,112**	
Revised (MTFS) net savings requirement (new each year)	**3,103**	**2,390**	**510**	**873**	**623**	**7,499**

Note 1: This item reflects the level of overspend for 2021/22 forecast by the service and is the current best estimate of the indicative pressure. As there is review work ongoing, proposals coming forward for consideration during budget setting are likely to differ from this level.

The level of net savings requirement identified by this MTFS provides a baseline for detailed budget setting work. 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.

Scenario Planning

As noted throughout 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. However, to assist with financial planning, we have considered two alternative scenarios, in order to assess the likely impact on the council's savings requirement should these crystallise.

Scenario 1 – Return to lockdown conditions

In this scenario, a new strain of Covid-19 emerges in early 2022. Whilst the characteristics of the disease have not changed, it is quickly discovered that existing vaccines are completely ineffective against the new strain, and with cases rising rapidly the UK government moves quickly to reinstate lockdown conditions similar to those seen in March 2020.

As before, the restrictions imposed are successful at controlling the virus, but at significant social and economic cost. The 2022/23 financial year closely mirrors 2020/21, with varying degrees of restrictions in place at different times of the year depending upon case numbers and hospitalisation levels. Vaccines are updated quickly, and by the spring of 2023 sufficient numbers have received a new vaccination to allow restrictions to be lifted once again.

Under this scenario, the following assumptions are applied:

- The council suffers loss of income and additional expenditure in line with that experienced in 2020/21. However, the extended nature of the pandemic has reduced central government's ability and willingness to support local authorities, and as such the council is only compensated for 50% of its additional net expenditure (compared with 58% in 2020/21).
- Recovery commences in 2023/24, but after such a long period of restrictions it takes 3 years for economic activity to return to pre-Covid levels.

- No increase in fees and charges income is assumed up to and including 2025/26, due to the residual effects of the lockdown in terms of reduced volumes and economic pressure on service users.
- General inflation assumptions are held at 0% for the same period as a result of continuing budgetary pressures on the council, before returning to 2% in 2026/27.
- The business rates multiplier is frozen until 2025/26, and business rates income continues to be affected by higher than usual levels of empty property relief. No business rates growth is assumed until 2025/26, and the fair funding review is further delayed until 2026/27.
- The number of local council tax support claims continues at its 2020/21 level until the end of 2022/23, before gradually returning to its pre-Covid levels by 2026/27. The council tax base is also affected by an average one-year delay to housebuilding within the city.
- All non-urgent capital projects are delayed for two years, both as a consequence of lockdown and in order to focus council resources on recovery efforts.

The impact of the above scenario on the council's savings requirement can be seen in the table below:

Description	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Net savings requirement – new each year (base scenario)	**3,103**	**2,390**	**510**	**873**	**623**	**7,499**
Scenario 1 impacts:						
Loss of sales, fees and charges income	0	9,000	3,000	1,000	500	
Additional expenditure	0	3,500	1,000	500	250	
Additional government support and compensation	0	(6,250)	(2,000)	(750)	(375)	
Changes to inflation assumptions	0	0	640	1,430	1,537	
Changes to business rates assumptions	0	(1,077)	856	682	852	
Changes to council tax assumptions	0	(96)	(227)	(143)	(86)	
Impact of changes to business rates assumptions on contribution to reserves	0	992	(702)	(439)	(517)	
Net impact of scenario 1	**0**	**6,069**	**2,567**	**2,280**	**2,161**	
Revised net savings requirement – new each year (scenario 1)	**3,103**	**8,459**	**(2,992)**	**586**	**504**	**9,660**

Scenario 2 – Economic shock

In this scenario, the UK recovers relatively quickly from the effects of Covid-19, with activity at pre-Covid levels by the end of 2022/23 (as per the base scenario). However, in 2023/24 there is a global economic shock similar to the financial crisis experienced in 2007, and the UK enters a recession. Economic recovery takes 3 years, although the government's initial response is to usher in a period of renewed austerity in public spending, leading to a permanent reduction in the spending power of local authorities.

Under this scenario, the following assumptions are applied:

- There is no change to the base scenario in 2021/22 or 2022/23. The business rates baseline reset proceeds as planned in 2023/24, before the recession takes hold.
- In 2023/24, the council suffers a 5% reduction in net collectable business rates, coupled with a drop in collection rates as businesses struggle to pay or enter insolvency. No further business rates growth occurs for a three-year period. Furthermore, the business rates baseline is frozen for 3 years starting in 2024/25, as is the business rates multiplier.
- Increased unemployment sees a sharp increase in local council tax support claimants (similar to that experience as a result of the Covid-19 pandemic). After a three-year period, the number of claimants gradually returns to normal over the course of 2 years. Council tax collection rates also experience a sharp drop with an extended recovery period, in line with the business rate assumptions above.
- The council tax base is further affected by a two-year average delay to housebuilding in the city.
- Income from key discretionary services such as car parking and Cambridge Live declines by 10% in 2023/24, staying at this level for 3 years followed by a two-year recovery period.
- Significant non-urgent capital projects are delayed due to the prevailing economic conditions.

The impact of the above scenario on the council's savings requirement can be seen in the table below:

Description	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Net savings requirement – new each year (base scenario)	**3,103**	**2,390**	**510**	**873**	**623**	**7,499**
Scenario 2 impacts:						
Changes to business rates assumptions	0	0	(1,090)	(1,344)	(1,612)	
Changes to council tax assumptions	0	0	(380)	(392)	(404)	
Loss of service income	0	0	1,570	1,800	2,030	
Impact of changes to business rates assumptions on contribution to reserves	0	0	883	1,138	1,405	
Net impact of scenario 2	**0**	**0**	**983**	**1,202**	**1,419**	
Revised net savings requirement – new each year (scenario 2)	**3,103**	**2,390**	**1,493**	**1,092**	**840**	**8,918**

These scenarios illustrate the risk that the net new savings requirement over the next five years could be 20-30% higher than the base case, putting considerable additional pressure on reserves. If either of these scenarios were to occur, or similar financial impacts were experienced due to other causes, it is likely that reserves would become depleted and the council would need to implement stringent cost controls to reduce spending to affordable levels.

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, £188k of this balance will be used to fund the in-year revenue spending proposals set out above, with a further £618k likely to be used to address indicative emerging pressures. 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, must recur year on year, i.e. use of reserves cannot permanently reduce the need to make savings.

Section 5
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 2022 alongside the Treasury Management Strategy Statement and the Budget Setting Report 2022/23.

Financing of capital

As approved through BSR 2021, revenue resources are no longer used to support capital expenditure. Instead, capital expenditure, where not funded from specific grants or contributions, will be funded firstly from capital receipts and then from internal and external borrowing. The mix of internal and external borrowing will be determined by the council's cash flows and treasury management considerations. Whilst this change has enabled over £3m of recurring savings to be recorded, it will create ongoing and increasing revenue pressures (interest and minimum revenue provision (MRP)).

To assess the affordability of this policy, 10-year forecasts of capital expenditure have been drawn up and the resulting costs modelled. Whilst there is considerable uncertainty surrounding these forecasts, the amount and timing of capital receipts, and the future costs of borrowing, the modelling indicates that a capital spending limit of £4.1m per year should be set for new capital proposals without specific grant or contribution funding. Limiting capital expenditure in this way will require potential schemes to be prioritised; some may need to be delayed until funding is available, and some may have to be rejected. The capital spending limit will be reviewed annually.

Replacement of the depot

The council must relocate its current depot facility at Cowley Road and is therefore planning to provide a comprehensive depot solution at a new location. The new depot must be able to support strategic and operational service objectives, both now and over the next 25 years. This project requires land acquisition and associated costs, design, planning, construction and associated costs, and consultant support both for the depot build and to support elements of service redesign key to the programme. The indicative cost of the scheme is £10m, but further work may reduce this capital requirement. A capital bid is expected to be made through the budget setting process.

Due to the indicative cost of the proposed scheme, alternative funding options will have to be considered. This could include some or all of the following:

- the removal of existing schemes from the capital plan and the reassignment of their capital funding
- funding allocated from GF reserves
- specific allocation of capital receipts, recognising that this either reduces the level of general capital spending to be allocated, or creates additional revenue pressures.

Capital plan

The capital plan was approved by council in February 2021. Since then the plan has been updated as follows:

- New projects funded from developers' contributions and external grants, see below - £2,596k, included within projects rephased from 2020/21 and minor adjustments, £49,323k
- Adjustment to the budget for Cromwell Road Redevelopment (GF) to reflect the amount remaining to be transferred to HRA - £5,516k

Ref.	Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	Approved since BSR Feb 2021:							
SC739	Abbey Pool improvements (S106) – adjustment to funding	(150)	-	-	-	-	-	(150)
SC740	Chesterton Rec pavilion (S106) – additional allocation	60	-	-	-	-	-	60
SC741	Nightingale Rec Ground pavilion (S106) – additional allocation	80	-	-	-	-	-	80
SC778	S106 Jesus Green ditch biodiversity improvements	60	-	-	-	-	-	60
SC780	S106 Darwin community centre equipment	25	-	-	-	-	-	25
SC781	S106 Coleridge Rec ground improvements	1	-	-	-	-	-	1
SC779	Parker's Piece tree planting	18	-	-	-	-	-	18
SC755	BEIS grant for Parkside pools decarbonisation works	989	-	-	-	-	-	989
SC756	BEIS grant for Abbey pool decarbonisation works	718	-	-	-	-	-	718

Ref.	Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
SC775	City centre recovery - Combined Authority grant funding	710	-	-	-	-	-	710
SC782	Livestream / hybrid meetings at Council Chamber and Committee Rooms	85	-	-	-	-	-	85
	Total Approved since BSR Feb 2021	**2,596**	**-**	**-**	**-**	**-**	**-**	**2,596**

A mid-year capital proposal of £1,485k is presented for approval below, along with a request for additional council funding to replace a third-party contribution that is no longer available. At this stage, no proposals for capital expenditure in relation to the Our Cambridge programme are included, although indicative capital spending of £400k on ICT and digital projects is expected over the life of the programme. The programme will include a review of the council's property portfolio of administrative and service-delivery buildings to ensure that they are appropriate and cost-effective for the transformed council. Further capital spending is expected as a result of this review, which may also generate capital receipts to support that spending. Proposals will be brought forward as the programme progresses.

Meadows Community Hub and Buchan Street retail outlet

Increase in costs to the GF following the re-evaluation of the split of costs between the community and commercial facilities and the HRA residential units.

Change in capital financing for the community extension to Cherry Hinton library (CHUB)

Replacement of third-party contribution with council funding, due to late withdrawal of the funding commitment. As this is a request for £210k of additional council funding to replace the third-party contribution, it does not increase the budget for the scheme, or the capital plan as a whole.

Ref.	Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	Proposals							
SC694	Meadows Community Hub and Buchan Street retail outlet	(1,224)	2,551	158	-	-	-	1,485
	Total proposals	**(1,224)**	**2,551**	**158**	**0**	**0**	**0**	**1,485**

The tables below show the impact of these changes on the overall capital plan and its financing. The resulting detailed capital plan is provided in Appendix A.

Capital plan / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Capital plan as approved at BSR Feb 2021	**40,858**	**25,531**	**30,187**	**8,362**	**710**		**105,648**
Changes approved and adjustments made in year	54,839						54,839
Current approved capital plan	**95,697**	**25,531**	**30,187**	**8,362**	**710**		**160,487**
Mid-year capital spending proposals	(1,224)	2,551	158				**1,485**
Revised capital plan	**94,473**	**28,082**	**30,345**	**8,362**	**710**		**161,972**

£'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Capital financing if new proposals are approved:							
Developers' contributions	(2,109)	(41)	(10)	(18)	(10)	0	**(2,188)**
Other capital contributions and grants	(2,849)	0	0	0	0	0	**(3,059)**
Earmarked Reserves	(777)	0	0	0	0	0	**(777)**
Capital receipts	(18,848)	(1,256)	(781)	(1,171)	(700)	0	**(22,756)**
GF Reserves	(2,112)	0	0	0	0	0	**(2,112)**
GF revenue underspend	(8)	0	0	0	0	0	**(8)**
Repairs and Renewals Fund – remaining balances	(1,394)	0	0	0	0	0	**(1,394)**
External borrowing - Park Street redevelopment	(35,700)	(18,534)	(29,396)	(7,173)	0	0	**(90,803)**
Internal and external borrowing - on-lending for capital purposes	(29,225)	(5,700)	0	0	0	0	**(34,715)**
Internal and external borrowing - other schemes	(1,451)	(2,551)	(158)	0	0	0	**(4,160)**
	(94,473)	**(28,082)**	**(30,345)**	**(8,362)**	**(710)**	**0**	**(161,972)**

Section 6
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	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Expenditure											
Net service budgets - base and inflation	25,451	22,961	22,492	22,571	23,100	23,334	24,099	24,357	24,651	24,983	25,352
Allowance for unavoidable revenue pressures and reduced income	618	1,565	2,813	3,426	3,960	4,513	5,113	5,809	6,303	6,894	7,383
Savings delivered from prior years			(3,103)	(5,493)	(6,003)	(6,876)	(7,499)	(8,660)	(9,244)	(9,680)	(10,241)
Net service budgets	**26,069**	**24,526**	**22,202**	**20,504**	**21,057**	**20,971**	**21,713**	**21,506**	**21,710**	**22,197**	**22,495**
Capital accounting adjustments	(6,346)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)
Capital expenditure financed from revenue	1,458	0	0	0	0	0	0	0	0	0	0
Indicative cost of revised capital financing strategy	0	40	180	320	460	600	740	740	740	740	740
Collection fund deficit	25,465	889	888	0	0	0	0	0	0	0	0
Contributions to earmarked funds	1,822	(805)	(553)	319	302	302	302	302	302	302	302
Net spending requirement before in-year savings	**48,468**	**18,303**	**16,370**	**14,796**	**15,473**	**15,527**	**16,409**	**16,202**	**16,405**	**16,892**	**17,190**
In-year savings		(3,103)	(2,390)	(510)	(873)	(623)	(1,161)	(585)	(436)	(560)	(512)
Net spending requirement	**48,468**	**15,200**	**13,980**	**14,286**	**14,600**	**14,904**	**15,248**	**15,617**	**15,969**	**16,332**	**16,678**
Funded by:											
Settlement Funding Assessment (SFA)	(5,260)	(4,357)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)
Locally Retained Business Rates – Growth Element	(9,747)	(2,202)	(883)	(1,138)	(1,405)	(1,405)	(1,405)	(1,405)	(1,405)	(1,405)	(1,405)
New Homes Bonus (NHB)	(3,458)	(1,496)	0	0	0	0	0	0	0	0	0
Covid grant and furloughing income	(652)	0	0	0	0	0	0	0	0	0	0
Appropriations from earmarked funds	(26,323)										
Council Tax	(9,033)	(9,347)	(9,862)	(10,168)	(10,482)	(10,786)	(11,130)	(11,499)	(11,851)	(12,214)	(12,560)
Contributions to / (from) reserves	6,006	2,202	883	1,138	1,405	1,405	1,405	1,405	1,405	1,405	1,405
Total funding	**(48,468)**	**(15,200)**	**(13,980)**	**(14,286)**	**(14,600)**	**(14,904)**	**(15,248)**	**(15,617)**	**(15,969)**	**(16,332)**	**(16,678)**

Section 7
Risks and reserves

Risks

During the year, the council undertook a financial resilience assessment, including a detailed review of risks to that resilience, based on consideration of financial risks arising from income, expenditure, funding, third parties, assets, people and projects. This review is presented in Appendix C for reference and is being used to inform financial risk management across council services. Whilst the council is exposed to risks and uncertainties which could affect its financial position, the assessment showed that it has governance and processes in place to ensure that the symptoms of financial stress are recognised and managed. The table below summarises the main external 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 further spikes of infection possible and a 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 and action with partners, further government funding
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
Costs of transformational change exceed resources available and the resulting savings plans may not deliver projected savings to expected timescales	M	H	**H**	Regular programme monitoring and reporting. External, expert support obtained

Risk	Probability (H, M, L)	Impact (H, M, L))	Overall assessment (H, M, L)	Mitigation
The impact of 75% business rates retention, coupled with any additional responsibilities handed down to the council at that time and a reset of business rate growth may create a net pressure on resources	H	H	**H**	Monitor developments, plan delivery of savings and additional income, consider limited use of reserves
Business rates appeals, which may be backdated to 2010, may significantly exceed the provision put aside for this purpose.	L	H	**H**	Review provision regularly
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. Impacts may be masked by or combined with impacts of the Covid pandemic	M	M	**M**	Management overview
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, asset management planning and 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
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, which include the continuation of heightened financial risks in relation to the Covid-19 pandemic and the increasing challenge of maintaining the financial sustainability of the council. As a result, a small 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	7.59
- Minimum level (PMB)	6.33
October 2021 MTFS – Recommended levels	
- Target level	7.98
- Minimum level (PMB)	6.64

The table below shows current and projected levels of the GF reserve, incorporating estimates for the growth element of business rates. Whilst the growth element for 2021/22 is considered to be relatively secure, from 2022/23 the amounts included are subject to considerable downside risk and are included in reserves rather than being relied on for funding service delivery.

Description / £'000s	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Balance at 1 April (b/fwd)	**(16,594)**	**(18,700)**	**(20,717)**	**(21,600)**	**(22,738)**	**(24,143)**
Contribution (to) / from reserves per BSR 2020/21	821					
Carry forwards	659					
Business rates growth – indicative increase in growth element	(8,292)	(2,017)	(883)	(1,138)	(1,405)	(1,405)
Use of reserves to support revenue spending in services – MTFS proposals	188					
Use of reserves to support revenue spending in services – in-year indicative pressures	618					
Funding and contingency for Our Cambridge transformation and recovery programme	3,900					
Balance at 31 March (c/fwd)	**(18,700)**	**(20,717)**	**(21,600)**	**(22,738)**	**(24,143)**	**(25,548)**

As noted above, the levels of risk to the financial sustainability of the council are considerable; economic uncertainty as a result of the possible speed and extent of recovery from the Covid-19 pandemic and ongoing Brexit impacts will impact the costs of and demand for council services and the ability to maintain or increase income levels. These uncertainties will also influence the amount of central government funding available to local government as a whole. These risks are further exacerbated by delays in the delivery of funding reforms. This council is fortunate to have reserves available to fund one-off transformational activity.

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 D 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
- Repairs and Renewals (R&R) Funds – for Bereavement Services only are ongoing
- Any other reserves will only be held as required for statutory or accounting purposes, to record balances held by the council for other organisations or partnerships or to reflect ring-fenced appropriations.
- Uncommitted balances will be moved to the GF reserve, and funds closed when all committed balances are spent.

Type of earmarked or specific fund	**Balance at 31 March 2021 £000**	**Balance at 31 March 2020 £000**
Major policy-led funds	2,187	2,661
Asset replacement funds (R&R)	2,079	2,100
Statutory and accounting reserves	6,744	4,332
Shared / partnership funds	7,221	7,341
Other – to be closed once committed balances are spent	32,947	1,179
Total	**51,178**	**17,613**

Our Cambridge Transformation Fund

It is proposed that £3.1m is placed in an earmarked reserve to fund the revenue costs of delivering the Our Cambridge Programme, as described in Section 8 and Appendix E. This will enable the funding to be used flexibly across the programme. The Head of Transformation, as the programme director for Our Cambridge, will be authorised to drawdown funding from the reserve, with reporting to the Transformation Board which has been set up to oversee the programme, and through normal budget management processes.

Our Cambridge Contingency Fund

A further £800k is requested as contingency funding to cover potential dual running or transition costs. It is therefore proposed to set up a second earmarked reserve for this purpose, to keep this funding separate from the estimated revenue delivery costs of the programme and to aid scrutiny of any spending funded from the reserve. Drawdowns from this contingency reserve will be authorised by the Transformation Board.

Section 8
Budget strategy

General Fund savings requirements

Description / £'000	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Net savings requirement (BSR Feb 2021)	**2,131**	**1,567**	**320**	**1,194**	**175**	**5,387**
Net impact of revenue proposals, changes in assumptions and indicative unavoidable pressures in this report	972	823	190	(321)	448	**2,112**
Revised (MTFS) net savings requirement	**3,103**	**2,390**	**510**	**873**	**623**	**7,499**

General Fund budget strategy

Budget process

The GF budget process for 2022/23 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 2022/23 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 continue to feed through into the national and local economy, further exacerbated by the ongoing effects of the end of the Brexit transition period

- Increasing pressure on council services as a result of Covid-19 and its impact on vulnerable residents, local businesses and visitors. This is aggravated by the continuing fluctuation in infection rates and the possibility of further restrictions over the coming autumn and winter
- An ongoing lack of clarity in the future direction of local government funding
- 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

Our Cambridge - Transformation and recovery programme

BSR 2021/22 set out the need for a transformation and recovery programme to support the council to respond to the financial challenges of the future and the challenges and opportunities of the pandemic and recovery, while continuing to deliver the council's corporate priorities of:

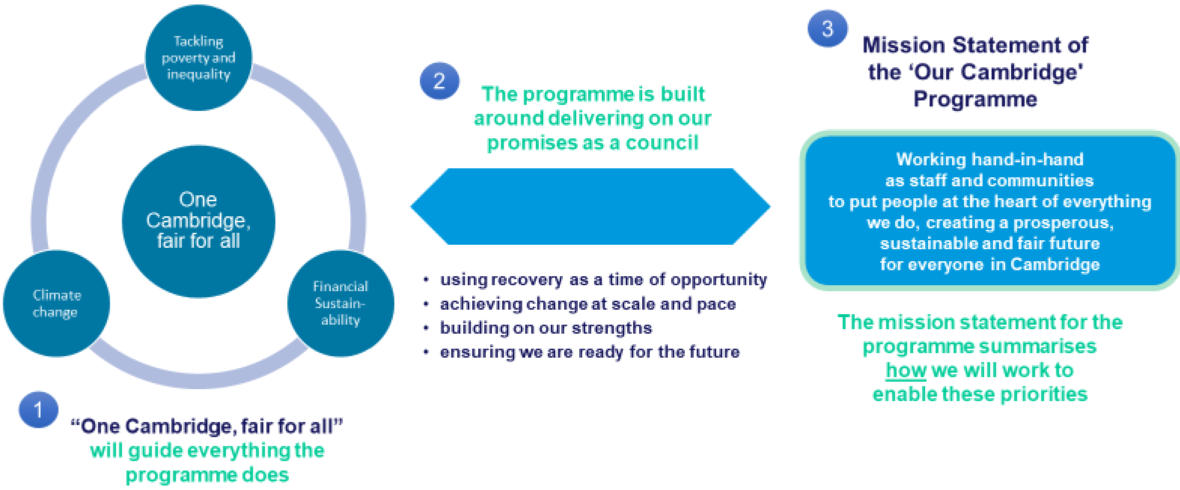
- tackling poverty and inequality and ensuring everyone shares in Cambridge's success
- tackling the climate and biodiversity emergencies
- helping everyone to have a home they can afford and enjoy
- planning for the future so that everyone participates in and benefits from Cambridge's success

Since publication of the BSR, substantial work has taken place to develop proposals for how this will be achieved through a programme titled 'Our Cambridge'.

The Our Cambridge programme will make "One Cambridge – Fair For All" the reality that underpins all of the council's work, by building on the assets that exist and what already works well; but also ensuring that, as the council adapts to the severe challenges that face us, we consistently put people at the heart of what we do. The council's ambition is to create a prosperous and sustainable future where people are able to get the help and support they need, when they need it; where our teams feel valued and part of a council that is investing in that future; and where our financial position enables our ambitions as a council and does not hold them back.

To do this, the programme will apply the learning we have achieved from the past 18 months, engage staff and communities in transforming the way we work and enhance how we collaborate with our partners, in order to improve outcomes for local people and develop a clear and shared vision for the future of Cambridge.

How does Our Cambridge relate to our council priorities?



The outcomes of the programme will be a council which is customer first, community focused, and empowers its people:

- **Customer first** – with a customer service model that puts residents at the heart of what we do and deliver the best service we can - in the most effective, innovative and efficient way
- **Community focused** – helping all communities to thrive by working with them to build community connections and strong partnerships, supporting sustainable economic development and the city's recovery from Covid
- **Empowered people** – creating an environment in which staff are supported and encouraged to be innovative and entrepreneurial, and developing an agile culture to help drive change and improvement.

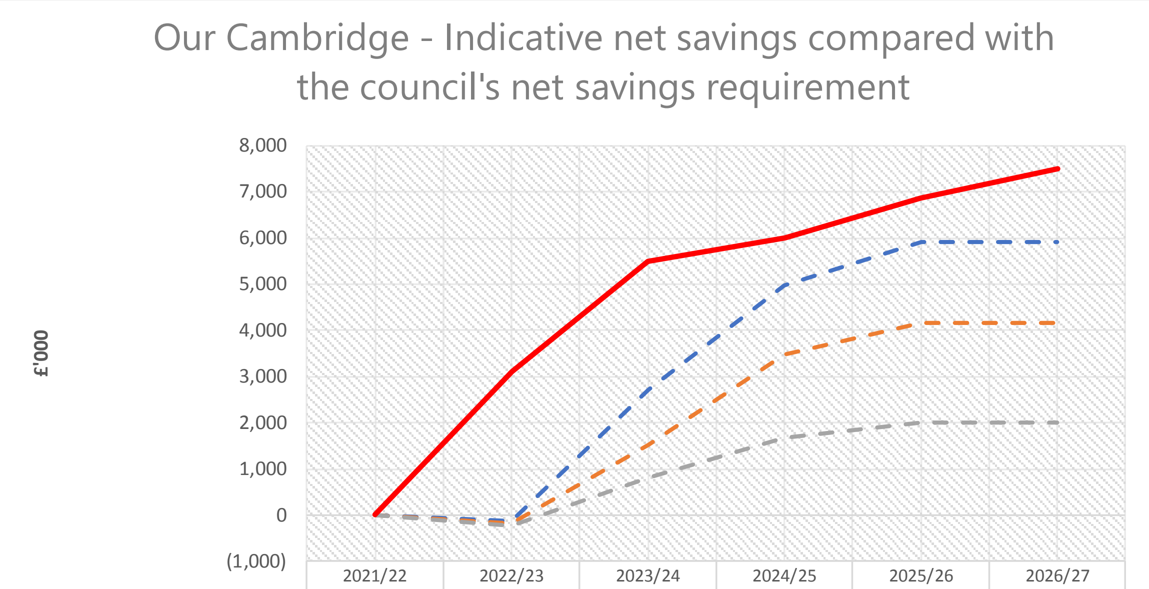
Staff engagement and participation will be vital to making Our Cambridge a success, and to support this, as well as involving as many staff as possible in shaping and delivering the programme, a key workstream will focus on organisational development and on the support staff need to adopt new ways of working.

Further information about the structure, benefits and resourcing of the programme is set out in Appendix E to this report.

Financial implications

The programme is forecast to begin delivering financial benefits from 2023/24 onwards and will aim to achieve recurrent income growth and revenue savings of £4.7m (net) by 2025/26 with £4.2m of this attributable to the GF and £0.5m to the HRA. These financial benefits are indicative at this stage and will go through further validation as the Our Cambridge programme develops, as well as being subject to policy decisions as specific proposals come forward.

The net savings profile of the programme has been forecast at three levels; low, mid and high points, to give an indication of the range of possible outcomes. These are shown in the graph below, alongside the council's net savings requirement as presented in Section 4 of this report.



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
High point	0	(119)	2,714	4,983	5,925	5,925
Mid point	0	(179)	1,533	3,477	4,168	4,168
Low point	0	(239)	819	1,680	1,994	1,994
Net savings requirement	0	3,103	5,493	6,003	6,876	7,499

To achieve these benefits within the timescales needed to meet the MTFS challenge, additional resource will be needed in addition to the existing transformation team to accelerate the scale and pace of change and ensure we can deliver transformation alongside existing work and the ongoing response to the pandemic. These roles will include:

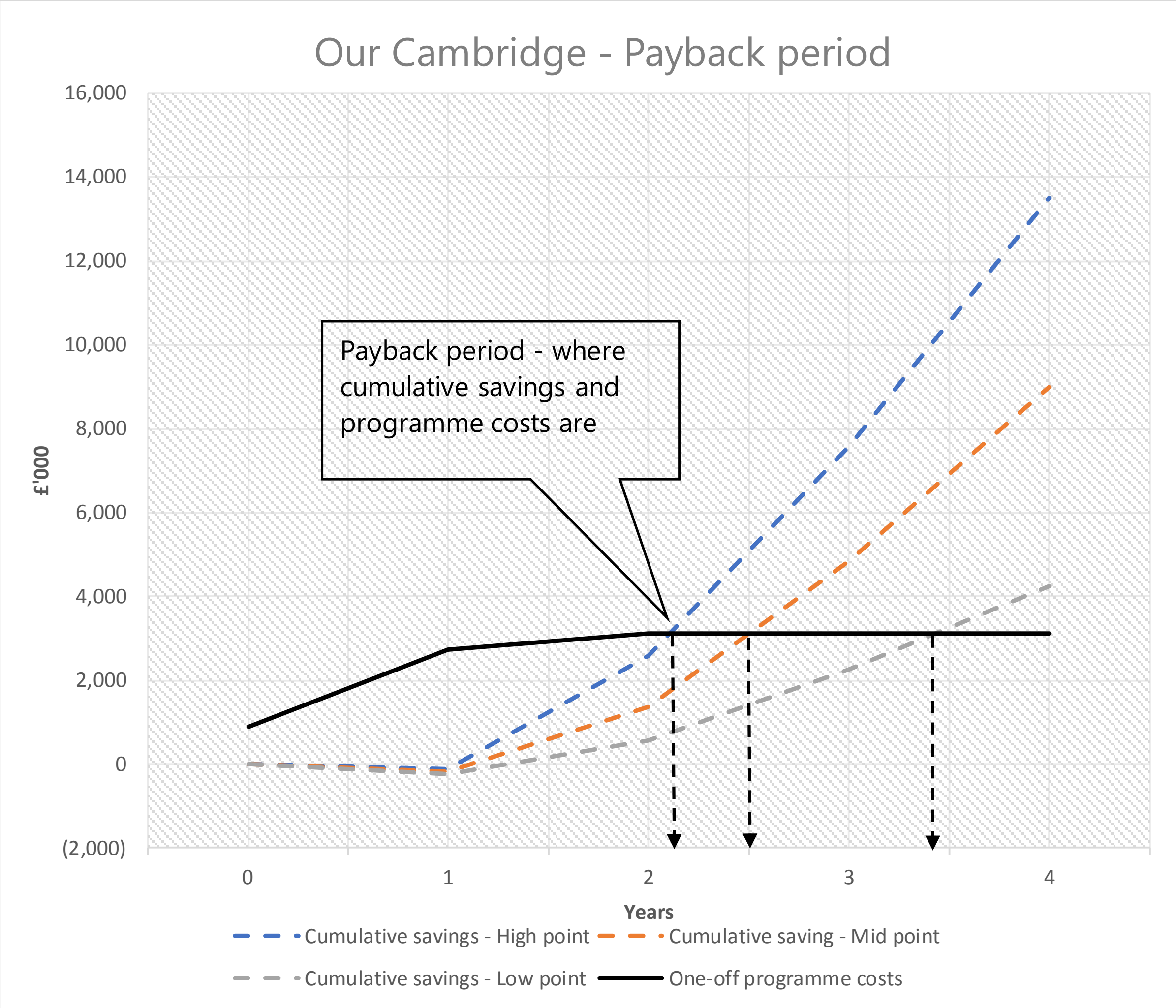
- A core team covering programme management, data analysis, communications and engagement, HR and finance capacity
- Project managers and business analysts

It is expected that these resources will include a mixture of fixed term contracts, internal secondments and backfilled roles with a small amount of support from external specialists.

The cost of this delivery team is forecast to be £3.1m over the lifespan of the programme with additional contingency of £800k to cover potential dual running or transition costs. The capital requirements of the programme relate to additional ICT and configuring our office accommodation to support new ways of working. These are being finalised but are not expected to exceed £400k.

In addition, some projects will give rise to recurrent revenue costs to support new ways of working. These are estimated at £498k in total with some costs starting to be incurred from April 2022. They will come forward through the budget setting process for the relevant year. The savings figure of £4.2m for the GF is net of these costs.

Based on the above costs and the three indicative levels of net savings, the payback period to cover the initial investment is shown below.



Unmet savings requirement

Based on current estimates, the Our Cambridge programme will not deliver all the savings required by the council in the next five years. In 2026/27 the unmet savings requirement will be £3.3m at the mid-point level (high point, £1.6m; low point £5.5m). Furthermore, the expected profile of savings delivery from the programme does not match the profile of net savings requirements. The council will therefore have to:

- Identify additional savings and income; and

• Use GF reserves to support services on a temporary basis.

The impact of using reserves to support service spending while the programme delivers the mid-point level of savings, with no reliance on business rates growth, is shown in the table below. In this illustration, the PMB level of reserves is breached in 2026/27 and all reserves are used by 2028/29. On average, an additional £670k of new net savings must be delivered per year to meet the five-year savings requirement.

Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Balance at 1 April (b/fwd)	**(16,594)**	**(19,688)**	**(16,406)**	**(12,446)**	**(9,920)**	**(7,212)**
Contributions and carry forwards	2,098					
Business rates growth – indicative increase in growth element	(8,292)					
Funding for Our Cambridge transformation and recovery programme	3,100					
	(19,688)	**(19,688)**	**(16,406)**	**(12,446)**	**(9,920)**	**(7,212)**
Savings requirement - cumulative		3,103	5,493	6,003	6,876	7,499
Indicative net savings delivered by Our Cambridge Programme - cumulative		(179)	1,533	3,477	4,168	4,168
Call on reserves to balance budget		**3,282**	**3,960**	**2,526**	**2,708**	**3,331**
Balance at 31 March (c/fwd)	**(19,688)**	**(16,406)**	**(12,446)**	**(9,920)**	**(7,212)**	**(3,881)**

It is therefore important that all requests for additional service spending are closely scrutinised, and work is undertaken alongside the Our Cambridge programme to identify further reductions in expenditure or increases in income to meet this challenging target.

Achieving financial sustainability and resilience

Despite continuing pressures and uncertainties, the council's finances are currently healthy. However, there is no foreseeable end to scarce funding for local authorities and economic conditions remain challenging, particularly with no real 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 work hard to: -

- 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.

Appendix A: Capital Plan 2021/22 to 2026/27

Ref.	Description	Lead Officer	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
Capital-GF Projects								
PR031r	S106 Chesterton Rec Ground skate and scooter park	J Richards	47	0	0	0	0	0
PR032w	S106 Accordia open space improvements	A Wilson	5	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	49	0	0	0	0	0
PR042l	S106 Public art grant - Faith and Hope	N Black	6	0	0	0	0	0
PR042m	S106 Public art grant - Chesterton village sign	N Black	10	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
SC 745	S106 Chestnut Grove play area: benches and bins	J Parrott	4	0	0	0	0	0
SC 747	S106 Nightingale Avenue rec ground: new all-weather footpath	J Parrott	15	0	0	0	0	0
SC 778	S106 Jesus Green ditch biodiversity improvements	A Wilson	53	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	199	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	101	0	0	0	0	0
SC644	Acquisition of land adjacent to Huntingdon Road Crematorium	G Theobald	37	0	0	0	0	0
SC645	Electric vehicle charging points - taxis	J Dicks	356	0	0	0	0	0
SC646	Redevelopment of Cambridge Junction	J Wilson	249	0	0	0	0	0
SC651	Shared ICT waste management software - Alloy/Yotta	J Carré	173	0	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	465	0	0	0	0	0
SC659	My Cambridge City online customer portal	E Rospigliosi	22	0	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	5,300	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	304	0	0	0	0	0
SC684	Property Management software	P Doggett	88	0	0	0	0	0

Ref.	Description	Lead Officer	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
SC688	Environmental Health software	J Carré	23	0	0	0	0	0
SC689	Income management software	C Norman	78	0	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0	0
SC692	Cromwell Road Redevelopment (GF)	C Flowers	5,516	0	0	0	0	0
SC692	CHUB - community extension to Cherry Hinton library	J Hanson	764	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	3,128	2,551	158	0	0	0
SC695	Cromwell Road Redevelopment - equity loan to CIP	C Ryba	5,350	0	0	0	0	0
SC696	Cromwell Road Redevelopment - development loan to CIP	C Ryba	6,600	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	45	0	0	0	0	0
SC711	Guildhall PA system	J Wilson	25	0	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	M Parsons	375	0	0	0	0	0
SC716	Replacement telephony system with call centre	E Rospigliosi	150	0	0	0	0	0
SC721	Call management for 3C ICT service desk	F Bryant	7	0	0	0	0	0
SC724	Residential electric charging points	J Dicks	100	0	0	0	0	0
SC727	Logan's Meadow vehicular access	J Carré	32	0	0	0	0	0
SC731	Cambridge Food Hub	V Haywood	100	0	0	0	0	0
SC732	Park Street car park development	D Prinsep	35,700	18,534	29,396	7,173	0	0
SC736	S106 Grant for St George's Church improvements	J Hanson	13	0	0	0	0	0
SC738	Wilberforce Road artificial pitches (S106)	I Ross	250	0	0	0	0	0
SC739	S106 Abbey Pool improvements	I Ross	144	0	0	0	0	0
SC740	S106 Chesterton Rec pavilion	I Ross	167	0	0	0	0	0
SC741	S106 Nightingale Rec Ground pavilion	I Ross	503	0	0	0	0	0
SC742	L2 development loan to CIP	C Ryba	3,400	5,200	0	0	0	0
SC743	L2 equity loan to CIP	C Ryba	1,300	500	0	0	0	0
SC749	S106 Holbrook Road play area improvements	J Parrott	44	0	0	0	0	0

Ref.	Description	Lead Officer	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
SC688	Environmental Health software	J Carré	23	0	0	0	0	0
SC689	Income management software	C Norman	78	0	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0	0
SC692	Cromwell Road Redevelopment (GF)	C Flowers	5,516	0	0	0	0	0
SC692	CHUB - community extension to Cherry Hinton library	J Hanson	764	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	3,128	2,551	158	0	0	0
SC695	Cromwell Road Redevelopment - equity loan to CIP	C Ryba	5,350	0	0	0	0	0
SC696	Cromwell Road Redevelopment - development loan to CIP	C Ryba	6,600	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	45	0	0	0	0	0
SC711	Guildhall PA system	J Wilson	25	0	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	M Parsons	375	0	0	0	0	0
SC716	Replacement telephony system with call centre	E Rospigliosi	150	0	0	0	0	0
SC721	Call management for 3C ICT service desk	F Bryant	7	0	0	0	0	0
SC724	Residential electric charging points	J Dicks	100	0	0	0	0	0
SC727	Logan's Meadow vehicular access	J Carré	32	0	0	0	0	0
SC731	Cambridge Food Hub	V Haywood	100	0	0	0	0	0
SC732	Park Street car park development	D Prinsep	35,700	18,534	29,396	7,173	0	0
SC736	S106 Grant for St George's Church improvements	J Hanson	13	0	0	0	0	0
SC738	Wilberforce Road artificial pitches (S106)	I Ross	250	0	0	0	0	0
SC739	S106 Abbey Pool improvements	I Ross	144	0	0	0	0	0
SC740	S106 Chesterton Rec pavilion	I Ross	167	0	0	0	0	0
SC741	S106 Nightingale Rec Ground pavilion	I Ross	503	0	0	0	0	0
SC742	L2 development loan to CIP	C Ryba	3,400	5,200	0	0	0	0
SC743	L2 equity loan to CIP	C Ryba	1,300	500	0	0	0	0
SC749	S106 Holbrook Road play area improvements	J Parrott	44	0	0	0	0	0

Ref.	Description	Lead Officer	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
SC781	[Completed] S106 Coleridge Recreational Grounds improvements	D O'Halloran	1	0	0	0	0	0
SC782	Livestreatm/hybrid meetings at Council Chamber and Committee Rooms	G Clift	85	0	0	0	0	0
Capital-GF Projects			**88,751**	**27,572**	**29,864**	**7,191**	**10**	**0**
Capital-Programmes								
PR010	Environmental Improvements Programme	J Richards	137	0	0	0	0	0
PR010a	Environmental Improvements Programme - North Area	J Richards	4	0	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	56	0	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	61	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	1,009	0	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (S106)	M Parsons	143	0	0	0	0	0
PR039	Minor Highway Improvement Programme	J Richards	64	30	0	0	0	0
PR050	Office Accommodation Strategy Phase 2 (OAS)	D Prinsep	12	0	0	0	0	0
PR051	Building works at the Guildhall to reduce carbon emissions and improve energy efficiency	W Barfield	15	0	0	0	0	0
PR053	Commercial property repair and maintenance	W Barfield	372	300	300	300	300	0
PR054	Administrative buildings maintenance	W Barfield	285	166	166	166	400	0
Capital-Programmes			**2,205**	**496**	**466**	**466**	**700**	**0**
Capital-GF Provisions								
PV007	Cycleways	J Richards	382	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	60	0	0	0	0	0
PV554	Development Of land at Clay Farm	D Prinsep	275	14	15	705	0	0
PV682	Local investment bond	C Ryba	2,800	0	0	0	0	0
Capital-GF Provisions			**3,517**	**14**	**15**	**705**	**0**	**0**

Total GF Capital Plan	**94,473**	**28,082**	**30,345**	**8,362**	**710**	**0**

Appendix B

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

Description	Level of risk	Amount at risk	Risk
		£	£
Employee costs	*Low*	31,466,190	62,932
Premises costs	*Low*	7,636,420	15,273
Transport costs	*Low*	670,210	2,681
Supplies and services	*Low*	27,610,770	13,805
Grants and transfers	*Low*	29,718,130	29,718
Grant income	*Low*	37,283,260	37,283
Other income	*High*	56,994,510	1,282,376
Miscellaneous	*Low*	358,400	538
Total one year operational risk			1,444,607
Allowing three years cover on operational risk			**4,334,000**

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	3,900,000	33%	1,287,000
Cover for lower level of earmarked and specific reserves	500,000	30%	150,000
General risks			**2,312,000**

Prudent Minimum Balance (PMB)	**6,646,000**
Target (PMB + 20%)	**7,975,000**

Operational cost risk profiles					
			Low	*Medium*	*High*
Employee costs		overspend	1.00%	3.00%	5.00%
	£31,466,190	probability	20.0%	15.0%	10.0%
		amount at risk	**£62,932**	**£141,598**	**£157,331**
Premises costs		overspend	1.00%	3.00%	5.00%
	£7,636,420	probability	20.0%	15.0%	10.0%
		amount at risk	**£15,273**	**£34,364**	**£38,182**
Transport costs		overspend	2.00%	4.00%	6.00%
	£670,210	probability	20.0%	15.0%	10.0%
		amount at risk	**£2,681**	**£4,021**	**£4,021**
Supplies and services		overspend	1.00%	3.00%	5.00%
	£27,610,770	probability	5.0%	10.0%	15.0%
		amount at risk	**£13,805**	**£82,832**	**£207,081**
Grants and transfers		overspend	1.00%	2.00%	3.00%
	£29,718,130	probability	10.0%	7.5%	5.0%
		amount at risk	**£29,718**	**£44,577**	**£44,577**
Grant income		overspend	1.00%	2.00%	3.00%
	£37,283,260	probability	10.0%	7.5%	5.0%
		amount at risk	**£37,283**	**£55,925**	**£55,925**
Other income		overspend	5.00%	10.00%	15.00%
	£56,994,510	probability	5.0%	10.0%	15.0%
		amount at risk	**£142,486**	**£569,945**	**£1,282,376**
Other		overspend	1.00%	2.00%	3.00%
	£358,400	probability	15.0%	10.0%	5.0%
		amount at risk	**£538**	**£717**	**£538**

Appendix C

Financial resilience assessment – risks to the financial resilience of the council

The table is presented from a council-wide perspective and in general terms. At this level, it cannot list every financial risk the council is exposed to but aims to cover the majority of risks by describing them in a generic way.

The risk score is presented as High, Medium or Low, giving an indication of the severity of the risk overall for the council. As the risk will manifest in different ways in each applicable service, and will be controlled in different ways, impact scores will be different for the risk in each service risk register.

Generic controls that operate across the council are recorded. Services will undertake specific controls depending on the particulars of the risk in their context.

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
1	Income	Sales, fees and charges fall short of budgeted levels	Unforeseen economic conditions Over-optimistic budgeting Service not perceived as value for the customer Competitor activity Delayed delivery of service	Contributes to service and council overspend Less money to support service delivery generally	Regular budget monitoring and reporting Performance and complaints reporting Increasing levels of debt / provisions In some cases expenditure will reduce, or can be controlled downwards, when levels if activity / income reduce.	High

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
2	Income	Sales, fees and charges income does not recover costs of delivering the service	Full costs not understood Activity levels below expectations Service costs are higher than the market will bear Standard of service provision too high and therefore too costly Charges not updated regularly Central regulatory changes eg planning reform, devolution, rent controls Potential for decommissioning services not evaluated. Competitive pricing in the marketplace	Contributes to service and council overspend Less money to support service delivery generally	Regular budget monitoring and reporting Review and update of recharge calculations Monitoring of activity levels and customer satisfaction Service accountant support Reprofiling of statutory income <u>required</u> – reduction in fees / greater emphasis on councils doing the heavy lifting	High
3	Income	Incorrect or incomplete income billed or collected	Processes / records for identifying amounts to be billed inadequate Out-of-date lists of charges used Cash handling errors Process for service refunds not effective	Contributes to service and council overspend Less money to support service delivery generally Reputational damage	Regular budget monitoring and reporting Challenge by Payables and Income Service accountant support	Low
4	Income	Amounts owed to the council cannot be collected	Invoices are inaccurate / late / not produced Debtors are unable to pay Recovery processes are ineffective	Contributes to service and council overspend Less money to support service delivery generally Reputational damage	Increasing levels of debt / provisions Level of customer queries / complaints	Low
5	Income	Risky commercial / income-generating projects	Pressure to generate income to support services Pressure to meet policy targets, eg climate change, housing Weaknesses in business model, due diligence, management challenge, market	Failure to deliver objectives, including financial return Financial loss Drains resources from other projects and services Reputational risk	Professional advice Internal governance structures Project management processes	High

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
6	Expenditure	Cost inflation exceeds expectations	Unforeseen political and economic conditions Over-optimistic budgeting Higher pay settlements Pressure from suppliers who are under contract	Contributes to service and council overspend Requires in-year management, expenditure and/or service reductions Potential impact on reserves	Reviewed twice yearly, for MTFS and budget setting Regular budget monitoring and reporting	Low
7	Expenditure	Unforeseen service demands and/or costs	Unforeseen political and economic conditions, increasing service demands New statutory requirements Over-optimistic budgeting Need to manage emergencies Expenditure required to address data breaches, complaints etc	Contributes to service and council overspend Requires in-year management, expenditure and/or service reductions Reputational damage Potential impact on reserves	Regular budget monitoring and reporting Head of Service / Director responsibility for monitoring new requirements Business continuity plans Information Governance processes and training	High
8	Expenditure	Costs of change / transformation exceed resources available	Extent of change required Availability of reserves for this purpose Timing of savings does not support their use to fund further change	Centralised expenditure controls required Service cuts implemented rather than transformation	Strategic management processes, including SMT, SLT, SLT/Executive meetings Corporate programme boards Project and programme management approach	Medium
9	Funding	Government funding reviews reduce council's Spending Power	Levelling up funding towards more deprived areas / councils under more financial pressure Reduced overall funding levels due to central government spending pressures / outcome of Spending Review	Increased savings targets Depending on timing, quicker, deeper transformation and/or cuts	Reviewed twice yearly, for MTFS and budget setting External advice and use of bought-in financial models to assess potential impacts on funding Longer term saving plans being developed in the Recovery and Transformation Programme	Medium

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
10	Funding	Reductions in business rates / council tax that can be retained by the council	Economic conditions Changes to BR retention scheme Reductions in rateable values / more appeals Increase in council tax support Recovery processes not effective	Greater uncertainty in funding streams Increased savings targets Depending on timing, quicker, deeper transformation and/or cuts Reserve levels impacted	Reviewed twice yearly, for MTFS and budget setting External advice and use of bought-in financial models to assess potential impacts on funding Longer term saving plans being developed in the Recovery and Transformation Programme	High
11	Funding	Specific grant funding	Government announces grant funding on ad hoc basis Grant funding increasingly requires lengthy applications / ready-to-deliver projects Cambridge seen as an affluent area not priority for additional funding Cessation of NHB, with no replacement announced to date	Unable to plan effectively Unable to access funding for projects	Services knowledge and networking re. funding announcements Identification of projects through strategies (housing, climate change etc) that can be put forward for funding at short notice	Medium
12	Third parties	Shared service issues	Competing demands from partners Disagreement on service specifications Cost sharing agreements challenged Loss of key officers Service failure Governance arrangement not capturing the best efficiencies	Unsatisfactory service delivery Lack of progress on service objectives / developments Savings not delivered / additional costs Requirement to re-provide or repatriate Complaints	Shared services management board Business planning and quarterly reporting processes	Medium

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
13	Third parties	Supplier issues	Business failure Loss of key employees Unforeseen increase in costs Contract issues Supply chain fracture (long tail from COVID, Brexit, recession, shortages and supply chain issues Suppliers unable to meet demand Suppliers unable to meet technical requirements – water, energy, decarbonisation	Unsatisfactory service delivery / unable to deliver service Complaints / Reputational damage Additional contract management effort required Re-procurement needed Budget pressures	Contract management Financial assessment of potential contractors Regular budget monitoring and reporting	Medium
14	Third parties	Partnership issues	Competing demands from partners Disagreement on objectives / actions Cost sharing agreements challenged Cost shunting / cost avoidance Lack of effective strategic governance / accountability across organisational boundaries	Pressure on officer time / workload Budgeting uncertainty Financial pressures Strategic decisions are not made at an appropriate level, impasse, speed of decision-making does not allow for progress at the required rate of change	Senior management involvement Clear objectives of partnership working	Low, but likely to increase due to current strategic direction of travel
15	Assets	Administration and service delivery premises not fit for purpose	Change in service requirements (too big, too small, in the wrong place etc) Suitability for shared services Inadequate maintenance Expensive, inefficient and carbon-intensive to run	Capital receipts and/or cost savings may be achievable Costs of selling and movement to new premises would have to be met Delayed maintenance could give rise to additional costs Income generation could be compromised Difficult and expensive to meet net-zero carbon targets	Asset management plans Transformation programme Climate Change Strategy Revenue and capital maintenance budgets	High

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
16	Assets	Income from commercial properties	Change in economic conditions Types, sizes and locations of properties do not meet market need Inadequate maintenance Expensive, inefficient and carbon-intensive to run	Properties may not be attractive to prospective tenants leading to void periods and lower rents Delayed maintenance could give rise to additional costs Difficult and expensive to meet net-zero carbon targets Increased officer time to manage	Asset management plan Market knowledge and advice Maintenance budgets Service accountant support	Medium
17	Assets	ICT resources, plant and equipment not fit for purpose	Items not correctly specified when procured Inadequate maintenance Replacement cycles too long Users not adequately trained resulting in equipment damage, data issues, incorrect processing	Value for money not achieved Service delivery compromised Complaints User safety could be compromised User dissatisfaction	ICT road map Intelligent client Project approach, including business cases Procedure notes Maintenance plans	Medium
18	Assets	Treasury and cash management	Low interest rates lead to more risky investments Application of revised PWLB lending rules more restrictive than expected Availability of short term borrowing from other local authorities reduces	Losses of capital PWLB borrowing not available, so more expensive alternatives have to be used Borrowing becomes significantly more expensive leading to reductions in the capital programme	Treasury investment strategy Qualified and experienced officers Use of additional lenders, such as UKMBA Professional advisers	Low
19	Assets	Financial compensation from ICT threats	Costs associated with recovery of ICT systems from external threats such as ransomware	Impact on cashflow and reserves Commitment to a central government led external assurance review focused on financial position	ICT security controls	Low

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
20	People	Workforce does not meet the needs of the council	Poor recruitment decisions Management not effective Adequate training not undertaken Excessive use of agency staff High level of vacancies Competition for skilled resources in the marketplace Failure to manage poor performance Lack of staff engagement Lack of forward view on crucial need for emerging skill sets – data, digital, UX – restricting rate of change	Unable to recruit or retain skilled staff Service delivery compromised, including service development and transformation activities Additional costs Workload pressures for delivery teams and management Lack of continuous improvement in services and policy making	HR policies and procedures Learning and development offering, including e-learning HR support for managers Communications with employees	Medium
21	People	Pension costs	Changes in pension rules Actuarial assumptions change significantly - longevity, investment returns etc	Significant changes required to long-term financial projections, with little scope to manage additional costs Impact on savings requirements	Reviewed regularly at budget setting Updates from LGSS Pensions and scheme actuary	Low
22	Projects	Projects not delivered to time, quality or cost	Resource pressures Project / programme governance fails Projects poorly planned and executed Political objectives override management advice Unforeseen external factors – regulation, partner / supplier issues	Savings not delivered Additional costs, putting pressure on revenue and capital funding Delays in achieving commercial / investment income Increased management time required Time-limited funding lost, creating budget pressures	Programme office and boards providing support and oversight Quality Assurance Group providing professional challenge Project management training	High

Appendix D

Principal earmarked and specific funds

Fund	Balance at 1 April 2021	Anticipated contributions	Forecast expenditure	Forecast balance at 31 March 2026
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	(5,142)	(496)	5,638	0
Sharing Prosperity Fund	(85)	0	85	0
Climate Change Fund	(179)	(200)	379	0
Asset Replacement Fund (R&R)	(1,156)	0	1,156	0
Bereavement Services Trading Account	(923)	(800)	1,723	0
Local Plan Development Fund *	(602)	(750)	1,352	0
A14 Mitigation Fund	(1,500)	0	1,500	0
Cambridge Live Development Plan	(213)	0	213	0
Covid Grants	(1,352)	0	1,352	0
NNDR Additional Income	(31,809)	0	31,809	0
Total	**(42,961)**	**(2,246)**	**45,207**	**0**

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.

Appendix E

Our Cambridge – Transformation and recovery programme

Introduction to Our Cambridge

The "Our Cambridge" programme is designed to enable our local communities, the council and our partners to work together to build a sustainable future for Cambridge.

It is about working hand-in-hand to change how we, as a council, do things. It is about building on the assets that exist and what already works well; but also ensuring that, as we adapt to the severe challenges that face us, we consistently put people at the heart what the council does. As much as anything, it is about making "**One Cambridge – Fair For All**" the reality that underpins of all of our work.

The COVID-19 pandemic has shown how we can work differently, find new ways of meeting essential needs and respond rapidly to local challenges. It has also highlighted the terrible impact of inequalities in our society, against the backdrop of a growing global climate emergency. We need to build on these experiences as we shape our shared future.

Our ambition is to create a prosperous and sustainable future where people are able to get the help and support they need, when they need it; where our teams feel valued and part of a council that is investing in that future; and where our financial position enables our ambitions as a council and does not hold them back.

In this context, the Our Cambridge programme will need to:

Apply learning from the past 18 months	Develop a clear and shared vision for Cambridge	Support our response to the climate emergency
Improve outcomes for local people	Tackle poverty	Reduce inequalities
Engage staff and communities in transforming the way we work	Enhance how we collaborate with our partners	Achieve genuine financial sustainability for the council

Overall context – what are we proposing?

The ambitions of the Our Cambridge programme extend to every aspect of our work as a council and the outcomes we deliver, with and for the communities we serve.

This programme is a core part of Cambridge's response to the climate emergency, and to One Cambridge - Fair For All.

We understand that this programme will only be successful – and positive outcomes will only be sustainable – if we face up to the longer-term financial pressures confronting all local authorities in England, including councils like ours.

The COVID-19 pandemic has highlighted how we can adapt rapidly and successfully to meet local needs.

It has also shown a harsh spotlight on the inequalities that exist across our communities and exacerbated pressures on both council expenditure and income,

We recognise that we will need to do things differently in the future if we are to achieve the ambitions that we are setting out. Our Cambridge is our response to the need to invest in a broader, fairer recovery through transforming how we work as staff and communities, as a council, as a city, and as part of the development of our broader region.

Key outcomes – what we want to achieve through this work

The Our Cambridge programme is designed to deliver benefits, across Cambridge, for our **residents** and **customers**, our **communities**, and our **staff** and **partners**. These benefits will fall within three areas, which also support one another:

<table>
<tr><th>Customer First</th><th>Community Focused</th><th>Empowered Staff</th></tr>
<tr><td colspan="2">Aligning our council resources with the priorities of our communities and our customers, understanding and focussing on the areas of greatest need, and ensuring we demonstrably address existing and new inequalities in our society.</td><td rowspan="2">Creating a culture that frees people to work in the most effective way possible, to respond to new opportunities and changing needs, and to focus on the outcomes that deliver the most value to our communities.</td></tr>
<tr><td>An innovative and sustainable model including applying new technology to provide better services and support.</td><td>Thriving communities, economic development and a city recovery from Covid building community capacity.</td></tr>
<tr><td>A more efficient model for delivering services providing a better customer experience, improved outcomes, and meeting all of our customers' needs.</td><td>Developing our shared future in partnership with local people, other public sector bodies, our voluntary and community sector, universities and local businesses.</td><td>Enabling staff to collaborate across traditional boundaries, to innovate, and to apply an entrepreneurial mindset in improving how we work.</td></tr>
</table>

How we will organise ourselves - delivering through our five themes

Customer First	Community Focused	Empowered Staff

Delivering together

- **We can't deliver these outcomes on our own** and we will need to work with partners around each aspect of the shared vision.
- **At the heart of the vision will be a very different relationship** with each of our communities.
- **This vision and new relationship change how we deliver our services**, building on the assets that exist and what is good, but ensuring that in future we are consistently putting people at the heart of everything we do.
- **To do this sustainably we will need to maximise value** and, wherever appropriate, the income that supports key services and our work.
- **We will need to develop together as an organisation** to do all of this successfully.

Cross-cutting programme themes

Partnerships	Acting as leader and facilitator, bringing partners together around key priorities
Community	Working in true partnership with communities to address inequalities and build capacity
Customer Focused	Consistently putting customers at the heart of how we plan and deliver our services
Entrepreneurial	Developing an 'enterprising', innovative mindset to increase both income and social value
Organisational Change	An organisational and cultural shift to enable us to deliver against these themes

Our Cambridge Conversation: a catalyst for change

At the heart of the development of the Our Cambridge programme, we are proposing wide-ranging engagement through a set of rich and interconnected conversations, delivered through a variety of routes to ensure everyone is able to participate.

The "Cambridge Conversation" will:

- **Provide staff, partners, communities and residents with an opportunity to share their views.** We will focus on creating safe, but honest, spaces for people to share what is working, and what could work better.
- **Spark creativity and ideas about the Council of the future**, building on what we have achieved already, and exploring what is possible.
- **Provide regular "feedback loops"** to enable people to feel a sense of progress and development - providing confidence that every conversation builds on the last, and that no input is 'lost'.
- **Give people confidence in the process** through regular updates and clear and consistent communications.
- **Give a sense that missing one conversation doesn't mean missing "the" conversation** – there are many opportunities to contribute.

*Initially the focus is on **engaging our staff,** to ensure we **make the most of their knowledge and expertise** and that they are able to **shape and influence** the development of 'Our Cambridge'*

Understanding the status quo + Defining our vision for the future → **Our shared plan for developing our organisation**

Benefits summary

Workstream	Benefit
Customer	This theme will ensure our council consistently puts the customer first. This will ensure easier access to services and a joined-up customer journey. It will include enabling more dynamic ways of interacting with us as a council and a continued shift to providing online services for customers who want them, whilst being open for all. Staff will be enabled to work in an agile way to produce a better working experience, to better meet our customers' needs, and to enable effective delivery across all areas
	Support services, and wider strategic services, across our council will be aligned around the "customer first" model, ensuring that the work of these teams delivers the best possible value to the council and our communities, and that staff, as our 'internal customers', also receive a great customer experience from the teams that support them.
	Closer working with system partners will ensure public and VCSE services are aligned and provide the best possible experience for residents who require support from a number of different organisations and agencies. We will look at "coalition" models to deliver services together, and opportunities to share delivery with communities and community interest groups, to create greater alignment around local people's priorities.
	We will have high quality office space which supports staff to work together in the best way possible and make their jobs as easy as possible. Long term shift to 'hybrid' working (between the office and other locations) will provide opportunities for improving collaboration, accessibility and flexibility in how we work and in the quality of life of our workforce.

Benefits summary (continued)

Workstream	Benefit
Partnerships	A shared vision and focus for the city that brings partners and communities to work together, and creates greater connection across all parts of Cambridge's society.
Community	Empowered communities able to shape their future with confidence and to support those in Cambridge most in need. Measurable reductions in inequality across our city.
	A more effective approach to connecting with our communities, engaging everyone including less seldom-heard groups. A dynamic approach to listening to people's priorities and following this with action (including strengthening local decision-making).
	Partnerships which connect people living and working in communities and areas that matter to them. Stronger and more resilient communities and "places" (at a city, district and neighbourhood level) that enable people to thrive in the ways that they choose.
Entrepreneurial	Our commercial services will be realising the best possible social and financial return, generating income which can be reinvested into delivery of the council's priorities.
	The services we deliver by choice will be aligned to our and our communities' priorities, our principles and our values; delivering social value as well as a financial return.
	Major capital projects will be delivered successfully and in doing so, will help us deliver our future vision for a fair and sustainable Cambridge.
Organisational change	Empowered, engaged workforce with the skills, knowledge and confidence to drive a culture of continuous improvement and innovation.
	Decisions are made as efficiently and effectively as possible.

Financial benefits – approach and next steps

The Our Cambridge programme will deliver financial benefits through both cashable and non-cashable savings. These will be achieved through individual projects and through how we work collectively to invest in the future of Cambridge.

Current estimates are based on both "bottom-up" modelling (using data about what we currently do, how this aligns to outcomes and spend) and "top-down" estimates (looking at the opportunities and challenges facing the council as a whole, and how we can best respond to these).

For some projects the full scale of potential financial benefits will not be evident until we have carried out the first phase of the work and we will review these through a series of agreed "gateways" as the programme progresses. This may result in additional income generation or savings not currently included in the business case (though we may also need additional resource to deliver them). Any further savings, and any additional investment, will be subject to a robust process of review and approval including council officers, members, and as appropriate, broader communities and partners.

This business case is a "living" document.

We are continuing to refine our modelling, and there are some uncertainties still needing to be resolved. These include some additional opportunities not yet quantified – for example, financial benefits resulting from major capital projects, changes to fees and charges, and further opportunities to improve demand management.

Potential financial benefits: revenue improvement

Based on a joint review of current income and spend, the range of potential recurrent benefits realisable by 2024/2025 identified to-date are summarised below:

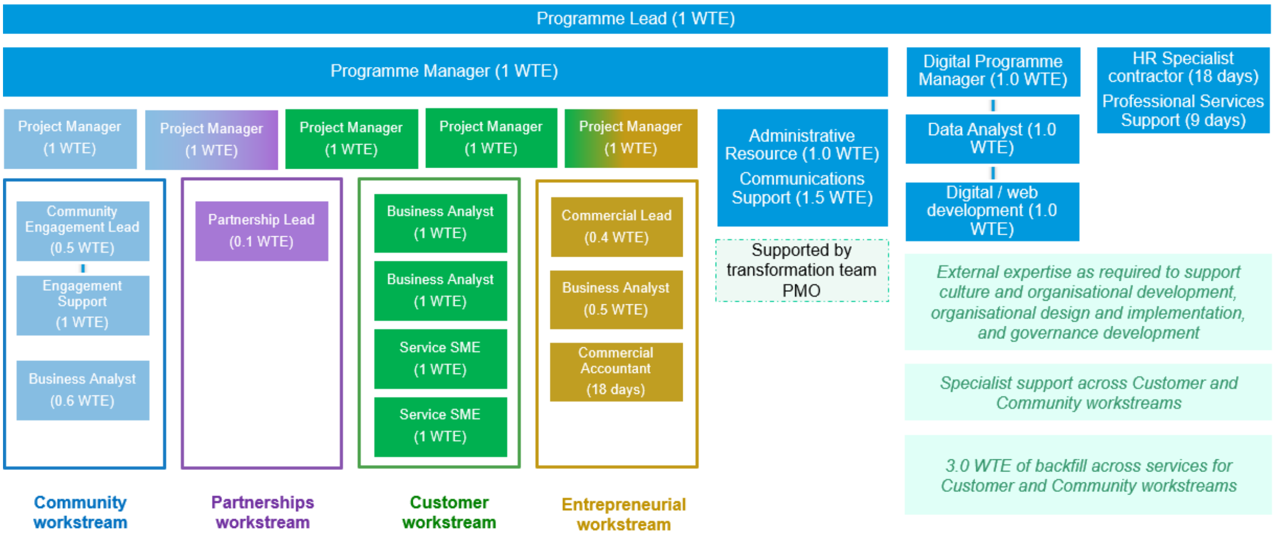
Potential recurrent income growth and revenue savings by workstream	Lower estimate	Mid-point estimate	Higher estimate
Customer	(£1.7m)	(£3.6m)	(£4.9m)
Partnerships	(£0.0m)	(£0.0m)	(£0.0m)
Community	(£0.0m)	(£0.0m)	(£0.0m)
Entrepreneurial	(£0.5m)	(£1.1m)	(£1.7m)
Organisational Change	(£0.0m)	(£0.0m)	(£0.0m)
Total	**(£2.2m)**	**(£4.7m)**	**(£5.6m)**

Programme costs - assumptions

We have developed a set of shared assumptions around costs that underpin the financial model. This programme will be managed by a team that is fully embedded within Cambridge City Council – that is one of the guiding principles behind the 'Our Cambridge' approach

- **We will deliver the programme through a mixed resourcing model** based on:
  - fixed-term contracts and internal secondments to staff programme delivery roles.
  - additional backfilled posts across service areas involved in delivery of Customer and Community projects.
  - support provided where appropriate by externally sourced specialists and consultancy support.
- **Council, secondment and fixed-term contract costs** have been estimated on the 2020/21 mid-spinal point for PO grades:
  - for planning purposes these have been uplifted by 1.5% for 2021/22,
  - with 25% on-costs applied.
- **We have used an averaged day rate for external specialists** based on market rates.
- **Transition costs have been accounted** for as follows:
  - our current planned timeframes would make any reductions in resourcing achievable through natural attrition.
  - this is based on current staff turnover which is estimated at 4% per annum.
  - however, we have included a contingency of 15% of the estimated full-year savings,
  - covering any double-running of service models and any related costs to changes in roles and structures.

Indicative levels of resourcing (2022/23)



Estimated programme staffing by theme

Programme area	Roles	Potential Resourcing (indicative)					
		2021/22 (five months)		2022/23 (full year)		2023/24 (full year)	
		WTE	Total Cost	WTE	Total Cost	WTE	Total Cost
Core Programme Team	Programme director, programme manager, comms, data analyst, PMO support	4.8	£146,000	5.3	£352,000	3.6	£229,000
Community	Project manager, business analyst, , consultancy engagement and facilitation	4.5	£121,000	5.0	£317,000	0.2	£15,000
Customer	Business analysts, project manager, digital/web developer, systems specialists, ICT input, backfill	12.4	£425,000	10.8	£894,000	1.6	£116,000
Entrepreneurial	Business analyst, commercial leads	3.6	£122,000	1.7	£165,000	0.3	£35,000
Organisational development	External specialist support to organisational design, development, communications and engagement	1.0	£46,000	0.7	£62,000	0.0	£0
Partnerships	City vision project lead, project management and engagement support	1.3	£38,000	0.6	£40,000	0.0	£0
	Sub Totals	27.8	£898,000	24.1	£1,830,000	5.8	£395,000
	Total	£3.1m					

Key risks & mitigations (1/2)

Risk	Impact	Mitigation Actions	Unmitigated Risk	Mitigated Risk
1. There is a risk of delay in delivery based on potentially over-ambitious timescales.	Delay will impact benefits realisation and the council's medium term financial outlook, and may undermine confidence in future delivery.	Robust programme and project management, clear and ongoing executive oversight, and effective project resourcing and support to each area.	High probability, High impact	Medium probability, Medium impact
2. There is a risk that proposed changes will negatively impact existing staff and teams.	Changes including to resourcing model may impact current staff morale, recruitment and retention, performance, existing service delivery and the successful introduction of future models.	Dedicated cross-cutting workstream focussing on engaging staff and staff representatives; ring-fenced investment to support staff development, redeployment and training; co-design of the future model with staff, building on a shared focus on delivering better outcomes for Cambridge.	High probability, High impact	Medium probability, Medium impact
3. A failure to engage local people in the programme objectives and aims.	A lack of citizen engagement will impact the design process, the quality of the final model, and may lead to opposition to changes and / or an inability to deliver envisaged benefits.	A focus on "Plain English" communication, genuine co-design (vs. consultation and engagement) around key changes, early identification of quick-wins and sharing of benefits, close working with and through elected members.	Medium probability, High impact	Low probability, High impact
4. Changes lead to changes that worsen rather than tackle inequalities.	A failure to develop changes in a way which supports and engages all communities will lead to longer term dissatisfaction, costs, demand pressures and poorer outcomes.	Co-design process will ensure that seldom-heard voices are effectively engaged in the conversation. Robust equalities impact assessments, acting on findings, will help to prevent unintended consequences from service changes.	Medium probability, High impact	Low probability, Medium impact
5. Failure to engage effectively with partners limits opportunities and benefits.	Inability to agree with partners on the priorities and future model, including for existing shared services, will limit room for innovation and for realising potential shared benefits.	Strong focus on partnership engagement including through the visioning and strategy work; development of clear and transparent partnership governance arrangements, including to manage benefits realisation across the shared services.	Medium probability, High impact	Medium probability, Low impact

Key risks & mitigations (2/2)

Risk	Impact	Mitigation Actions	Unmitigated Risk	Mitigated Risk
6. There is a lack of data to support detailed business case development and / or key assumptions underpinning current financial modelling prove overly optimistic.	Failure to set appropriate expectations impacts confidence in council plans; budgets fail to reflect actual costs leading to unplanned overspends and the need for increased / prolonged requirement to draw on reserves, or lower service standards and quality.	Ongoing, iterative review of assumptions and modelling with finance teams, transformational and operational leads. Regular reviews of actual performance against plan and proactive escalation of potential issues through new programme governance structures. Development of best / worst / mid case scenario and sensitivity modelling with appropriate phasing and contingencies.	High probability, High impact	Medium probability, Medium impact
7. Potential savings fail to be translated into actual reductions in current council spend.	For example, reductions in requirements for individual office working are only cashable if this allows for an existing site or portion of a site to be re-let, sold or re-used in a way which contributes to the financial sustainability of the council.	Assumptions are being developed with relevant officers and teams to ensure that the range of savings and benefits reflect the need for a phased and managed transition. This will be supported by a cross-council benefits management process to ensure cashable gains are appropriately identified, realised, and are not double-counted.	High probability, High impact	Medium probability, Medium impact
8. Lack of clarity around capital and revenue investment requirements impacts the ability to develop a holistic model of costs and benefits for the Our Cambridge programme.	An overstating of benefits due to a failure to offset gross savings with accompanying costs required to maintain them; or a lack of budget to deliver on commitments, including around required capital investment.	Review of the investment requirements in parallel with commencement of project delivery, with a focus on prioritising areas such as around specific capital schemes and requirements which require the most work to develop detailed, evidence-based estimates and plans.	High probability, High impact	Medium probability, Medium impact
9. Inability to staff the required programme roles in the time required to mobilise the programme effectively.	A lack of availability of key staff and / or inability to source appropriately skilled and experienced individuals hampers the ability to ramp-up transformation efforts in line with the required plan for delivery.	A mixed resourcing model based around seconding and backfilling internal staff, sourcing external support on a fixed-term basis, and the use of specialist interims and consultancy partners, to ensure that the programme mobilises in a timely way whilst minimising costs and maximising skills transfer and ownership internally.	Medium probability, High impact	Medium probability, Medium impact

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