Cambridge City Council
Notice of Council

Date: Thursday, 30 November 2023

Time: 6.00 pm

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

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

Dear Councillor,

A meeting of Cambridge City Council will be held in the Council Chamber, The Guildhall, Market Square, Cambridge, CB2 3QJ on Thursday, 30 November 2023 at 6.00 pm and I hereby summon you to attend.

Dated 22 November 2023

Yours faithfully

Jane Wilson

Chief Executive

Agenda

This council notes the intimidation and abuse of councillors, in person or otherwise, undermines democracy; preventing elected members from representing the communities they serve, deterring individuals from standing for election, and undermining public life in democratic processes.

This council further notes that increasing levels of toxicity in public and political discourse is having a detrimental impact on local democracy and that prevention, support and responses to abuse and intimidation of local politicians must improve to ensure councillors feel safe and able to continue representing their residents.

This council therefore commits to challenge the normalisation of abuse against councillors and uphold exemplary standards of public and political debate in all it does.

The council further agrees to sign up to the Local Government Association's (LGA) Debate Not Hate campaign. The campaign aims to raise public awareness of the role of councillors in local communities, encourage healthy debate and improve the response to and support for local politicians facing abuse and intimidation.

In addition, the council resolves to:

- Write to our local Members of Parliament to ask them to support the campaign
- Write to the Government to ask them to work with the LGA to develop and implement a plan to address abuse and intimidation of politicians
- Regularly review the support available to councillors in relation

to abuse and intimidation and councillor safety

- Work with the local police to ensure there is a clear and joined-up mechanism for reporting threats and other concerns about the safety of councillors and their families

- Take a zero-tolerance approach to abuse of councillors and officers.

- Express our support for the Jo Cox Foundation[1]'s Civility in Public Life Campaign, which we commit to adhering to in all of our political discourse[2].

Notes:

- Except for the last bullet point, this motion follows the wording, with only very minor edits for local context, of the Local Government Association's *Debate not Hate* motion which has been passed at councils across the country. More details of the LGA debate not hate campaign can be found here: https://www.local.gov.uk/about/campaigns/debate-not-hate.

- The Jo Cox Foundation is a registered charity set up in memory of murdered MP, Jo Cox, who studied at Cambridge University. It works to promote stronger communities, respectful politics, and a fairer world. (https://www.jocoxfoundation.org/about/)

- The 2023 Civility Pledge, which is the core of the Civility in Public Life campaign is as follows:
  - Set a respectful tone when campaigning
  - Lead by example to foster constructive democratic debate
  - Demonstrate compassion by defending and promoting the dignity of others, especially my opponents.

- More details about the Jo Cox Foundation's campaign to promote civility in public life can be found here: https://www.jocoxfoundation.org/our-work/respectful-politics/

8 Written questions

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

[1] A charity set up in memory of murdered MP, Jo Cox, who studied at Cambridge University. It works to promote stronger communities, respectful politics, and a fairer world. https://www.jocoxfoundation.org/about/

[2] https://www.jocoxfoundation.org/our-work/respectful-politics/civility-pledge/

around the Chamber.

Information for the public

The public may record (e.g. film, audio, tweet, blog) meetings which are open to the public.

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

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

This Meeting will be live streamed to the Council's YouTube page. You can watch proceedings on the livestream or attend the meeting in person.

Those wishing to address the meeting will be able to do so virtually via Microsoft Teams, or by attending to speak in person. You must contact Democratic Services democratic.services@cambridge.gov.uk by 12 noon two working days before the meeting.

The full text of any public question must be submitted in writing by noon two working days before the date of the meeting or it will not be accepted. All questions submitted by the deadline will be published on the meeting webpage before the meeting is held.

Further information on public speaking will be supplied once registration and the written question / statement has been received.

This page is intentionally left blank

COUNCIL 19 October 2023
6.00 - 9.45 pm

Present: Councillors Ashton, Baigent, Bennett, Bick, Carling, Davey, Divkovic, Flaubert, Gawthrope Wood, Gilderdale, Glasberg, Griffin, Hauk, Holloway, Hossain, Howard, Lee, Levien, Martinelli, McPherson, Moore, Nestor, Nethsingha, Payne, Porrer, Robertson, Sheil, Smart, S. Smith, Swift, Thittala Varkey, Thornburrow, Tong, Wade and Young

Also present (virtually) Councillors: A. Smith, Todd-Jones.

FOR THE INFORMATION OF THE COUNCIL

23/47/CNL Mayor's Statement on the Situation in Israel and the Palestinian Occupied Territories

On behalf of the City Council and residents of Cambridge, expressed this city's collective condolences, support, and solidarity to everyone that has suffered and is suffering in Israel and the Palestinian Occupied Territories.

This is a horrible situation and we are appalled by all and any acts of violence. Any loss of civilian life is unbearable and unacceptable.

We recognise that different communities have suffered loss, and we call for a cessation of violence, for international diplomacy, and for peace.

All communities in the Middle East are entitled to have their human rights respected. We must also respect the needs of all communities to grieve the devasting loss of family members and friends on their own terms.

We know that some Cambridge residents have been directly affected by the tragic events of the last two weeks.

The City Council and us as Members ha*ve* a duty to support and facilitate community cohesion and promote good relations between the different faiths and cultures that live and worship side by side peacefully in Cambridge.

We take this responsibility seriously and care about it deeply. We must all play our part to help heal the tragic wounds caused thousands of miles away in Israel, in Gaza and in the West Bank.

As Chair of this Council and Mayor of the City of Cambridge, called on all communities in Cambridge to continue to respect each other, each other's right to express themselves peacefully, within the law, and to be able go about their daily lives without the fear of threats, reprisal, or intimidation.

Wished to remind people that Cambridge is a City of Sanctuary. We are a proudly diverse city and we have a tradition of welcoming asylum seekers and refugees, and for upholding and respecting the human rights and dignity of all peoples.

On the 24th October many communities and nations will mark United Nations Day. It is a day of reflection, and a day of aspiration - for the world we want to become. Above all, United Nations Day is '*rooted in a spirit of determination to heal divisions, repair relations and build peace'*.

As a Council we recognise that it is the responsibility of all nations, and governmental bodies at all levels, including local government, business, and civil society to help build that world of peace, of sustainable development, and human rights for all.

We call on the United Nations Secretary-General, António Guterres, to use his good offices to support a peaceful resolution of the conflict, to ensure that humanitarian and international aid can safely reach the people of Gaza, the return of hostages, and to continue to support a two-State solution.

And we call on all Heads of State and Government around the world to demonstrate leadership at this important time - to build bridges, to support peace in the Middle East and to avoid actions that could spill over into further bloodshed.

Mahatma Gandhi taught us that we*, '… must be the change [we] wish to see in the world',* and, also that*, 'an eye for an eye only ends up making the whole world blind.'*

Asked for a minute's silence.

23/48/CNL Minutes

The minutes of the 20 July 2023 meeting were confirmed as a correct record and signed by the Mayor.

23/49/CNL Mayor's announcements

1.Apologies

Apologies for absence were received from Councillors Bird, Dryden, Healy, Pounds and apologies for lateness from Councillor Sheil (who joined the meeting during oral questions item 23/52/CNL).

On-line were Councillors Anna Smith and Todd-Jones who could participate but not vote.

2. Remembrance Sunday

Members were reminded that the Remembrance Sunday civic service would take place on Sunday 12 November and anyone wishing to attend at Great St. Mary's Church was asked to let Gary Clift know by 27 October. The Deputy Mayor would be leading the civic procession to church.

The Mayor would lay a wreath on behalf of the City at the War Memorial and anyone wishing to join her there was very welcome to do so by arriving at the Memorial for 10.30 a.m.

3. Chevin Service

Advance notice was given that the preaching of the Chevin Sermon at the Good Shepherd in Arbury would take place on Sunday 14 January 2024. Invitations would be sent out nearer the time.

Since July the Mayor seemed to be back up to a full pre-pandemic diary. Over the expected quiet summer holiday period, the Mayor attended lots of community events.

The Mayor thanked the three staff supporting and running her diary and the civic event organization in amongst their other work.

The Mayor asked Council to note that there would be an additional item before the meeting concluded to thank a key member of staff: Gary Clift

Name	**Item**	**Interest**
Councillor Young	23/53/CNLa	Personal: Member of Cambridge Unitary Campaign

23/50/CNL Public questions time

The Democratic Service Manager read a written statement on behalf of a member of the public, as set out below.

1. Raised the following points:
   i. Referred to public question to Planning and Transport Scrutiny Committee at https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=475&MId=4268 and the response from councillors, plus my public questions to East Area Committee and the debate councillors had (See the video here https://www.youtube.com/watch?v=l7rguMwVj00&t=57m20s).
   ii. Re the motion at 6a by Councillor Tim Bick on Unitary Councils, asked Cambridge City Council to discuss with its partner councils what co-ordinated actions it could take to help educate residents about how our city and county function and malfunction.
   iii. Feedback from the first workshop hosted at Rock Road Library corroborated the statement in the motion 6a that "This fragmentation frequently leaves our residents confused about the location of responsibilities and accountability."
   iv. The speaker had further events lined up, but did not have the capacity to run such events for the entire city on a 'pay what you can afford' basis - whether barriers be the costs of event hire to the efforts needed to advertise the events when the fragmentation of, and costs of advertising on social media means that fewer people find out about such things compared with a decade ago.
   v. Although happy to contribute towards such efforts, it's something that needed to be led by local government rather than well-meaning volunteers.

   The Leader responded:
   i. Referred to Motion 6a, 6b and amendments to these.
   ii. Local government was for the benefit of the local population.
   iii. Hoped the motions, and amendments if approved, would lead to a discussion on how politicians could serve residents.

23/51/CNL To consider the recommendations of Committees for adoption

25/51/CNLa Civic Affairs Committee 18 October 2023

Resolved (by 24 votes to 10):

To approve:

(i) To pause area committee meetings for two cycles (approximately six months) after the November/December 2023 cycle of meetings (para 3.3-3.5 of the officer report).

Resolved (by 34 votes to 0):

To approve:

(ii) That Council Procedure Rules (Appendix A2 Rules of Debate on the Budget) is amended to change the length of speeches per group from up to 45 minutes to up to 15 minutes, and to note that the Council meeting on 15 February 2024 would deal with all agenda business and the scheduled ‘follow on’ Council meeting date of 29 February 2024 is therefore no longer required (para 4.3 of the officer report).

(iii) Public Questions (except for Planning Committee) to be received in writing, in full, by noon two days before a meeting, not read out, with a Councillor reply of up to two minutes, a public supplementary of up to two minutes and a councillor reply to that of up to two minutes (para 4.5 of the officer report).

23/52/CNL To deal with oral questions

1. Councillor Robertson to the Executive Councillor for Housing and Homelessness.

Please can the Executive Cllr for Housing and Homelessness give us an update on progress with the private tenants' forum?

The Executive Councillor responded:

i. Estimated that 31% of residents lived in the private rented sector.
ii. The number of people living in homes of multiple occupation was increasing. The City Council was trying to identify and licence these.
iii. There was a high demand for, but a limited supply of homes. This affected the cost.
iv. Councillors and Officers were putting together a private rental residents’ forum 21 October to provide information and facilitate questions. Other (partner) organisations would also be present.

2. Councillor Thittala Varkey to the Executive Councillor for Planning, Building Control and Infrastructure.

How is Cambridge going to be affected by the new Building Safety Act?

The Executive Councillor responded:

i. 1 October 2023 marked the start of the full higher risk building regime.
ii. This would ensure that people responsible for high rise buildings were aware of the risks involved in this building type.
iii. There were no buildings affected by the criteria in the city at present.

3. Councillor McPherson to the Executive Councillor for Open Spaces and City Services.

Can the Executive Councillor give an update on the Greater Cambridge Chalk Stream project?

The Executive Councillor responded:

i. The City Council was pleased to secure County Council funding for the project. An experienced officer had been appointed to steer it.
ii. An evidenced based approach would be used to ensure the project was a success.
iii. Large scale interventions were needed to address chalk stream issues.
iv. The City Council was working with local residents to improve chalk streams near them.

4. Councillor Young to the Executive Councillor for Communities.

Last year the Council set up warm spaces for those who have difficulty in heating their flats or houses. What plans does the Council have this year?

The Leader responded:

i. Warm spaces were a vital addition in 2022 to tackle loneliness, provide warmth and help people to stay connected to their communities. The hubs were available throughout the year.
ii. The City Council was setting up a network with other organisations to help support them.

5. Councillor Hossain to the Leader.

At the last meeting the leader of the council said he could not comment in response to my question on road closures in Nightingale Avenue, Bateman

Street, Luard Road, Panton Street, Story's Way, Carlyle Road, Vinery Road and would need to investigate this further. What was the outcome of his investigation?

The Executive Councillor responded:

i. Would send a written response after this Council meeting.
ii. This was a County Council not a City Council matter.
iii. The Leader had contacted the County Council and Greater Cambridge Partnership. The road closure proposals (except Vinery Road) went through the Highways Committee in 2021 and were unanimously approved by all political parties. They were a way to introduce active travel during the pandemic. Responses were positive so the measures were made permanent.
iv. Vinery Road proposals would be considered by the County Council in December 2023.

6. Councillor Wade to the Executive Councillor for Community Wealth Building and Community Safety.

The new Real Living Wage is being announced in less than a week by the RLW foundation. What is the council doing to ensure the new rates and the Real Living Wage is promoted to businesses and residents in the city?

The Executive Councillor responded:

i. The City Council was liaising with businesses to raise the profile of the Real Living Wage.
ii. The Council was undertaking a range of promotional activities to raise awareness of the new rates, the importance of the Real Living Wage and business benefits to accrediting with the Living Wage Foundation. This included:
    - Displaying information on the council's poster boards across different locations in the city, on Zedify trikes, and on the Mandela House digital screen during Living Wage Week (6^{th} to 12^{th} November)
    - Producing two videos
        - One on the announcement of the new rates and the council's continued commitment to the Real Living Wage
        - One to mark Living Wage Week encouraging other organisations top pay it and accredit with the Foundation.
iii. It was hoped people who were directly and indirectly employed by accredited companies would be put on the minimum wage.

7. Councillor Griffin to the Executive Councillor for Open Spaces and City Services.

Could the Executive Councillor outline how and why the focus for the strategic EIP funding has changed this year?

The Executive Councillor responded:

i. A budget allocation for EIP funding was made in 2021-22.
    a. Project bids could be made for area committee funding.
    b. Strategic EIP funding was available for cross-city projects such as improving the street scene and providing free drinking water.
ii. In 2023 EIP funding was reviewed by Officers and the Executive Councillor. The two funding streams would continue, but align the strategic funding projects with enhancing the city's green amenity spaces plus the Council's increasing focus on biodiversity and climate crisis.

8. Councillor Hauk to the Executive Councillor for Open Spaces and City Services.

Could the Executive Councillor for Open Spaces please explain why there has been no Trumpington ward walk-about as part of the herbicide-free trial?

The Executive Councillor responded:

i. An offer to undertake a ward walkabout was extended to Councillors in August and the levels of sign up and then availability of individuals was deemed to limit the usefulness of the walkabouts.
ii. If Councillor Hauk, would like to offer some dates, Officers were happy to attend.
iii. Officers were happy to make site visits where issues are raised.
iv. The invitation was sent on the 8th August, with a follow up request on the 16th August.
v. The dates offered included the 28th, 29th, 30th, 31st August and 2nd September.
vi. It was accepted that these dates offered may have been during summer holiday breaks, and therefore impacted on take up.
vii. Getting convenient times for everyone to attend during the day made the scheduling of the walk about difficult, and risked not allowing those wish to participate to do so, without repeats and this was not deemed efficient use of Officer time.

A full list of oral questions including those not asked during the meeting can be found in the Information Pack, which was published on the meeting webpage

Agenda for Council on Thursday, 19th October, 2023, 6.00 pm - Cambridge Council.

23/53/CNL To consider the following notices of motion, notice of which has been given by:

25/53/CNLa Councillor Bick - A Unitary Council

Councillor Bick proposed and Councillor Martinelli seconded the following motion:

Council notes its past interest in reform of local government structure in our area, reflected in the motion overwhelmingly supported by members in November 2014* and the renewed public interest in it today.

Council notes that:

1. Although many important partnership relationships are in place between this and other councils, that the current fragmentation of responsibilities and decision-making presents an unhelpful hurdle to strategic focus on the big range of issues which bind the city of Cambridge and the south of the county, affecting lives and livelihoods of all our residents.
2. This fragmentation frequently leaves our residents confused about the location of responsibilities and accountability.
3. Past doubts about the critical mass required to justify unitary status are being dispelled by recent and projected population growth in our area.

Council re-affirms its belief that:

1. Power should reside as close to people as is consistent with effective decisions that impact them.
2. For purposeful, democratic government, we should aspire to a single tier council, framed around the logical community of interest within an economic subregion: a shared area of identity within which most people both live and work.
3. In our situation this would mean a unitary council for the southern part of Cambridgeshire.

In addition it affirms:

1. Its continue commitment to the many, complex partnership arrangements of which it is a part as the best available current means of pursuing joined-up decision-making so long as local government structure remains as it is.
2. Its awareness that even with a unitary council, working co-operatively and supportively with our neighbours would remain mutually essential.

3. That the increasing expectations of change and economic growth that face us in this area make it no longer optimal that we have less dedicated local self-government than city areas such as Peterborough, York, Bedford, Reading or Bath.
4. Its belief that a unitary council would better connect our residents to their representatives and service providers, and improve joined-up decision-making, and strengthen our voice in dialogue with central government.

Accordingly, Council renews its call on the Leader and Chief Executive to participate in discussions with other Cambridgeshire authorities and government to build a consensus for a new single tier authority for the south of the county with appropriate solutions for the remainder.

Councillor Davey proposed and Councillor Griffin seconded the following amendment to the New Unitary Council motion. (Deleted text ~~struckthrough~~, additional text <u>underlined</u>.)

~~Council notes its past interest in reform of local government structure in our area, reflected in the motion overwhelmingly supported by members in November 2014* and the renewed public interest in it today.~~

Council notes that:

1. <u>There is renewed public interest in how Cambridge is governed.</u>
2. Although many important partnership relationships are in place between this and other councils, that the current fragmentation of responsibilities and decision-making presents an unhelpful hurdle to strategic focus on the big range of issues which bind the city of Cambridge~~ and the south of the county~~, affecting lives and livelihoods of all our residents.
3. This fragmentation frequently leaves <u>many of</u> our residents confused about the location of responsibilities and accountability.
4. Past doubts about the critical mass required to justify unitary status are being <u>questioned again, as they were in the 1890s, after both World Wars, in the 1950s and again in the 1960s.</u> ~~dispelled by recent and projected population growth in our area.~~

Council ~~re-~~affirms~~ its belief ~~that:

1. Power should reside as close to people as is ~~consistent with effective decisions that impact them~~ <u>possible</u>.
2. For purposeful, democratic government, we should <u>therefore consider whether</u> ~~aspire to~~ a single tier council, <u>amongst other options,</u> framed around <u>the urban geography of the city, is the most appropriate model of Government for our city.</u> ~~the logical community of interest within an~~

~~economic subregion: a shared area of identity within which most people both live and work~~.

3. We support the calls currently being made for deeper devolution of powers from central government and are committed to working with the Mayor to progress those discussions, for the benefit of both Cambridge and the wider region, to ensure we can best support our communities through the cost of living, climate and biodiversity emergencies. Specifically we believe devolution in relation to single funding settlements and fiscal powers, devolved skills and adult education budgets and clearer, transport responsibilities would give power back to local communities ~~In our situation this would mean a unitary council for the southern part of Cambridgeshire~~.

In addition Council ~~it~~ affirms:

1. Its continued commitment to the many, complex partnership arrangements of which it is a part as the best available current means of pursuing joined-up decision-making so long as local government structure remains as it is.
2. Its awareness that ~~even with a unitary council~~ whatever model of Governance might emerge, working co-operatively and supportively with our ~~neighbours would remain mutually~~ partners and communities is essential to deliver better outcomes for our residents.
3. That the increasing expectations of change and economic growth that face us in this area make it no longer optimal that we have less dedicated local self-government than city areas such as Peterborough, Luton, York, Bedford, Reading or Bath. In particular reference should be made to the structures in Manchester given that this city sits within a Combined Authority.
4. Its belief that an alternative model of local government ~~unitary council would~~ could better connect our residents to their representatives and local service providers, and ~~improve~~ facilitate joined-up decision-making, and strengthen our voice in dialogue with central government and improve the life chances, health and wellbeing, and opportunities for our residents.

Accordingly, Council ~~renews its call on~~ asks the Leader and Chief Executive to ~~participate in~~ initiate discussions with other Authorities in the region and then central Government to identify options for a less fragmented and more cohesive model of Government for Cambridge, that best serves the needs of its residents. These discussions should involve and engage with the people of the city in a meaningful way, thereby recognising the need for our governance structures to reflect the wishes of the people we serve ~~Cambridgeshire~~

~~authorities and government to build a consensus for a new single tier authority for the south of the county with appropriate solutions for the remainder~~.

~~*Motion passed on November 6 2014 by 37 votes to 0 with 3 abstentions from the minutes~~
Resolved ~~(by 37 votes to 0, with 3 abstentions) that:~~

~~Council notes:~~

~~i. The urgent need to increase the relevance of public decision making to people's daily lives and to rejuvenate our local democracy.~~
~~ii. The opportunity to tackle this in an appropriate way in England following the Scottish referendum and the commitments made there for increased devolution from Westminster.~~
~~iii. The recent report of the RSA City Growth Commission presenting just the latest evidence that city regions, if empowered to do so, can serve to boost national economic growth.~~
~~iv. The groundswell of support in the local business community for a single council providing coordinated, accountable leadership for the Greater Cambridge area.~~
~~v. The welcome debate opened up at the County Council for alternative approaches to local government in our area, to which the City Council will be asked to participate.~~

~~Council believes that:~~

~~i. The survival of the proud tradition of municipal innovation and enterprise, which historically transformed social conditions and enabled strides in prosperity is under threat from the control tendencies of all recent governments.~~
~~ii. There is much to do in our area, yet too often our locally elected representatives are circumscribed from taking actions that local people expect of them.~~
~~iii. Both the unwieldly structure of local government covering the city of Cambridge and the centralisation of the vast majority of revenues arising from the area are major sources of frustration with the democratic process.~~
~~iv. Power should reside as close to people as is consistent with making effective decisions that impact them.~~
~~v. Irrespective of demarcations between councils, voluntary collaborations between them are being shown to offer economies of scale and critical mass where needed for cost effective service delivery.~~
~~vi. For purposeful democratic, local government we should aspire to a single tier council framed around the logical community of interest~~

~~within an economic sub region: a shared area of identity within which most people both live and work;~~

~~Council calls on the Leader and Chief Executive to:~~

~~i. Participate in discussions with other Cambridgeshire authorities and Peterborough to seek a consensus for a single tier solution of several unitary authorities including one for greater Cambridge, and a local referendum if supported in principle, including full involvement of residents, local community organisations, the business community and Universities.~~

~~ii. Seek in the interim negotiations with central Government on the Greater Cambridge City Deal acceleration of the already proposed legislation to enable a Greater Cambridge combined authority.~~

~~iii. Develop and articulate the case for:~~

- ~~a. The retention without strings of a majority of the public revenues arising in this area from business rates and other property based taxation, allowing for the remainder to be redeployed nationally for equalisation.~~
- ~~b. Local accountability to local people for setting business rates and council tax levels.~~
- ~~c. Clear devolution of powers from Whitehall, working in partnership with Cambridgeshire councils, Peterborough and similar city regions, to remove obstacles to sustainable growth for Greater Cambridge including~~
    - ~~i. Lifting the Housing Revenue Account cap and transferring related housing powers~~
    - ~~ii. Addressing additional strategic transport infrastructure that is essential but not covered by the City Deal or already agreed~~
    - ~~iii. Increasing capital and revenue funding for schools and skills development~~
    - ~~iv. Removing barriers to enable councils to tackle inequality, and~~
    - ~~v. Strengthening local planning powers for Greater Cambridge.~~

~~iv. A proportional voting system within a newly empowered local government.~~

~~v. A national constitutional convention to provide the stimulus for a new mindset in Westminster and Whitehall and a general framework for progress in all these respects.~~

The amendment was carried by 24 votes to 10.

Resolved (by 34 votes to 0) that:

Council notes that:

1. There is renewed public interest in how Cambridge is governed.
2. Although many important partnership relationships are in place between this and other councils, that the current fragmentation of responsibilities and decision-making presents an unhelpful hurdle to strategic focus on the big range of issues which bind the city of Cambridge, affecting lives and livelihoods of all our residents.
3. This fragmentation frequently leaves many of our residents confused about the location of responsibilities and accountability.
4. Past doubts about the critical mass required to justify unitary status are being questioned again, as they were in the 1890s, after both World Wars, in the 1950s and again in the 1960s.

Council affirms that:

1. Power should reside as close to people as is possible.
2. For purposeful, democratic government, we should therefore consider whether a single tier council, amongst other options, framed around the urban geography of the city, is the most appropriate model of Government for our city.
3. We support the calls currently being made for deeper devolution of powers from central government and are committed to working with the Mayor to progress those discussions, for the benefit of both Cambridge and the wider region, to ensure we can best support our communities through the cost of living, climate and biodiversity emergencies. Specifically we believe devolution in relation to single funding settlements and fiscal powers, devolved skills and adult education budgets and clearer, transport responsibilities would give power back to local communities.

In addition Council affirms:

1. Its continued commitment to the many, complex partnership arrangements of which it is a part as the best available current means of pursuing joined-up decision-making so long as local government structure remains as it is.
2. Its awareness that whatever model of Governance might emerge, working co-operatively and supportively with our partners and communities is essential to deliver better outcomes for our residents.
3. That the increasing expectations of change and economic growth that face us in this area make it no longer optimal that we have less dedicated local self-government than city areas such as Peterborough, Luton, York, Bedford, Reading or Bath. In particular reference should be

made to the structures in Manchester given that this city sits within a Combined Authority.

4. Its belief that an alternative model of local government could better connect our residents to their representatives and local service providers, and facilitate joined-up decision-making, and strengthen our voice in dialogue with central government and improve the life chances, health and wellbeing, and opportunities for our residents.

Accordingly, Council asks the Leader and Chief Executive to initiate discussions with other Authorities in the region and then central Government to identify options for a less fragmented and more cohesive model of Government for Cambridge, that best serves the needs of its residents. These discussions should involve and engage with the people of the city in a meaningful way, thereby recognising the need for our governance structures to reflect the wishes of the people we serve.

25/53/CNLb Councillor Young - Short Term Lets in Cambridge

Councillor Young proposed and Councillor Porrer seconded the following motion:

Council Notes:

Advertising a room on Air BnB and other similar platforms started off as a practical way to generate occasional income for a few, renting out a spare room or a whole dwelling for a few weeks of the year whilst on holiday, but the practice has grown hugely since the site was founded and is now enormously commercialised;

This has had the effect of taking out privately owned and rented property from the market for long term living, and putting it in the market for short term and holiday lets and other temporary use;

Currently, there are few or no proactive controls available to the Local Planning Authority or council to oversee such changes of use, particularly in smaller properties, and therefore no means by which neighbours can put forward their views on such changes, or where additional comings and goings from servicing of such properties can be properly assessed.

Uncontrolled changes of residential property to continuous short term lets have the effect of:

- Squeezing the housing market for people who want to live close to where they work;
- In particular, driving out young people at the lower end of the price range who want to live where they were brought up and raise children and thus reducing the long term sustainability of communities;
- In some cases enabling a source of neighbourhood nuisance by virtue of the use of inappropriate buildings or locations;
- Turning Cambridge into a town with unsuitable or substandard accommodation for visitors to Cambridge;

Therefore, this council:

1. Calls on central government urgently to put in place regulation to enable local councils to control the practice of short term lets, as consulted on in the recent "Introduction of a Use Class for Short Term Lets and associated permitted development rights" (12 April 2023) and requests the Chief Executive to write to the Housing Minister to express this council's support for this.

2. Calls on the Executive Councillor for Planning & Infrastructure to work across the council to shape the emerging Local Plan to address these concerns, exploring the use of all the powers which are at our disposal now and in the future to improve the situation, such as:

- How best the Local Planning Authority could use current or future legislation to require a change of use permission to be obtained for any dwellings used as short terms lets on a permanent basis;
- Clarifying how many days a year a property could be let before reaching the definition of permanent (for example, 90 days per annum, as used in London);
- Applying minimum space and safety standards for short term lettings similar to those in use for existing HMOs (Houses of Multiple Occupation);
- Ensuring that impact on the long term sustainability of a neighbourhood is considered as part of any change of use application to a short term let;
- Ensuring that the comings and goings and associated deliveries and servicing of short term rented dwellings are considered as part of this change of use application to a short term let;
- Including a presumption that ancillary dwellings approved as such should not later be converted to short term lets;
- Considering whether it would be reasonable to include a condition for new build dwellings to require change of use permission for short term lets until national policy on this is clarified.

Councillor Thornburrow proposed and Councillor Nestor seconded the following amendment to the Short Term Letting in Cambridge motion. (Deleted text ~~struckthrough~~, additional text underlined.)

Council Notes:

This Council notes that letting ~~Advertising~~ a room on Air BnB and other similar platforms started off as a practical way to generate occasional income for a few, renting out a spare room or a whole dwelling for a few weeks of the year whilst on holiday, but the practice has grown hugely since the site was founded and is now widespread ~~enormously commercialised~~;

This Council further notes that this has had the effect of taking out privately owned and rented property from the market for long term living, and putting it in the market for short term and holiday lets and other temporary use; short-term lets through Airbnb may adversely affect the housing market, reduce the sustainability of communities, be the source of neighbourhood nuisance, and lead to substandard accommodation being offered to visitors;

Council acknowledges that it could address issues around short term lets under planning law if change of use was required but national planning policy and legislation currently do not identify these lets as a separate use class and so establishing change of use is complex and subject to appeal. However, in January 2019 Cambridge was the first local authority, outside of London, to successfully defend an appeal against planning enforcement after it was issued in December 2017.

Council therefore resolves to:

Mandate its representatives working on the development of the Greater Cambridge Local Plan to take this issue into account and explore what additional controls may be feasible under existing powers and legislation.

Ask the Leader or Chief Executive to write to local Members of Parliament drawing their attention to this resolution and asking them to support measures to bring forward greater control on the market for short-term letting through the implementation of the measures proposed in the April 2023 consultation Introduction of a use class for short term lets and associated permitted development rights - GOV.UK (www.gov.uk)

Continue to update the planning committee on compliance work with regard to the enforcement of short term lets at regular intervals.

~~Currently, there are few or no proactive controls available to the Local Planning Authority or council to oversee such changes of use, particularly in smaller properties, and therefore no means by which neighbours can put forward their views on such changes, or where additional comings and goings from servicing of such properties can be properly assessed.~~

~~Uncontrolled changes of residential property to continuous short term lets have the effect of:~~

~~- Squeezing the housing market for people who want to live close to where they work;~~
~~- In particular, driving out young people at the lower end of the price range who want~~
~~to live where they were brought up and raise children and thus reducing the long~~
~~term sustainability of communities;~~
~~-in some cases enabling a source of neighbourhood nuisance by virtue of the use of inappropriate buildings or locations;~~
~~- Turning Cambridge into a town with unsuitable or substandard accommodation for visitors to Cambridge;~~

~~Therefore, this council:~~

~~1. Calls on central government urgently to put in place regulation to enable local councils to control the practice of short term lets, as consulted on in the recent "Introduction of a Use Class for Short Term Lets and associated permitted development rights" (12 April 2023) and requests the Chief Executive to write to the Housing Minister to express this council's support for this.~~

~~2. Calls on the Executive Councillor for Planning & Infrastructure to work across the council to shape the emerging Local Plan to address these concerns, exploring the use of all the powers which are at our disposal now and in the future to improve the situation, such as:~~

~~-How best the Local Planning Authority could use current or future legislation to require a change of use permission to be obtained for any dwellings used as short terms lets on a permanent basis;~~

~~-Clarifying how many days a year a property could be let before reaching the definition of permanent (for example, 90 days per annum, as used in London);~~

~~-Applying minimum space and safety standards for short term lettings similar to those in use for existing HMOs (Houses of Multiple Occupation);~~

~~-Ensuring that impact on the long term sustainability of a neighbourhood is considered as part of any change of use application to a short term let;~~

~~-Ensuring that the comings and goings and associated deliveries and servicing of short term rented dwellings are considered as part of this change of use application to a short term let;~~

~~-Including a presumption that ancillary dwellings approved as such should not later be converted to short term lets;~~

~~-Considering whether it would be reasonable to include a condition for new build dwellings to require change of use permission for short term lets until national policy on this is clarified.~~

The amendment was carried by 21 votes to 14.

Resolved (by 35 votes to 0) that:

Council Notes:

This Council notes that letting a room on Air BnB and other similar platforms started off as a practical way to generate occasional income for a few, renting out a spare room or a whole dwelling for a few weeks of the year whilst on holiday, but the practice has grown hugely since the site was founded and is now widespread;

This Council further notes that this has had the effect of taking out privately owned and rented property from the market for long term living, and putting it in the market for short term and holiday lets and other temporary use; short-term lets through Airbnb may adversely affect the housing market, reduce the sustainability of communities, be the source of neighbourhood nuisance, and lead to substandard accommodation being offered to visitors;

Council acknowledges that it could address issues around short term lets under planning law if change of use was required but national planning policy and legislation currently do not identify these lets as a separate use class and so establishing change of use is complex and subject to appeal. However, in January 2019 Cambridge was the first local authority, outside of London, to successfully defend an appeal against planning enforcement after it was issued in December 2017.

Council therefore resolves to:

Mandate its representatives working on the development of the Greater Cambridge Local Plan to take this issue into account and explore what additional controls may be feasible under existing powers and legislation.

Ask the Leader or Chief Executive to write to local Members of Parliament drawing their attention to this resolution and asking them to support measures to bring forward greater control on the market for short-term letting through the implementation of the measures proposed in the April 2023 consultation Introduction of a use class for short term lets and associated permitted development rights - GOV.UK (www.gov.uk)

Continue to update the planning committee on compliance work with regard to the enforcement of short term lets at regular intervals.

25/53/CNLc Councillor Flaubert - Inclusive play in Cambridge
Councillor Flaubert proposed and Councillor Payne seconded the following motion:

This council notes:

Accessible and inclusive play provision is a vital part of any city. Under the current equality legislation, the council has to endeavour to make play areas facilities accessible and inclusive. In this context, inclusive means maximising opportunities for a range of differing children's abilities, especially children with disabilities;

That our Streets and Open Spaces team already work hard to ensure that any play equipment suppliers provide a range of inclusive play when bids are submitted and that bids are rejected if this criterion is not met;

That in the recent Cambridge Together Project's Resident and Community Engagement project, residents fed back that they would like to see a range of playground offers at free or low cost for families/children, young people and other adults;

That Streets and Open Spaces already provide listings of parks and their locations on the city council website but as yet, this does not state which inclusive play equipment is located at each park or playground. However, according to a recent national study playgrounds continue to be inaccessible for many disabled children because they are not designed for their needs and have limited choices;

That as yet, there is no city wide map of inclusive play equipment and a structured means of engagement with families when designing inclusive playgrounds;

That as yet, there is no city wide map of the play equipment suitable for different age groups;

That as yet there is no data on distances to travel for residents for inclusive and age appropriate play equipment.

Council calls for:

An addition to the existing city map of play areas (https://www.cambridge.gov.uk/) to include a function to allow residents to search for types of inclusive play equipment and different age ranges of equipment across the city so they can identify easily where they may wish to play with their families. This should include a function to allow families to understand layout, play equipment overall space facilities and possible barriers to ensure safety, as well as photographs of the site;

A gap analysis to identify areas in the city lacking inclusive play equipment and types of age ranges of play equipment;

Engagement with families of disabled children when making adaptations to increase accessibility and to identify areas with a lack of choices;

A commitment to secure facilities for those children that need to remain seated in their wheelchairs to tackle a current lack of choices;

Provision of sensory opportunities in playgrounds;

Scrutiny of play equipment infrastructure so it meets a variety of play needs for all children;

The council's future play strategy to ensure that these gaps are considered when play equipment is being updated or where S106 or other contributions to development are being agreed, to ensure that reducing the travel times to inclusive and age appropriate play is a priority.

Councillor Carling proposed and Councillor Wade seconded the following amendment to the Inclusive Play in Cambridge motion. (Deleted text ~~struckthrough~~, additional text underlined.)

~~This council~~ The Council notes:

That accessible ~~Accessible~~ and inclusive play provision is a vital part of any city and that ~~. Under the current equality legislation,~~ the council ~~has to~~ therefore endeavours to make play areas and facilities accessible and inclusive in line with equality legislation. In this context, inclusive means maximising opportunities for a range of differing children's abilities, especially children with disabilities;

That our Streets and Open Spaces team already work hard to ensure that any play equipment suppliers provide a range of inclusive play when bids are submitted and that bids are rejected if this criterion is not met;

That in line with what residents rightly expect, all playground areas in Cambridge are free to use;

~~That in the recent Cambridge Together Project's Resident and Community Engagement project, residents fed back that they would like to see a range of playground offers at free or low cost for families/children, young people and other adults;~~

That Streets and Open Spaces already provide listings of parks and their locations on the city council website but ~~as yet, this does not state which inclusive play equipment is located at each park or playground. However, according to a recent national study playgrounds continue to be inaccessible for many disabled children because they are not designed for their needs and have limited choices~~ this does not currently include details of the equipment present at each site. However, it would be helpful for residents and families – especially those with accessibility requirements – to have access to such information in order to help them identify the best spaces for them to use;

That ~~as yet, there is no city wide map of inclusive play equipment and a structured means of engagement with families when designing inclusive playgrounds~~ when new play areas are proposed, the Council conducts a consultation – one facet of which is to seek views from residents regarding the accessibility of the proposed equipment;

~~That as yet, there is no city wide map of the play equipment suitable for different age groups;~~

~~That as yet there is no data on distances to travel for residents for inclusive and age appropriate play equipment.~~

That the Council holds catchment area data, which is a measure of the distance between residents and their closest play areas, and that this is informing our investment strategy for all types of play area: LAPs, LEAPs, NEAPs and Destination play areas;

That play equipment providers are becoming increasingly conscious of the urgent need for inclusivity and accessibility of play equipment, and that new equipment offers are increasingly incorporating this need, which the Council welcomes.

Council ~~calls for~~ agrees:

~~An addition to the existing city map of play areas (https://www.cambridge.gov.uk/) to include a function to allow residents to search for types of inclusive play equipment and different age ranges of equipment across the city so they can identify easily where they may wish to play with their families. This should include a function to allow families to understand layout, play equipment overall space facilities and possible barriers to ensure safety, as well as photographs of the site;~~

That as part of ongoing work on developing a new investment strategy for play equipment, the Council will consider how best to provide information to residents on the play equipment available at different sites – with particular emphasis on enabling people with accessibility requirements to make informed choices about play areas – and will bring proposals for doing so to a scrutiny committee alongside the proposed new strategy;

~~A gap analysis to identify areas in the city lacking inclusive play equipment and types of age ranges of play equipment;~~

That a gap analysis is already underway as part of this work, which will inform the investment strategy and allow improved decision-making around inclusive play equipment;

~~Engagement~~ That engagement with families of disabled children when making adaptations to play areas is important to increase accessibility and to identify areas with a lack of choices, and that this is already undertaken in the council's consultations;

~~A commitment to secure facilities for those children that need to remain seated in their wheelchairs to tackle a current lack of choices;~~

That equipment must be inclusive for all users, including wheelchair users - industry specialists do not recommend specific equipment for people in wheelchairs due to the tendency of such equipment to isolate users from others;

That the provision ~~Provision~~ of sensory opportunities in playgrounds is a key part of the existing tender process, and that the Council will remain committed to this;

~~Scrutiny of play equipment infrastructure so it meets a variety of play needs for all children;~~

That children have a variety of play needs, and that the Council meets these through the use of different suppliers and through creating play areas of different natures – no two play areas in Cambridge are alike;

~~The council's future play strategy to ensure that these gaps are considered when play equipment is being updated or where S106 or other contributions to development are being agreed, to ensure that reducing the travel times to inclusive and age appropriate play is a priority.~~

To reiterate its existing commitment to ensuring new housing developments provide play areas where required, and to continue emphasising the need for inclusivity when using S106 contributions from developments to improve play areas.

The amendment was carried by 21 votes to 14.

Resolved (by 35 votes to 0) that:

The Council notes:

That accessible and inclusive play provision is a vital part of any city and that the council therefore endeavours to make play areas and facilities accessible and inclusive in line with equality legislation. In this context, inclusive means maximising opportunities for a range of differing children's abilities, especially children with disabilities;

That our Streets and Open Spaces team already work hard to ensure that any play equipment suppliers provide a range of inclusive play when bids are submitted and that bids are rejected if this criterion is not met;

That in line with what residents rightly expect, all playground areas in Cambridge are free to use;

That Streets and Open Spaces already provide listings of parks and their locations on the city council website but this does not currently include details of the equipment present at each site. However, it would be helpful for residents and families – especially those with accessibility requirements – to have access to such information in order to help them identify the best spaces for them to use;

That when new play areas are proposed, the Council conducts a consultation – one facet of which is to seek views from residents regarding the accessibility of the proposed equipment;

That the Council holds catchment area data, which is a measure of the distance between residents and their closest play areas, and that this is informing our investment strategy for all types of play area: LAPs, LEAPs, NEAPs and Destination play areas;

That play equipment providers are becoming increasingly conscious of the urgent need for inclusivity and accessibility of play equipment, and that new equipment offers are increasingly incorporating this need, which the Council welcomes.

Council agrees:

That as part of ongoing work on developing a new investment strategy for play equipment, the Council will consider how best to provide information to residents on the play equipment available at different sites – with particular emphasis on enabling people with accessibility requirements to make informed choices about play areas – and will bring proposals for doing so to a scrutiny committee alongside the proposed new strategy;

That a gap analysis is already underway as part of this work, which will inform the investment strategy and allow improved decision-making around inclusive play equipment;

That engagement with families of disabled children when making adaptations to play areas is important to increase accessibility and to identify areas with a lack of choices, and that this is already undertaken in the council's consultations;

That equipment must be inclusive for all users, including wheelchair users - industry specialists do not recommend specific equipment for people in wheelchairs due to the tendency of such equipment to isolate users from others;

That the provision of sensory opportunities in playgrounds is a key part of the existing tender process, and that the Council will remain committed to this;

That children have a variety of play needs, and that the Council meets these through the use of different suppliers and through creating play areas of different natures – no two play areas in Cambridge are alike;

To reiterate its existing commitment to ensuring new housing developments provide play areas where required, and to continue emphasising the need for inclusivity when using S106 contributions from developments to improve play areas.

25/53/CNLd Councillor Tong - Towards greater transparency and closer co-operation in Local Government

Councillor Tong proposed and Councillor Howard seconded the following motion:

There have been public calls for replacement of our current governance structures by a small number of unitary authorities.

This motion does not call for the establishment of new unitary authorities.

However, it seeks to take some simple steps to allay some of the resident concerns behind those calls.

Residents find our convoluted local government system confusing. It makes it harder for them to find the help they need quickly and easily.

We propose that the council explores the possibility of establishing a common smart portal,“localCamgov.org.uk” to provide a single internet front door to the main local government structures.

This simple step would make it easier for residents to access the services they need and provide a better resident experience.

We also propose that the leader of the council invites the chairs and chief executives of key local government bodies including but not limited to the Greater Cambridge Partnership, the Combined Authority and the Cambridge Delivery Group to address full council and answer councillor questions at least once a year.

We believe that greater transparency will help to restore public confidence in local institutions and help to dispel concerns over the perceived democratic deficit.

The motion was lost by 5 votes to 20 with 10 abstentions.

25/53/CNLe Councillor A.Smith - Debate not hate

The motion was withdrawn by Councillor Smith under procedure rule 13 and would be returned at the next Council meeting.

23/54/CNL Written questions

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

23/55/CNL Farewell to Member of Staff

The Mayor asked for it to be noted that Councillors thanked Gary Clift for his many years of service as a City Council Officer. He would retire at the end of 2023.

The meeting ended at 9.45 pm

CHAIR

HOUSING SCRUTINY COMMITTEE
21 NOVEMBER 2023
5.30 – 7.09pm

Present: Councillors Pounds (Chair), Griffin, Holloway, Martinelli, Porrer, Robertson, Swift, Thittala Varkey, Tong

Tenant/Leaseholder Representatives: Diana Minns (Vice Chair), Mandy Powell-Hardy

Executive Councillor for Housing and Homelessness: Councillor Bird

Also present virtually via Teams: Christabella Amiteye and Diane Best

RECOMMENDATION TO COUNCIL (EXECUTIVE COUNCILLOR FOR HOUSING AND HOMELESSNESS COUNCILLOR BIRD)

HOUSING REVENUE ACCOUNT (HRA)

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

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

The Housing Scrutiny Committee considered and approved by 6 votes to 0 against with 3 abstentions the recommendations.

Accordingly, Council is recommended to:

i. Approve proposals for changes in existing housing capital budgets, as introduced in Section 9 and detailed in Appendix F of the document, with the resulting position summarised in Appendix H of the Officer's report.
ii. Approve proposals for new housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the document, with the resulting position summarised in Appendix H of the Officer's report.
iii. Approve the revised funding mix for the delivery of the Housing Capital Programme, recognising the latest assumptions for the

use of Grant, Right to Buy Receipts, HRA Resources, Major Repairs Allowance and HRA borrowing, as summarised in Appendix H of the Officer's report.

Item

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY 2023/24

To:
Councillor Gerri Bird, Executive Councillor for Housing

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

Email: julia.hovells@cambridge.gov.uk

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

Key Decision

1. Executive Summary

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

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

2. Recommendations

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

The Executive Councillor is recommended to:

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

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

- 2023/24 and future year revenue budgets, resulting from changes in financial assumptions and the financial consequences of changes in these and the need to respond to unavoidable pressures and meet new service demands, as introduced in Section 8, detailed in Appendix E and summarised in Appendix G of the document.

2.2 Approve that delegated authority be given to the Assistant Director of Assets and Property or the Assistant Director of Development to be in a position to confirm that the authority can renew its investment partner status with Homes England.

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

The Executive Councillor is asked to recommend to Council:

2.3 To approve proposals for changes in existing housing capital budgets, as introduced in Section 9 and detailed in Appendix F of the document, with the resulting position summarised in Appendix H, for decision at Council on 30 November 2023.

2.4 To approve proposals for new housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the document, with the resulting position summarised in Appendix H, for decision at Council on 30 November 2023.

2.5 To approve the revised funding mix for the delivery of the Housing Capital Programme, recognising the latest assumptions for the use of Grant, Right to Buy Receipts, HRA Resources, Major Repairs Allowance and HRA borrowing, as summarised in Appendix H.

3. Background

3.1. The Housing Revenue Account budget was set for 2023/24 as part of 2023/24 HRA Budget Setting Report, approving a net use of reserves in the year of £6,185,160.

3.2 This figure was amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2022/23 into 2023/24 as part of the closedown process for 2022/23. Following these changes, the increased sum of £6,519,830 was anticipated to be taken from reserves for the year.

3.3 The HRA Medium Term Financial Strategy revisits the assumptions made as part of the HRA Budget Setting Report and recommends both changes in these and in some areas of budgeted expenditure and income for 2023/24 and beyond.

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

3.5 The rent increase for 2024/25 is currently assumed to be in line with government guidelines and the rent standard, which will see an increase of 7.7% (CPI of 6.7% for September 2023 plus 1%). There is a risk that the government may impose a cap on the rent increase as they did for 2023/24, which was set at 7%. If this is the case, financial forecasts and spending plans will need to be revisited. It should also be noted that any decision to impose a lower rent increase has a significant impact on the financial projections for the HRA and the authority's ability to invest in new homes or to consider any future investment in retrofit of the existing housing stock. The final decision on the level of rent increase will be taken in January 2024, and will need to take account of the impact for both tenants and the delivery of services.

3.6 As part of the HRA Medium Term Financial Strategy, the assumptions in respect of the delivery of the 10 Year New Homes Programme have been updated. These reflect the continued need to bid to Homes England to secure grant under the Continuous Market Engagement process on a scheme by scheme basis, with future grant assumptions based upon experience of successful bids to date.

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

3.8 As part of this covering report for the HRA Medium Term Financial Strategy, this is confirmed, and delegated authority is requested to allow the Assistant Director of Assets and Property or the Assistant Director of Development to continue to make this annual confirmation.

4. Implications

(a) Financial Implications

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

(b) Staffing Implications

The HRA Medium Term Financial Strategy incorporates proposals that would result in the recruitment of additional staff. All these posts will be advertised in line with the Council’s recruitment policies and will not adversely impact any existing employees.

(c) Equality and Poverty Implications

An Equalities Impact Assessment is not considered to be required as part of this report but will be carried out as part of the 2024/25 HRA budget process and preparation of the 2024/25 HRA Budget Setting Report.

(d) Environmental Implications

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

(e) Procurement Implications

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

(f) Community Safety Implications

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

5. Consultation and communication considerations

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

6. Background papers

Background papers used in the preparation of this report:

(a) Housing Revenue Account Mid-Year Financial Review (October 2022)

(b) Housing Revenue Account Budget Setting Report (February 2023)

7. Appendices

Appendix A   Housing Revenue Account Medium Term Financial Strategy

8. Inspection of papers

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

Julia Hovells, Head of Finance and Business Manager

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

CAMBRIDGE CITY COUNCIL

Council

Housing Revenue Account Business Plan and Medium Term Financial Strategy 2023

CAMBRIDGE CITY COUNCIL

November 2023

2023/24 to 2052/53

Cambridge City Council

Contents

Appendices

Section 1
Background and Executive Summary

Background and Executive Summary

The Housing Revenue Account (HRA) 30-Year Self-Financing Business Plan, originally approved in February 2012, is reviewed twice each year, incorporating both the Housing Revenue Account Medium Term Financial Strategy and Budget Setting Reports within these updates.

The report considers any required change in financial strategy or policy for the business, following review of key assumptions and consideration of any material internal or external changes, to ensure a long-term financially viable Housing Revenue Account. Both revenue and capital investment are reviewed, with the impact of any proposed changes clearly identified. A review of strategic risks facing the HRA is presented at **Appendix A**, with uncertainties facing the business detailed at **Appendix B.**

The HRA Medium Term Financial Strategy reviews and re-states the budget for the current year, 2023/24, highlighting only significant or exceptional in-year changes for approval, reviews and updates financial assumptions and presents updated projections for the following 9 years from 2024/25 to 2032/33, in the context of the 30-year plan.

This report is being prepared whilst the UK is still in some financial turmoil, with inflation significantly higher that the government's 2% target, interest rates at a 15 year high, fuel prices under continued pressure, labour and materials rates still rising and many residents struggling to balance their household budgets. This report incorporates changes required to both revenue and capital budgets to accommodate the latest assumptions in inflation and interest rates but includes an assumption that these levels stabilise or return to target levels in the medium-term.

To allow the continued delivery of new homes, it is necessary for the HRA to borrow significant resource over the next few years. It is critical that any borrowing can be fully supported and that it doesn't detriment the financial stability of the longer-term HRA Business Plan.

This iteration of the HRA Business Plan seeks to balance investment in much needed new affordable housing, with the need to invest in the existing housing portfolio in order to improve energy efficiency and reduce tenants' fuel bills.

The approach to earmarking resource for new homes in the business plan is based upon a number of updated key assumptions, but it should be noted that the detailed programme, as it is brought forward for decision may contain a different mix of site types, scheme compositions, build standards, delivery vehicles and grant levels, all of which will necessitate ongoing review of costs and the associated borrowing. Existing HRA sites, land acquisitions, off the shelf purchase opportunities and joint venture developments continue to be explored and brought forward for decision. The specific scheme detail allows the authority to determine the build standard which each site can be built to, taking into consideration any site constraints. The success of the authority in obtaining grant to support the delivery of these homes is still key, and failure to obtain grant would necessitate a significant reduction in build standard and build programme. The programme assumes the delivery of a mix of social rented and affordable rented homes with affordable rent levels at both 60% and 80% of market rent. 80% market rents will only apply in respect of homes delivered above the 40% affordable housing planning requirement on any site. The delivery of market homes on some development sites will still be necessary to demonstrate financial viability, particularly in the current challenging economic climate.

As a result of continued high-cost inflation in the short-term, coupled with higher borrowing costs for the foreseeable future, the HRA is still in a position where significant borrowing will be required to meet previous commitments. Rent increases are anticipated to be higher than previously forecast for 2024/25, with the current assumption of a rent increase at 7.7%, based upon Consumer Price Index (CPI) inflation in September 2023 of 6.7%. built into the business plan. This is as a result of CPI taking longer to come down to the government target than anticipated. There is a risk that the government may impose a rent cap, at 7% for example, as they did last year, in which case financial forecasts and spending plans will need to be revised. Although this rent increase comes at a time when tenants may be facing other financial pressures, it is critical for the delivery of the existing housing commitments that the increase is applied. The authority has committed to achieving an EPC (Energy Performance Certificate) 'C' rating across the housing portfolio by 2035 and this will only be possible if rent income is maximised, particularly at a time when costs are still rising fast. It is abundantly clear that the authority is not in a financial position to be able to deliver any further energy efficiency improvements in the existing housing stock, without external financial support or the ability to increase service charges in some way to help meet the cost of the initial investment. Uncertainty also still exists in respect of the investment need that may arise once phase 2 of the government review of the decent home's standard (Decent Homes 2) concludes, with a refreshed standard anticipated. Consultation concluded in October 2022, with the outcome still awaited.

It is also clear that if the authority is to deliver its 10 Year New Homes Programme, significant borrowing will be required, and at a higher interest rate than previously anticipated. Although the HRA can just about support the interest payments on this borrowing, there will be absolutely no ability to set-aside any resource for the repayment of the principal sums of this, or for a significant proportion of the original self-financing, borrowing, with a requirement to-re-finance borrowing at maturity. Demonstrating financial viability for new build schemes remains challenging, with grant rates often lower than required coupled with the significant increase in borrowing rates. However, the announcement earlier in 2023 that the authority can apply for Homes England Grant on re-provision of existing homes as well as new supply is very welcome and is being fully explored.

Detailed exploration of the longer-term borrowing options will be key, to identify whether lower interest rates can be achieved by securing finance from anywhere other than the PWLB, particularly if the PWLB HRA rate is not extended from June 2024.

There is currently sufficient resource (borrowing) incorporated into the financial assumptions to match fund retained right to buy receipts with the 60% of additional investment required, to avoid the need to return receipts to central government, with payment of penalty interest at CPI plus 4%. Decisions will need to be made on a scheme basis, with retained right to buy receipts applied to schemes that are not likely to be awarded Homes England Grant.

The HRA is susceptible to any adverse changes in other business planning assumptions, further inflationary increases, interest rate increases, increases in rent arrears and bad debts and increases in statutory expenditure, such as decent homes.

Delivery against some of the key assumptions is critical to the success of the housing business plan, with the assumption of continued rent increases at CPI plus 1% for 2024/25 (currently assumed to be

7.7%), followed by increases at CPI plus 0.5%, for the following 5 years, being one of the critical assumptions included.

A key risk remains the still unquantifiable impact of the full rollout of Universal Credit, with the authority still working proactively with affected residents to mitigate the impact. Although in the region of 2,473 residents are now thought to be claiming Universal Credit, approximately 2,165 are still in receipt of Housing Benefit, although the latter will include pensionable age tenants, sheltered and temporary housing residents.

Recognising the financial pressure facing the HRA, the approach to the inclusion of an efficiency target, offset by a corresponding strategic reinvestment fund has been reviewed. It is proposed that the approach is revised, to retain an efficiency target set at 4% of general management and repairs administration expenditure, but with the strategic investment fund being reduced to 50% of this value to ensure that a net reduction in costs is delivered from 2024/25 onwards. This will allow the HRA to mitigate to a small degree, some of the increased operational and borrowing costs that are currently being faced.

From a broader Council perspective, the authority's transformation programme is progressing, with the senior management review having been concluded, and further proposals anticipated as part of the 2024/25 budget process. Any savings achieved in relation to housing or corporate services will be profiled as appropriate across the General Fund and HRA.

With the degree of uncertainty in the economy currently, coupled with the anticipated changes from the Social Housing Regulation Act and Decent Homes 2, it is anticipated that additional savings may need to be sought in the HRA from 2025/26 onwards. This will be reviewed going forward once financial commitments are clearer.

Budget Process and Timetable

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

Date	Task
2023	
21 November	Executive Councillor for Housing considers HRA Medium Term Financial Strategy incorporating Housing Scrutiny Committee views in any recommendations to Council and approves the revenue aspects of the report
30 November	Council considers HRA Medium Term Financial Strategy and approves capital aspects of the report
2024	
23 January	Executive Councillor for Housing considers HRA Budget Setting Report, alternative budget proposals, approves rent levels and sets revenue budgets, considering Housing Scrutiny Committee views, making capital recommendations to Council
15 February	Council considers HRA Budget Setting Report and approves capital aspects of the report

Section 2 (Business Plan)
Local Context

Council Objectives

- Leading Cambridge's response to the climate change and biodiversity emergencies
- Tackling poverty and inequality and helping people in the greatest need
- Building a new generation of council and affordable homes and reducing homelessness
- Modernising the council to lead a greener city that is fair for all

Housing Strategy

The Greater Cambridge Housing Strategy identifies three key objectives with seven priority actions for housing in the Greater Cambridge area:

- Building the right homes that people need and can afford to live in
  1. Increasing the delivery of homes, including affordable housing, along with sustainable transport and infrastructure, to meet housing need
  2. Diversifying the housing market and accelerating delivery
  3. Achieving a high standard of design and quality of new homes and communities

- Enabling people to live settled lives
  4. Improving housing conditions and making best use of existing homes
  5. Promoting health and well-being through housing
  6. Preventing and tackling homelessness and rough sleeping

- Building strong partnerships
  7. Working with key partners to innovate and maximise resources available

Housing Priorities

In response to delivering against both the Council Objectives and the Housing Strategy, the Housing Revenue Account continually reviews priorities for investment, considering:

- The level of investment required to maintain decency in the existing housing stock
- The need to spend on landlord services (management and maintenance)
- The need to support, and potentially set-aside for repayment of, housing debt
- The ability to identify resource for investment in new affordable housing
- The target to reduce the Council's direct emissions to net zero carbon by 2030
- The vision to reach net zero carbon in Cambridge by 2030, subject to Government, industry and regulators implementing the necessary changes to enable the city to achieve this
- The desire to invest in income generating activities and discretionary services (i.e., support)
- The ability to respond quickly to changes in both housing and building legislation

Housing Register

The Housing Revenue Account, alongside other registered providers of social housing, provides accommodation for those on the Housing Register.

At the end of June 2023, the housing register recorded the following applicants by both bedroom need and priority banding:

Housing Register by Bedroom Need	Number	Percentage
1	1,363	55%
2	604	24%
3	410	16%
4	126	5%
Total	**2,503**	**100%**

Housing Register by Priority Banding	Number	Percentage

A / Emergency	238	10%
B	646	26%
C	908	36%
D / D*	711	28%
Total	**2,503**	**100%**

The current mix of new homes sought by the HRA is 50% 1 bedroom, 25% 2 bedroom, 20% 3 bedroom and 5% 4 bedroom homes, which is still broadly borne out by the bedroom need on the housing register currently. There is therefore no recommendation to change this delivery mix at present.

Housing Stock

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

Housing Category	Actual Stock Numbers as at 1/4/2023	Estimated Stock Numbers as at 1/4/2024
General Housing – Social Rent	5,941	5,909
General Housing – Affordable Rent	686	901
Sheltered Housing	522	522
Supported Housing	16	16
Temporary Housing (Individual Units)	143	144
Temporary Housing (HMO's / EA)	21	21
Miscellaneous Leased Dwellings	19	19
Shared Ownership Dwellings	86	86
Total Dwellings	**7,434**	**7,618**

Property Type	Actual Stock Numbers as at 1/4/2023	Estimated Stock Numbers as at 1/4/2024
Bedsits	96	95
1 Bed	1,863	1,981
2 Bed	2,601	2,649
3 Bed	2,237	2,250
4 Bed	106	110
5 Bed	7	8

6 Bed	2	3
Sheltered Housing	522	522
Total Dwellings	**7,434**	**7,618**

Housing Stock Changes

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

Year	Opening Stock	RTB's	Other Disposals / Demolitions	Conversions / Other Changes	Acquisitions / New Builds	Closing Stock
2022/23	7,155	(28)	(19)	(1)	241	7,348
2021/22	7,103	(34)	0	0	86	7,155
2020/21	7,106	(16)	(57)	0	70	7,103
2019/20	7,084	(29)	(14)	10	55	7,106
2018/19	7,103	(27)	(2)	(1)	11	7,084
2017/18	7,049	(47)	(29)	(1)	131	7,103
2016/17	7,040	(58)	(7)	(1)	75	7,049
2015/16	7,016	(42)	(4)	5	65	7,040
2014/15	7,164	(51)	(109)	(7)	19	7,016
2013/14	7,235	(60)	(45)	1	33	7,164
Total		(392)	(286)	5	786	

Leasehold Stock

At 1st April 2023, the Council retained the freehold and directly managed the leases for 1,185 leasehold flats and had 4 leasehold flats managed by a third party management company.

Section 3 (Business Plan)
External Factors and National Policy Context

As part of this business plan report, all financial assumptions have been reviewed, including taking account of external factors outside of the authority's control. Financial projections are adjusted considering any changes or trends in these. There is an ongoing impact on the economy as a result of both the coronavirus pandemic and the conflict in Ukraine, and this results in continued uncertainty in the forecast of external factors in this iteration of the HRA Business Plan.

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

National Housing Policy

National Rent Policy

Local authority rents are regulated by the Regulator of Social Housing, alongside housing associations and other registered providers.

The latest regulations (April 2020) include:

- Rent increases limited to an increase of up to CPI (in the preceding September) plus 1% from April 2020 for 5 years, with properties below target rent levels still waiting until they are vacated to be moved directly to target rent.
- Target rents continue to be set with reference to January 1999 property values.
- 5% flexibility, requiring a clear rationale for using the flexibility which takes into account local circumstances and affordability.

- Affordable rent increases limited to a maximum increase of CPI (in the preceding September) plus 1% from April 2020, but with the ability to re-set the rent at up to 80% of market rent upon re-let.

With the level of CPI for September 2023 only falling to 6.7%, there is a possibility that the government may introduce a ceiling or cap on rent increases from April 2024 like the 7% cap imposed for April 2023.

In the absence of any announcement from government, the Medium Term Financial Strategy is constructed on the basis that rents increase in line with the current government guidelines, with an increase of 7.7% (CPI in September 2023, of 6.7% plus the 1% as allowed for in the rent standard).

A 7.7% rent increase has therefore been incorporated into the business plan assumptions, with the impact of other levels of rent increase explored in later sections of the document.

Social Housing Regulation Act

The Social Housing Regulation Act received royal assent on 20 July 2023. The Act significantly enhances the role of the Regulator of Social Housing in regulating the new consumer standards, which come into force on 1 April 2024.

The key reforms include:

- Removal of the 'serious detriment' test, which now allows the regulator to step in more readily where they feel intervention is proportionate.
- Enhancing both transparency and safety requirements, introducing requirements for building hazards to be fixed within prescribed timescales, requiring organisations to have a named health and safety lead, ensuring that any tenant whose safety is threatened is offered alternative accommodation and introducing requirements to provide information to residents on financial performance.
- Introducing a new housing inspection regime from April 2024, based upon the new consumer standards, which were subject to consultation up to 17 October 2023.

- Increasing the regulator's enforcement powers, with unlimited fines for non-compliance, the ability to issue performance improvement plans and the right for the regulator to undertake surveys on properties directly.
- Providing the regulator with the power to set competency and conduct standards, with mandatory qualification requirements for senior housing managers and executives.
- The creation of an advisory panel, with representatives from multiple agencies and service users, to advise on key sector issues and risks.
- A requirement for the Secretary of State to publish an energy reduction strategy for social housing, with the regulator able to set and monitor standards in this area.

The regulator is consulting on the new consumer standards, with the standards expected to be published in February 2024, to be effective from April 2024.

A Service Improvement Group is currently reviewing the anticipated requirements in the consumer standards and code of practice, self-assessing current information and performance against these, comparing ourselves to other providers and undertaking a gap analysis and reviewing staff skills and qualifications. An action plan will be derived from this to allow the authority to implement improvements in any areas where they are considered necessary. Preparatory work will include the need to consider acceleration of tenancy audits to improve data holding, particularly in respect of tenants where we have had no contact for over 12 months.

Right to Buy Sales

In 2022/23, 62 right to buy applications were received, compared with 89 in 2021/22. A total of 18 applications were received in the first 6 months of 2023/24, indicating a continued steady decline in interest, potentially because of current mortgage rates.

In 2022/23, 28 applications proceeded to a sale completion, compared with 34 in 2021/22. In the first 6 months of 2023/24 9 sales have completed, indicating that sales for the year may decline in line with reduced interest and are likely to be lower than in 2022/23.

Predicting future sales, particularly whilst there is still such uncertainty in the economy, is difficult. However, it is considered prudent to reduce the assumed sales in 2023/24 to 20, based upon activity in 2023/24 to date, before returning to the assumption of 25 sales per annum from 2024/25 onwards, when mortgage rates may have reduced to a degree and stabilised. There is however no guarantee that sales will return to these levels, particularly if the cost of living increase being experienced currently continues.

Right to Buy Receipts

On 31 March 2023, the authority held £5,608,029.77 of right to buy receipts under the retention agreement with DLUHC.

For 2022/23 and 2023/24, DLUHC have revised the retention agreement in place for right to buy receipts, to allow local authorities to also retain the share of receipts that would otherwise be payable to them. This change resulted in the authority retaining an additional £1.1 million of right to buy receipts for 2022/23.

Reinvestment of retained right to buy receipts continues to need to be combined with Devolution Grant, the Council's own resources, or borrowing and can't be invested in replacement dwellings or dwellings receiving any other form of public subsidy. The authority is unable to use capital receipts from the sale of land and other housing assets, Section 106 receipts or other forms of public subsidy as a form of match funding for units financed using retained right to buy receipts, and instead must re-invest these in different capital projects.

Retained right to buy receipts must be reinvested within 5 years and can be used to finance up to 40% of a new rented or shared ownership dwelling. Where used to finance the acquisition of an existing market dwelling, a cap applies to ensure that the provision of new homes is prioritised, with a cap at 50% until 1 April 2025. The first 20 units of delivery in any year will be excluded from the cap.

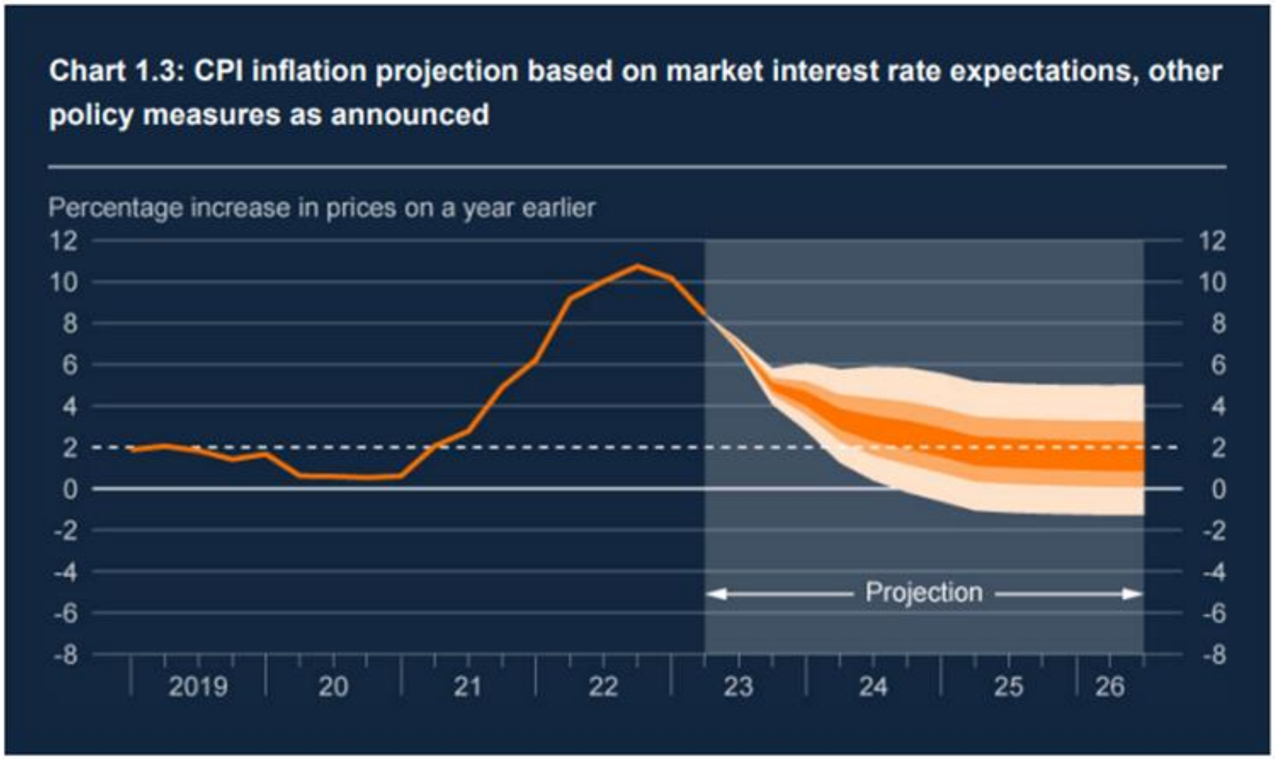
With the Bank of England base rate now at 5.25%, any penalty interest payable on receipts not re-invested appropriately is payable at a higher rate of 9.25%. If the authority moves into a position that receipts are being held with less than 12 months before any penalty would be incurred, decision to retain or pay over receipts is made by the Chief Finance Officer, in consultation with the Assistant Director, Assets and Property.

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

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). The last 2 or so years have been particularly volatile, with an unprecedented rise in CPI from 1.5% in April 2021 to 11.1% in October 2022, before falling to 6.7% by September 2023. Huge inflationary increases have been seen in utility, fuel and food prices, alongside steep rises in other operating costs.

The Bank of England's Monetary Policy Report of August 2023 forecasts a fall in the level of CPI in quarter 2 of each year; at 3.3% for 2024, 1.7% for 2025 and 1.5% by 2026. The over-arching view is that although inflation is still high currently, the peak has passed and that rates are expected to steadily reduce and to return to pre-pandemic levels over the next two to three years. If an average is taken of the projections for the next two years, 2024/25 is predicted to experience inflation at 2.7% and 2025/26 at 1.6%.



Continued economic uncertainty makes it difficult to accurately predict future rates but taking account of the views of the Bank of England and other forecasters, it is considered appropriate to include the assumption that costs will fall considerably over the next 12 months and further after this. An inflation rate of 3% is therefore recommended for 2024/25, before returning to the government's long-term target of 2% from 2025/26. This will be reviewed again as part of the HRA Budget Setting Report in January 2024.

The assumptions surrounding building maintenance expenditure inflation have historically been derived from a mix of forecasts using the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS) all in tender price index and CPI. The broadly external planned maintenance contract, currently with Fosters, is a lump sum priced contract, which adopts CPI as the measure of inflation. The broadly internal planned maintenance contract, currently with TSG, is a target price contract, using the (BCIS) all in tender price index as the measure of inflation, recognising that prices are fluctuating widely in this industry currently. Other specialist contractors will price work on a project basis, also taking account of industry forecasts.

The latest projections for the BCIS Index over the next 5 years currently predict a growth rate of 2.9% by 2024, with forecasts of 2.8%, 3.2%, 3.4% and 3.5% over the following 4 years. Taking an average of these rates of growth for the forecast five years gives rise to an annual increase of 3.16%.

On a similar average basis, the assumptions being adopted for CPI over the same period are 2.2%, a difference of 0.96%.

Recognising the combination of planned maintenance price increases being driven by CPI and BCIS, the assumption has been made that 50% of the work programme will be subject to the BCIS indices and 50% by the rate of CPI. A blended average rate of 2.68% (average CPI plus average BCIS divided by 2) has therefore been incorporated into the business plan forecasts.

A growth rate of 4.7% has been retained in respect of new build inflation, based upon the advice of the quantity surveyor / employer's agent used most frequently by the Council.

Annual private sector pay growth increased to 7.7% in the three months to May 2023, although earnings growth is expected to decline in the coming quarters to around 6% by the end of the year. There is no forecast in respect of public sector pay increases, but these would be expected to be lower than the private sector, with longer-term pay increase in the public sector expected to mirror the longer-term inflation target of 2%.

The pay award from April 2023 has just been agreed, based upon the original offer made by the employer. Pay inflation has therefore been increased to reflect a pay award of £1,925 per full time equivalent employee for 2023/24 up to spinal column point 43, with a 3.88% increase for points 43 and above.

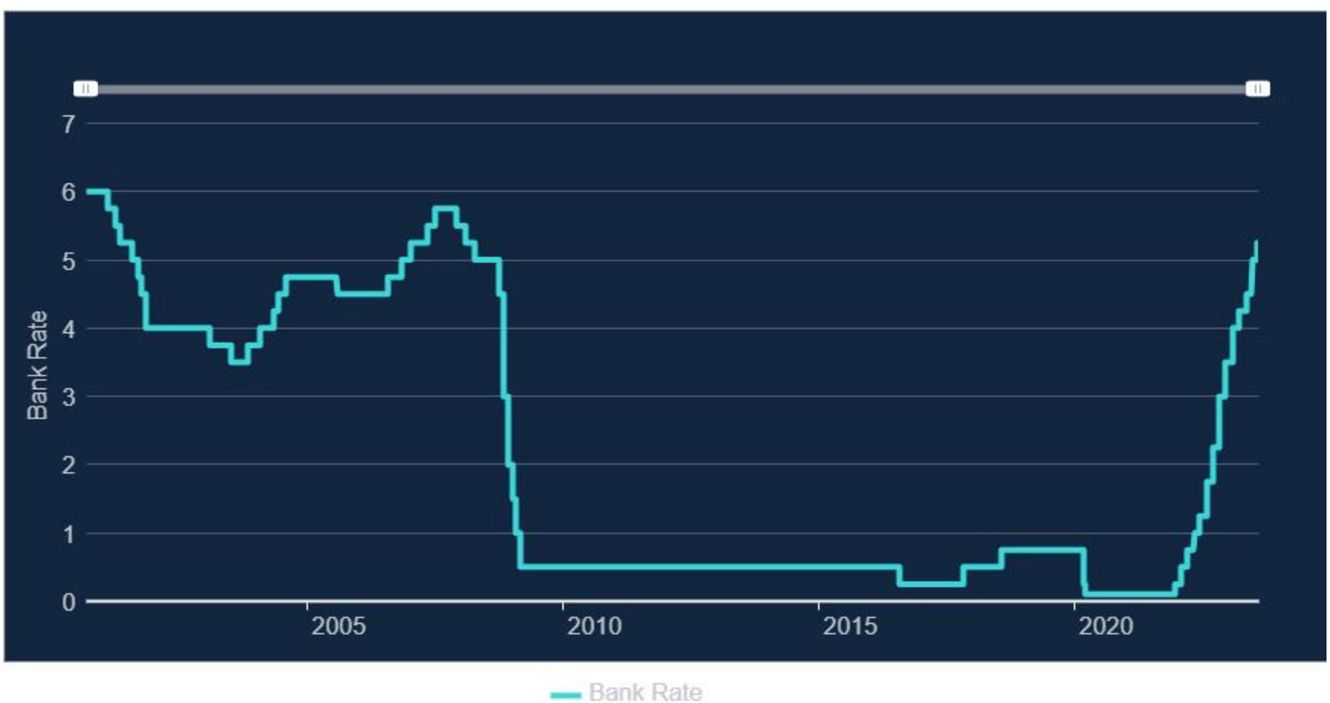
A rate of 4% has been incorporated for 2024/25, which recognises an average of the higher 6% forecast for private sector pay and the target for public sector pay of 2%, before returning to the previous assumption of 2% from 2025/26. The allowance for incremental progression has been retained at 1% per annum, recognising staff retention figures and the number of staff who are currently paid at the top of their pay scale.

Interest Rates on Lending

The Housing Revenue Account recovers a proportion of the interest earned on cash balances invested by the authority. The rate of interest assumed for 2023/24 in the HRA Budget Setting Report was 2%, based upon the HRA clawing back interest from the General Fund on investments with minimal risk. This recognises that the General Fund bears the risk, but also benefits from the reward, of the higher risk investments made by the Council.

The Bank of England base rate was increased to 5.25% in August 2023, compared to a rate of 1.75% in August 2022. The current rate is the highest it has been in over 15 years. The next review is due on 14 December 2023. The base rate has increased steadily since October 2021, and the authority is now a corresponding increase in investment rates.

Bank of England Base Rate



The actual average rate of interest earned on investments that benefited the HRA for 2022/23 was 2.04%, but rates ranged from 0.43% at the beginning of the year, up to 3.68% by March

2023. With continued increases in the Bank of England base rate since then, with the current base rate being 5.25%, lending rates have only increased since then.

An improved rate of 5% has been adopted for 2023/24 as part of this iteration of the HRA Business Plan, reducing to 4.5% for 2024/25, 3% for 2025/26, then 2.5% on an ongoing basis. The interest rate assumptions are included in **Appendix C**.

Interest Rates on HRA Borrowing

In respect of existing HRA borrowing, the self-financing loan portfolio with the Public Works Loans Board of £213,572,000 remains, with rates of between 3.46% and 3.53%.

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

There is risk to the HRA's ability to borrow from the Public Works Loan Board (PWLB), with HM Treasury guidance stating that any authority making an investment that is classified as an 'investment asset primarily for yield', will not be able to access loans from the PWLB in the financial year in which it makes this investment. Investment in assets for service delivery, housing, regeneration, preventative action (ie, buying an asset of community value) and treasury management (re-financing existing debt) are acceptable, but investment for yield, such as investment in land or buildings to be let at market rates is prohibited. If investment for yield is included in an authority's capital plan in any of the following three years, the authority will be unable to borrow from the PWLB. There is therefore the potential for any investment decisions made by the General Fund to detriment the HRA's ability to borrow from the PWLB. This would not stop the HRA borrowing but would mean that an alternative lending source would need to be identified, with rates potentially not being as preferential.

Any transfer of land or financial resource between the General Fund and the HRA to allow development continues to impact the HRA Capital Financing Requirement, effectively increasing borrowing. Although there is now no cap on borrowing, such decisions must still be made in the knowledge of the revenue impact of transferring the land or resource.

The assumption is made that additional borrowing is externalised, with updated PWLB maturity loan rates for loans of a 30-year duration used. Since the last update of the HRA Business Plan, there have been further increases in PWLB lending rates, with the rates at the time of the drafting of the report standing at 5.62%, compared with the rate of 4.6% assumed for borrowing during 2023/24 in the construction of the HRA Budget Setting Report in January 2023. It should be noted that the PWLB rate is reviewed and can change twice each day, with rates continuing to increase currently.

In June 2023, the government announced a preferential rate for HRA borrowing, at 40 basis points above gilts, which is effectively a 60 basis points reduction on the standard PWLB lending rates. This rate applies for one year and will then be subject to review. This would reduce the current rate of 5.62% to 5.02%, which is still higher than was previously assumed. The previous certainty rate of a 20-basis point reduction can be assumed to be ongoing currently, as long as the authority submits its spending plans as required.

To mitigate the daily rate fluctuations in PWLB rates, this iteration of the business plan also considers forecasts made by Link, the Council's treasury advisors, who project that PWLB lending rates (inclusive of certainty rate) will be at an average of 5.3% for 2023/24, 4.78% for 2024/25, 4.02% for 2025/26, then 3.8% by the beginning of 2026/27.

Based upon current rates and these projections, a revised average rate of 5.02% (5.62% - 0.6%) has been incorporated into any borrowing assumptions for 2023/24, followed by 4.78% for 2024/25, 4.02% for 2025/26, then 3.8% ongoing.

Section 4 (Business Plan)

Rent and Other Income

Rent Setting

Social Rents

From April 2020, for a period of 5 years, the authority moved to a position where rents could be increased by up to a maximum of inflation plus 1%, using the Consumer Price Index (CPI) at the preceding September as the measure of inflation. However, as a result of the marked increase in CPI during 2022/23, and a CPI rate in September 2022 of 10.1%, which would have led to rent increases of 11.1%, government capped the rent increase for 2023/24 at 7%. Locally, a decision was taken to cap the increase at a lower rate of 5% to support tenants through particularly challenging financial times.

CPI has now begun to decline, but remains significantly higher than pre-pandemic levels, with a rate of 6.7% to September 2023. Therefore, a rent increase assumption of 7.7% (6.7% for CPI, plus 1%) is applicable for 2024/25. Although this increase has been incorporated into the base assumptions of the HRA business plan, there is a risk that the government may impose a cap on rent increase as they did for 2023/24, which was set at 7%. It is recognised that the 7.7% increase is higher than the authority would ideally levy, but the level of rent increase does need to be balanced against both increased costs and the requirement to improve the condition and energy efficiency of council homes.

The table below summarises the financial impact on the business plan of a variety of rent increase levels and includes the impact for both social rents and affordable rents as they are subject to the same rent controls.

Rent Increase	Average Weekly Social Rent Value Increase	Average Weekly Affordable Rent Value Increase	Additional / (Reduced) Borrowing Required over the 30 Year Business Plan	Impact on Housing Delivery
3%	£3.39	£4.84	£184 million	No further homes can be improved to EPC 'C', leaving 1,700 as sub-standard and the 4% HRA savings target would need to be increased to 12% for 2024/25
5%	£5.64	£8.06	£105 million	1,250 homes will not be able to be improved to EPC 'C', leaving them sub-standard
7%	£7.90	£11.28	£26 million	340 homes will not be able to be improved to EPC 'C', leaving them sub-standard
7.7% (CPI plus 1%)	£8.69	£12.41		

It is evident from the table above that a single year decision on the level of rent increase makes a significant difference to the level of borrowing required, and therefore the viability of the housing business and the authority's ability to consider investment in both front-line services and in energy efficiency improvements of the existing housing stock.

Property specific target social rents under the rent restructuring regime still apply. However, when rent increases were capped from April 2023, set at 5% locally, it meant that any property previously charged at target social rent fell below this level, with target rents still increased under rent setting regulations by CPI plus 1%, equivalent to 11.1%.

The average target 'rent restructured' rent at the start of 2023/24 across the general housing stock was £122.70, with the average actual rent charged being £112.49. As a result of the rent increase cap, no properties were charged at target rent at the start of 2023/24, compared to 35.5% being charged at this level in April 2022.

The gap between actual and target rent levels in the general housing stock now equates to an annual loss of income of approximately £3,542,000 across the HRA.

The authority can currently only close the gap between target social rent and the actual rent being charged for a dwelling, when a property becomes void, and continues to do this. The government have indicated, following the caps applied last year, that they may consult on alternative routes for local authorities to be able to move rents to target levels.

Affordable Rents

In respect of affordable rented homes for existing tenants, the same inflation rates apply as do for socially rented homes, with these also monitored by the Regulator for Social Housing. There is the ability to re-set the rent at up 80% of market rent when a property is vacated, should the authority so choose. Affordable rents at up to 80% of market rent combine both the rent and non-discretionary service charges levied for any property.

There were 686 new build properties charged at the higher 'affordable rent' levels, on 1st April 2023 and 20 affordable shared ownership homes.

The authority has two levels of affordable rents being applied to new homes, with rents set at either 60% (or the Local Housing Allowance level if this is lower) or 80% of market rent depending upon the nature of the scheme and the proportion of affordable housing being delivered on the site.

The earlier delivered affordable rented housing was based on the pre-COVID Local Housing Allowance, which for existing tenants has been inflated annually. When any of these homes become vacant, they are re-based at 60% of market rent or the current Local Housing Allowance, whichever is lower. It will take many years before consistency is achieved, however.

The table below confirms the current average rent levels charged or assumed in financial modelling:

Property Size	2023/24 Published LHA Rate (not adopted by CCC unless lower than a 60% rent)	2020/21 Pre-COVID LHA rate inflated by 1.5%, 4.1% and 5% Used by CCC for 2023/24 existing tenants	Indicative Programme Average 2023/24 Rents at 60% of Market Rent	Indicative Programme Average 2023/24 Rents at 80% of Market Rent
Shared Room	97.00	N/A	N/A	N/A
1 Bed	178.36	150.87	166.06	227.24
2 Bed	195.62	173.52	187.32	259.73
3 Bed	218.63	201.64	211.49	288.50
4 Bed	299.18	268.97	252.45	342.80

Rent Arrears and Bad Debt Provision

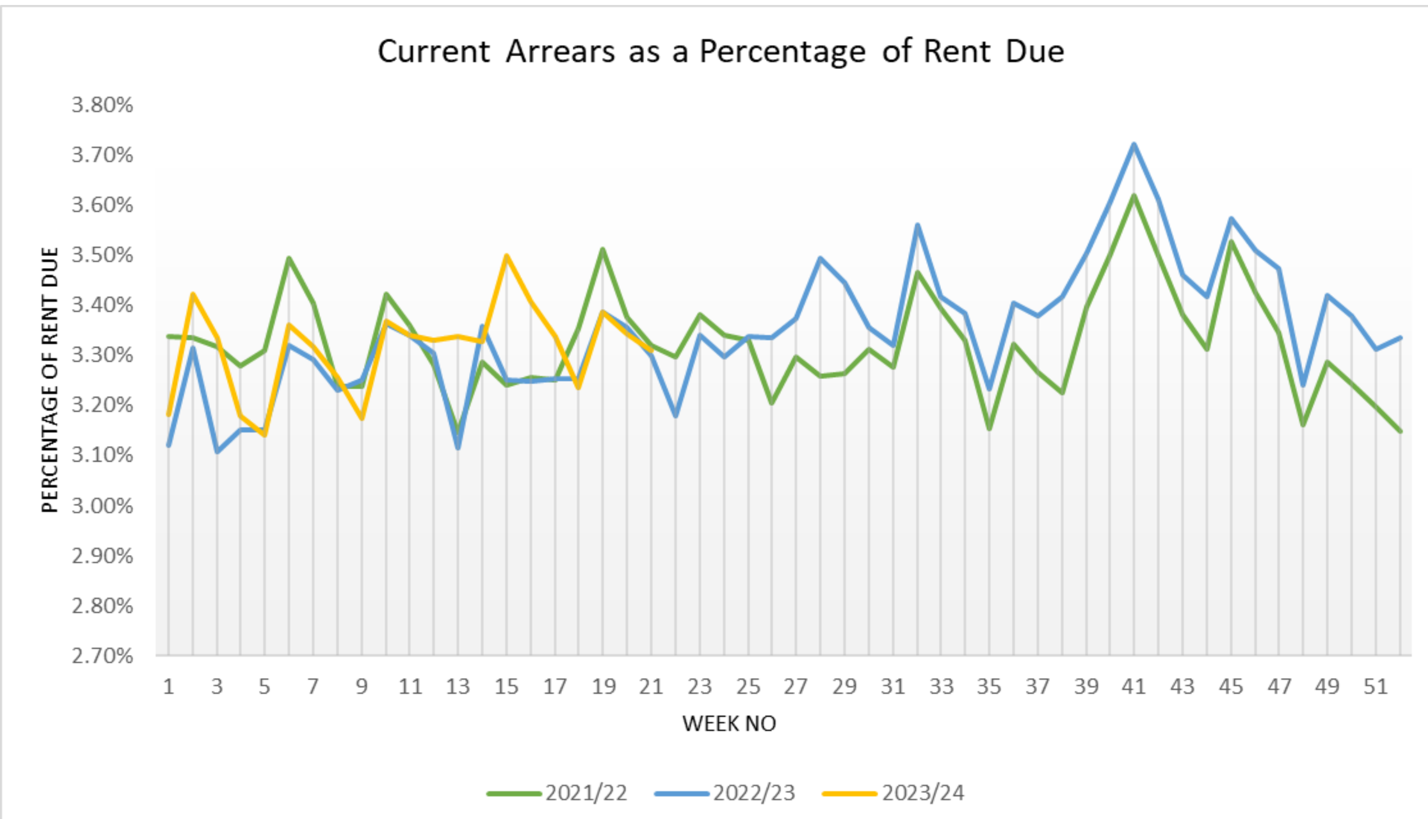
Rent collection performance was broadly maintained during 2022/23 despite the challenging economic climate, with 99.2% of the value of rent raised in year, collected in the year, compared with 99.5% in the previous year.

As a result of rent not collected, total arrears increased during 2022/23, with current tenant arrears of just under £1.5 million by 31 March 2023 and former tenant debt of just over £1 million. The year-end position in respect of rent debt is summarised in the table below:

Financial Year End	**Value of Year End Arrears in Accounts (Current Tenants)**	**Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year**	**Value of Year End Arrears in Accounts (Former Tenants)**
31/3/2019	£776,961	1.93%	£932,156
31/3/2020	£1,091,161	2.70%	£915,885
31/3/2021	£1,374,167	3.30%	£925,982
31/3/2022	£1,337,622	3.14%	£1,121,082
31/3/2023	£1,490,860	3.33%	£1,020,073

It is concerning to see that current tenant arrears increased during 2022/23 in both value and percentage terms, from £1.34 million (3.14%) to £1.49 million (3.33%). This is possibly not surprising in the current financial climate, with the cost of living crisis continuing to impact particularly low-income households.

The position in respect of current arrears has worsened in monetary terms in 2023/24 to date, with an increase in the first 6 months of 2023/24 of a further £175,330 in arrears by September 2023, however in percentage terms, this is equivalent to 3.34% of rent due, so broadly maintained.



The Income Management Team have been operating for the majority of 2022/23 and the year to date with a vacancy in the team that has proved difficult to fill. It is hoped that once recruitment is successful, and the team are back to full capacity, that performance in respect of arrears recovery will improve.

The team continue to work proactively with tenants and financial support providers to mitigate the impact of the cost-of-living crisis for both the tenants themselves and the authority, ensuring that tenants are aware of all financial support available to them. The ongoing impact for residents of moving to direct payment is being actively managed, with an Increase in the number of claimants transitioning to Universal Credit. In October 2023, the authority had 2,473 tenants claiming Universal Credit and 2,165 still claiming housing benefit. A significant proportion of those still claiming housing benefit will be in temporary accommodation or will be of pensionable age, and so will continue to receive housing benefit.

Former tenant arrears reduced over the 12 months to 31/3/2023, with former arrears reducing from £1.1 million to £1 million over this period. A dedicated officer has been employed on a fixed term basis since April 2022, focussed on recovering, or failing that, writing off, former tenant debt. Former tenant debt of £192k was collected during 2022/23 and debt of £324k was written off. Following these successful outcomes, this role has now been made permanent, with the officer to proactively chase and write off former tenant debt dependent upon the circumstances. Writing off obvious bad debt allows a focus on recovery of more of the doubtful debt.

At 31 March 2023 the total provision for bad debt stood at £1,951,988.25 representing 78% of the total debt outstanding.

The annual contribution to the bad debt provision for 2023/24, based on 1.5% of rent due, was set at £673,530 in the HRA budget approved in January 2023. The assumption has been reviewed as part of this iteration of the business plan taking account of the contribution to, and call on, the fund over the last few years, coupled with a view on the current economic climate. Recognising both the level of arrears years on year, and the proportion of rent arrears that are ultimately written off, it is evident that the provision of 1.5% of rent due has been higher than required over the last 3 years and it is therefore proposed to reduce the current assumption to 1% for 2023/24 and beyond. This will be reviewed again as part of the HRA Budget setting Report in January 2024.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2022/23 was £1,052,081, representing a void loss of 2.52%, compared with £656,205 in 2021/22, representing a void loss of 1.67%.

The value of rent lost through void dwellings during 2022/23 was significantly higher than in 2021/22 and was higher than the increased target of 2% for 2022/23, recognised as part of the 2023/24 HRA Budget Setting Report of January 2023.

Some of the key contributors to the higher void levels in 2022/23 were homes vacated on approved development sites (£223,000) units held vacant as a result of fire damage to a block of flats (£38,000) and units held vacant as the void investment required is not financially viable (£6,000).

If the impact of the irregular void transactions (detailed above) is removed from the statistics, the void performance in general voids for 2022/23 would have been 1.88%, which is still considerable higher than the standard void target of 1%. Clearing a backlog of void works during 2022/23 contributed to this, with externalisation of some of the work to facilitate this.

Void performance has deteriorated in the first four months of 2023/24, with a gross void loss of 2.78%. This does however still include the impact of our redevelopment programme, with units now fully vacated at Aylesborough Close and being vacated at Princess and Hanover Court and Fanshawe Road. The data also includes new homes which have not yet been let for the first time, with large numbers of home handed over simultaneously, creating a backlog in the lettings process in July and August 2023. There are very few further handovers anticipated in 2023/24, so once the current backlog of new homes has been let, this issue is not expected to reoccur in the current year. Although the position has improved since last year, general voids still remain a problem, with properties being returned in poor condition, resulting in both increased costs and prolonged void periods, which also results in loss of rental income. As a result of this, it is recommended to adjust the assumption in general voids for the current year to 2%, assuming demolition of homes identified for redevelopment, letting of new homes and some recovery during the year in our general voids performance, assuming a rate of 1.35% for 2024/25 based upon current general voids performance, whilst retaining the longer-term assumption of 1% in the business plan from 2025/26 onwards.

Section 5 (Business Plan)
Capital - Funding

Direct Revenue Financing of Capital Expenditure (DRF)

DRF is the use of revenue income, which is predominantly rental income, in the HRA to finance capital expenditure. Over the next 10 years, an average of £8 million per annum is estimated to be available for this purpose, but this is subject to rent increases being applied as allowable and revenue expenditure being within existing assumptions. Any increase in the level of revenue spending on housing management, responsive or void repair activity, reduces the sums available to finance capital expenditure. The resource is used to fund most aspects of the housing capital programme, including decent homes, other investment in the housing stock, new build and non-dwelling investment, such as garages, commercial property and IT.

Major Repairs Reserve (MRR)

The MRR is a statutory capital reserve which is contributed to solely by the revenue depreciation charged on HRA assets each year. The funding is ring-fenced for investment in existing or new HRA assets, or for use in the repayment of debt. Over the next 10 years, an average of £14.7 million per annum is estimated to be available for this purpose, but this is subject to updated annual depreciation calculations, which are affected by any changes in asset valuations when they are revalued at the end of each financial year. The resource is used to fund many aspects of the housing capital programme, including decent homes, other investment in the housing stock and new build. It could be used to invest in other HRA assets, such as garages and commercial property, or for the repayment of housing debt.

General Right to Buy Receipts

The authority is able to retain a proportion of capital receipt in respect of the first few homes sold under right to buy each year, as a historic arrangement linked to the self-financing settlement for the HRA. This resource is usually shared with Treasury on a formulaic basis, but for 2023/24 local authorities are able to retain 100% of the funding, assuming it is reinvested in new homes. From 2024/25 resource of approximately £500,000 per annum is assumed based upon the authority selling 25 homes each year under right to buy. This resource can be used to fund any legitimate capital expenditure, so is utilised to meet the net cost of any general fund housing capital investment and investment in commercial or community-based assets.

Retained Right to Buy Receipts

Receipts retained by the authority under the current 1-4-1 retention agreement are just over £3 million per annum based upon current sale assumptions. This resource carries significant constraints in how it can be invested as outlined in Section 3, with the authority currently allocating these receipts to new build schemes that are either ineligible for, or unlikely to be awarded, Homes England Grant. Purchases of new build homes on section 106 sites are a key use of these resources going forward.

Other Capital Receipts

The HRA receives capital income in the form of receipts for the sale of land or non-RTB disposals. This funding can be retained in full by the authority as long as it is invested in the delivery of affordable housing. There are constraints on how these resources are used, with the resource unable to be combined with retained right to buy receipts, grant or section 106 funding. The resource has often been used historically for the re-provision of existing dwellings on existing HRA development sites, but this may change now that these units are potentially grant eligible.

Homes England Grant

The authority is able to bid for Homes England Grant on a scheme-by-scheme basis, having been unsuccessful in securing a strategic partnership with Homes England. From 2023, it has been possible to bid for grant, not only for new supply of social rented or affordable rented housing, but also for re-provision of existing homes on development sites. This makes redevelopment a more financially viable option for the authority going forward, subject to successful grant bids.

The HRA Business Plan currently assumes grant on new supply for all potentially eligible schemes, with a clear recognition that failure in securing the grant will require the scheme to be reconsidered, exploring the tenure mix and / or build standards in order to be able to proceed. Grant in respect of re-provided homes is not currently assumed, with a prudent approach being taken until the authority has been successful in securing grant in this category.

Borrowing

Moving forward, the HRA will need to borrow as a key form of financing capital investment. 2023/24 is the first time the HRA expects to borrow to finance capital expenditure since the self -financing borrowing was taken out in March 2012. Exploring the most appropriate borrowing route will be key, particularly at a time when interest rates are so high. The authority can explore internal borrowing from the General Fund, but this will be limited to the level of available reserves that the General Fund has to lend. The Public Works Loan Board (PWLB) is currently offering a reduced HRA rate, but this still attracts an interest rate of more than 5% at the time of writing this report. The current business plan assumes borrowing of £635,000,000 over the next 30 years, with £425,000,000 of this over the next 10 years to deliver the new homes planned.

Appendix H details the funding sources assumed to be available and utilised in the Housing Capital Investment Programme over the next 10 years.

Section 6 (Business Plan)
Capital and Planned Revenue - Existing Stock

Stock Condition / Decent Homes

The authority holds validated stock condition data for its housing stock, with an ongoing programme of inspections carried out to increase the breadth and quality of this data to help inform strategic decision making.

The Decent Homes Standard ensures that a dwelling meets the current statutory minimum standard for housing (the Housing Health and Safety Rating System), is in a reasonable state of repair, has reasonably modern facilities and provides a reasonable degree of thermal comfort. The standard is currently subject to a review at national level, with the outcome awaited.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2023 at 99.8%, compared with just under 98% achieving the desired standard at 31 March 2022. There were 14 properties that were considered to be non-decent, in addition to 215 refusals, where tenants had exercised their right to decline the work being completed and where these are therefore not reported in the non-decency statistics.

Stock Investment

The HRA has a 5-Year Asset Management Strategy, which was last approved in autumn 2019.

From a delivery perspective, around 60% of planned maintenance investment is currently broadly split between two main contractors. Foster Property Maintenance are responsible for the delivery of the majority of external planned works to the housing stock, blocks and estates, whilst TSG Building Services deliver the majority of internal planned investment. The contract with TSG has recently been re-let and runs for an initial 5-year period from November 2022, with the option to extend for up to a further 3 years. The contract with Fosters is now in its extension period and runs until September 2025. A significant amount of work is procured via one-off contracts, and this includes large structural works projects, some estate improvement projects, and energy efficiency works.

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

Initiative / Action	Current Status
Implement a rolling programme of stock condition surveys so properties are inspected every five years	A new programme of stock condition surveys started in September 2023 and prioritises properties where there is no recent condition data. A new apprentice surveyor is being trained to gain skills in this area. The inhouse team are also receiving training so that all void properties have a stock condition survey carried out. New build property and footpath surveys are being carried out.
Continue the programme of structural surveys of flats blocks and implement survey programme for older flats and houses with structural concrete elements	Structural surveys at the Bermuda Terrace Estate are underway. If works are required they will be tendered in 2023/24 with a view to being on site in 2024/25. A programme of structural repairs to maisonettes in the South Arbury area has been tendered and is due to start on site in 2023. Balcony and brickwork repairs at Nicholson Way, Walker Court and Hanson Court are on site and will be complete in 2023. In 2024 we plan to establish a framework contract for structural engineering services and establish a cyclical surveying programme to re-inspect blocks of flats where structural works have been completed. We are carrying out structural repairs to around fifteen

	houses that have suffered from structural defects, some arising from dry weather in the past few years.
Reduce the electrical inspection cycle to five years in line with best practice	The Risk and Compliance team continue to manage and deliver the transition from a ten year to a five year inspection cycle.
Implementation of "Orchard Asset" asset management software – including development of the compliance and energy modules	The implementation project is still underway but has experienced delays. The "servicing" (compliance) module and the "project" (planned works management) module will be "live" next. The "energy" module is live but has not been developed in the absence of full time Energy Manager. This post is now filled, and the new Energy Manager is scheduled to start in November 2023.
Develop a methodology which identifies high-cost investment properties across the stock and calculates net present values – using new software in Orchard Asset	The implementation of an "Options Appraisal" module in MRI Asset will be the final module to be implemented
Implement a programme of estate investment projects	The street lighting replacement contract will be complete on site in 2023, and the final task will be to map assets on the Council's mapping system. We are working on a communal lighting replacement programme. A pilot project is being completed; a considerable amount of electrical enabling work is required. We are working on revised estimated costs for the full programme of work before deciding the most appropriate procurement route to deliver the work.
Establish a programme of re-inspection of asbestos containing materials and implement a new	The asbestos compliance module will be implemented in a live environment in the Asset system in the autumn of 2023.

asbestos register based within Orchard Asset	The Asbestos Surveyor (Analyst) post has now been recruited to on a permanent basis and will continue with the review of all communal re-inspections.
Implement an annual programme to inspect fire doors to flats and communal areas (including the replacement of non-compliant fire doors)	A fire door inspection programme is in place with Ventro (Passive Fire Protection Specialists). HRA properties completed include all temporary and sheltered accommodation. General needs purpose-built blocks of flats are continuing and will continue to be the focus for the remainder of the programme. Results from surveys are being used to develop programmes of planned work including new and replacement fire doors.
Review maintenance requirements for flat roofs and sheds replacement and repair	This programme of work is currently underway, with over 300 shed roofs due to be replaced in 2023/24. Many shed roofs are shared with adjoining freehold properties, and this makes this a complex programme of work.
Develop a replacement programme for lifts, door entry systems, communal entrance doors, fire systems, automatic doors, and communal lighting	We have programmes of work in place for communal lighting upgrades, communal entrance doors and glazing replacement, door entry system replacement, and fire alarm upgrades.

At Kingsway flats, fire compartment works are due to start on site in autumn 2023 and are scheduled to be complete in April 2024. Work is ongoing to replace the remaining gas heating systems with electric alternatives and then all gas supplies will be removed from the building. We are also implementing fire alarm upgrade in a number of sheltered housing schemes.

Individual properties have regular electrical tests, and the electrical installation is replaced every thirty years. In our blocks of flats there is usually also a landlord electrical installation (that may provide power for lights, lifts, access systems etc.) and many of these are now old and in need of upgrade of replacement. In addition, in some blocks of flats, the main electrical supplies to individual flats pass through the communal areas, and sometimes through other flats. We have implemented a programme of work to survey landlord electrical installations and electrical cables supplying individual flats. In 2023/24 this is taking place at Bermuda Terrace and some of the blocks of maisonettes in the South Arbury area. Is it expected that this will result in additional work to electrical installations in blocks of flats, with funding to be identified once costs are quantified.

At the East Road flats, a project is underway to replace roofs and windows to the tall blocks of flats facing East Road. This is a large project and work will be coordinated to minimise disruption to residents. Electrical works to these flats are also required but this work will be carried out separately in 2024/25.

In respect of resident engagement and communication, officers are working closely with main contractors to improve the quality of communication abut new programmes of planned maintenance work, and the frequency of updates about the progress of work and any delays. The contents of standard letters has been reviewed to ensure residents are better informed about the reasons why we carry out planned maintenance work.

Net Zero Retrofit Pilot Project

Work to deliver the net zero retrofit pilot project is progressing well, with a design team of architects, engineers and quantity surveyors in place. Planning has been approved for works to the 46 houses that form part of the pilot and is currently awaited for the 4 flats. The properties in the pilot are in the Ross Street and Coldham's Grove area. Tenders for the main contractor are expected to be issued through a framework shortly, with appointment anticipated by November 2023, for start on site in early 2024.

The works to be carried out as art of the pilot include:

- External wall insulation
- Roof and chimney insulation

- Floor Insulation (ground floor)
- Window replacements
- Door replacements
- Air source heat pumps (in place of existing gas boilers)
- Mechanical ventilation with heat recovery units (mvhr's)
- Solar pv panels
- Cavity wall insulation extraction and replacement (where required)
- Wastewater heat recovery systems (if funding allows)

The objectives for this funding are to allow the authority to prove whether the estimated costs in a report prepared for the authority by Fielden and Mawson are achievable, to allow time to lobby government and other bodies, backed by real evidence, in an attempt to secure external investment, to allow further exploration of the potential to use the 5% flexibility in the rent restructuring formula and / or to introduce a 'comfort' charge for tenants.

The original budget approved for this project was £5,000,000, but this has since been inflated to £5,196,000 in total. Updated cost estimates are expected shortly once the tender process has been concluded and any change in costs will need to be addressed as part of the 2024/25 budget process or medium-term financial strategy process depending upon timing.

Other Energy Works

Following success in the Social Housing Decarbonisation Fund (Wave 2) grant bid process, the authority was awarded £2,260,175 in grant over the period to September 2025. The authority had already included co-funding of £3,640,000 in the budget for 2023/24 to support this bid, but following the grant award has increased the total budget by the grant sum and recognised the grant income as the funding source for this.

The grant criteria is to ensure property reaches EPC 'C' and reduces energy demand to below a set level. These funds are now delivering external wall insulation works and uprated ventilation to 185 properties between now and a target date of March 2025. Top up loft insulation may also be provided alongside these works if required.

A further 100 homes will receive similar works, to include solar pv, across the same timescale but will be funded by the Council entirely.

In addition, we will continue with loft insulation upgrades and cavity wall insulation, extraction and re-fill, to other properties. We have a programme of around 800 EPC "D" rated solid walled houses that will need to be insulated if they are to reach EPC 'C'.

Over the course of a year the difference in energy costs between a 'G' rated property and a 'A' rated property is estimated at £1,500, and this can be split between each step in between. This may be even more currently due to the rise in fuel costs over the last 18 months.

Effectively, we can assume, on average, that for every full step up the EPC ladder that we improve the energy efficiency of a home, the tenant could save up to £250 each time. Taking a home from a 'D' to a 'B' for example, could save £500 per year.

Section 7 (Business Plan)

Capital – Acquisition, New Build and Re-Development

Acquisition and Homes for Ukrainian and Afghan Refugees

During 2022/23, the HRA acquired 4 properties on the open market to accommodate rough sleepers, partly funded using grant from Homes England, 21 properties on sites where redevelopment was either approved or potentially possible and 8 flats in a block intended for use as sheltered accommodation.

During 2023, the Department of Levelling Up, Housing and Communities (DLUHC) have awarded the authority two rounds of grant funding to assist in meeting the challenges in providing move on and settled accommodation for recent humanitarian schemes (Afghan and Ukrainian refugees).

The authority was awarded:

- Round 1 main element - £4,640,000 to be used to provide a minimum of 29 homes.
- Round 1 bridging element - £328,683 to allow the provision of at minimum 1 larger 4+ bed home to be allocated to households currently residing in bridging accommodation.
- Round 2 - £840,000 to be used to provide 3 homes for Afghan households and 1 home for use as temporary accommodation.

The grant funding requires a total top up contribution of £7,538,683 from HRA resources, with the properties held in the HRA and available for wider housing purposes once they are no longer required to accommodate this cohort. Round 1 grant has to be invested by 30 November 2023 and round 2 by 31 March 2024.

Some existing new build housing has been redesignated to meet this need, with 16 homes identified and currently occupied, or soon to be occupied. 15 homes have been acquired on the open market to date, with a further 6 in the conveyancing process.

Acquisitions or disposals completed or in progress in 2023/24 to date include:

Acquisition / Disposal	Comment	Status
1 Bed Flat	Purchase of a 1 bed flat in Trumpington ward for rough sleepers. This is the last of 14 homes acquired with Rough Sleeper Accommodation Programme grant	Complete
12 x 3 Bed Houses 2 x 4 Bed House 1 x 5 Bed House	Purchase of market dwellings for accommodating refugees, part funded by government grant	Complete
1 x 3 Bed Houses 4 x 4 Bed House 1 x 6 Bed House	Purchase of market dwellings for accommodating refugees, part funded by government grant	In progress
1 x 1 Bed Flat	Open market purchase of a home on a potential future development site	Complete
1 x 1 Bed Flat	Open market purchase of a home on a potential future development site	In progress

New Build and Re-Development

Delivery Approach

The Housing Development Agency manage the delivery of all new homes in the HRA, with a commitment to deliver affordable, sustainable homes, which meet tenant expectations.

The fees charged by the H.D.A are reviewed annually as part of the Medium-Term Financial Strategy, with a fee expectation in the H.D.A budgets of £373,920 for 2023/24. The proposed level of H.D.A fees for schemes approved from September 2023 onwards are:

- HRA housing schemes delivered using CIP – 2%
- HRA housing schemes delivered by H.D.A directly – 3%
- HRA S106 or other acquisitions – 1.5%

- Optional 1% can be added to each of the above if scheme includes community or commercial aspects.

Potential new build schemes are identified, initial feasibility work is carried out, the site is formally identified as a scheme for consideration, detailed feasibility work and formal consultation is carried out and a costed scheme is presented to Housing Scrutiny Committee for formal consideration and approval. Schemes are then incorporated into the Housing Capital Investment Plan at the next approval opportunity. As the scheme design progresses and planning approval is sought, revised and more accurate scheme costs are available, culminating ultimately in a build contract value or affordable housing agreement, which along with any fees and costs to secure vacant possession form the final budget for each scheme. Revised scheme costs are incorporated into the Housing Capital investment Plan as part of the HRA Business Plan Updates, that incorporate the Budget Setting Report or HRA Medium Term Financial Strategy as each scheme progresses.

The Council's approach to building new homes continues to develop, with both Passivhaus and Net Zero Carbon pilot schemes now approved. The authority is having to explore a multitude of options for the delivery of new homes, with inflation rate and interest rate rises making it more challenging to demonstrate scheme viability.

There is still a strong commitment to delivering good quality, affordable rented accommodation in the city, but there is a recognition that it might take longer than originally planned to deliver against the aspirational targets, and some compromise may need to be made.

Future New Build

As a result of further increases in longer-term interest rates for borrowing, the assumptions in the HRA Business Plan for the delivery of new homes have currently been retained at lower levels similar to those incorporated in the January 2023 Budget Setting Report. There is still a strong commitment to deliver as many new homes as financially feasible, with a recognition that if the economy recovers more quickly than anticipated, the programme can easily be scaled back up again.

The key assumptions now made in respect of the funding incorporated are:

- 629 net additional council rented (social rent and 60% of market rent) homes delivered over the 10 years from 2023.
- 353 affordable rented homes at 80% of market rent.
- Delivery of the net new council rented homes assumes the need to demolish and re-provide 335 existing properties as part of site regeneration schemes.
- To deliver the net new council rented homes in mixed and balanced communities, market housing will also be delivered by developers on some of the identified sites.
- A range of delivery routes will be adopted, with a mix delivered via Joint Venture or Section 106, land led schemes, existing HRA sites and potentially off the shelf purchases.
- Updated build costs using the latest information and cost data available, which assumes building to Passivhaus or equivalent performance standards. This assumes that building to Passivhaus standard or similar may be deliverable on all sites.
- Inflation in build costs incorporated at 4.7% per annum for the life of this programme.
- Homes England grant assumed for pipeline schemes at an average of £56,463 per unit across all eligible affordable tenures, recognising that not all units will be eligible for grant, particularly where a larger proportion of market sale or replacement units are proposed, or the site is a Section 106 delivery site.
- Retained right to buy receipts continue to be available for re-investment at the assumed rate of approximately £3,000,000 per annum but can't be appropriately reinvested in addition to Homes England Grant, and instead will be utilised for sites which are ineligible for grant or where grant is not awarded. This sum assumes ongoing sales at the rate of 25 per annum to generate this resource.
- Borrowing has been assumed at the rate of 5.02% for 2023/24 (recognising the PWLB HRA rate), and 4.78% for 2024/25, 4.08% for 2025/26 and 3.8% from 2026/27 ongoing, based upon Link, our treasury advisors, forecasts of the PWLB rates over the medium term.
- The Investment profile is spread across the 10-year programme based upon indicative delivery timescales, which are subject to change.

- Standard annual servicing and maintenance costs are increased by £200 per unit, recognising the need to service and maintain solar pv installations and a mechanical ventilation with heat recovery (MVHR) unit in each dwelling.
- Standard future replacement costs are increased by an average of £500 per annum to allow for the replacement of the additional components required to deliver a Passivhaus dwelling.

This requires an estimated £425,000,000 of borrowing in the HRA over the next 10 years of the plan.

Work is still ongoing to identify and explore potential HRA sites and land acquisition opportunities that could be included within the 10 Year New Homes Programme. Sites and schemes will continue to be brought forward for formal consideration and approval individually as opportunities arise, on a prioritised basis.

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

The programme, as incorporated, is still dependent upon securing Homes England Grant funding, bid for on a scheme-by-scheme basis. The authority has been successful in securing grant for a number of sites to date, and announcements earlier in the year now allow the authority to bid for grant in respect of replacement dwellings on existing HRA sites, which was not previously an option. Officers are currently revisiting schemes where it may now be possible to secure this additional grant.

If unsuccessful in securing grant for new homes, the ability to replace grant with retained right to buy receipts would only help deliver a very small proportion of the planned programme. Failure to achieve grant will mean that the programme will need to be reviewed to identify alternative sources of funding, to increase the amount of market sale housing provided, to reduce build standards or to reduce the number of council rented homes delivered overall.

The resource ear-marked in the business plan will be reviewed and re-profiled as the programme develops. The need for the HRA to borrow significant sums of money over the next 10 years will require a review of borrowing options, with long-term borrowing options to be explored and decisions made as part of the Medium-Term Financial Strategy in 2024/25. As a result of the current preferential rate offered to the HRA by the PWLB for 2023/24, any borrowing in the current year is expected to be undertaken through this route. Longer-term the authority will need to actively explore other borrowing options, including the potential for bond issuance, which may be possible in light of the significant sums required.

Schemes Completed – Devolution 500 Programme

At the time of writing this report 524 new homes had been completed as part of the Devolution 500 Programme, with a net gain of 493 council rented homes.

Scheme	Total Social Housing / SO Units	Gain in Social Housing Units	Percentage Social Housing on Site
Uphall Road	2	2	100%
Nuns Way/Cameron Road	7	7	100%
Wiles Close	3	3	100%
Ditchburn Place	2	2	100%
Queensmeadow	2	2	100%
Anstey Way	56	29	100%
Colville Road Garages	3	3	100%
Gunhild Way	2	2	100%
Wulfstan Way	3	3	100%
Markham Close	5	5	100%
Ventress Close	15	13	100%

Scheme	Total Social Housing / SO Units	Gain in Social Housing Units	Percentage Social Housing on Site
Akeman Street	14	12	100%
Mill Road	118	118	50%
Cromwell Road	118	118	40%
Colville Road II	63	63	100%
Meadows and Buchan	22	22	100%
Campkin Road*	75	75	100%
Clerk Maxwell	14	14	40%
Total	**524**	**493**	

*16 of the units at Campkin Road were re-purposed as refugee housing, with DLUHC grant awarded to contribute retrospectively towards the cost.

Schemes Completed – 10 Year New Homes Programme

The first homes being delivered as part of the new 10 Year New Homes Programme have now been delivered, as follows:

Scheme	Total Social Housing / SO Units	Gain in Social Housing Units	Percentage Social Housing on Site
Histon Road	10	10	40%
Total	**10**	**10**	

General Fund Sites

Where any General Fund sites are taken forward for development with the potential for the HRA to acquire the affordable homes, there is the need to consider the impact of the transfer of land between the General Fund and the HRA and any resulting impact of the HRA Capital Financing Requirement. Under current legislation, any increase in this results in increased interest costs to the HRA. If General Fund sites are built out by the Cambridge Investment Partnership, with the intention of the Council being to exercise the break clause in a lease in order to acquire the affordable homes, it is considered necessary for this land to be appropriated between the General Fund and the HRA at market value, taking account of the intended use.

Section 8 (MTFS)
Detailed Review of Revenue Budgets

2023/24 Mid-Year Budget Virements

As part of the HRA Budget Setting Report in January 2023, resource was incorporated to allow the authority to increase staffing and operational resource as property numbers increase. Although new homes are taken handover of throughout each year, the increase required in staffing resource is only reviewed incrementally. As part of this Medium-Term Financial Strategy, the resource that has been incorporated into the business plan from 2023/24 onwards Is now being formally allocated as follows:

- Lettings Team Leader 37 hours per week £51,570 – an increase in staffing in this small team to recognise an increase in both new build handovers and general voids requiring re-let.
- Allocation of resource of £82,760 in respect of the cost of managing, servicing and maintaining the communal heating systems at the Meadows, Campkin Road, Colville Road II, Colville Road III and L2 new build schemes.

The resource already incorporated into the HRA budget from 2023/24 onwards will be vired to allow these proposals to be implemented.

2023/24 Mid-Year Budget Changes and Inflation Impact

As part of the HRA Medium Term Financial Strategy, there is not any formal mid-year review of service delivery or operational budgets, but there is an opportunity to review the HRA position for the current year from a strategic perspective, allowing incorporation of any unavoidable items, or any major in-year changes in expenditure, income or financing arrangements as a direct result of changes in the capital programme.

There are changes proposed in other areas of the Housing budgets, in terms of the cost of delivery of services, recovery of income, and as a result changes incorporated for 2023/24 as part of the mid-year strategic review, including:

- Recognition of a reduction in rental income of £281,750 due to delays in the handover of new homes and continued high levels of general voids across the city, with the condition of homes being far poorer than experienced previously.

- Inclusion of additional resource of £191,880 in employee related expenditure, based upon the pay review for staff for 2023/24.

- Inclusion of resource of £490,000 in 2023/24 to allow feasibility and option appraisal work to be carried out in respect of potential development at Ekin Road and rooftop developments at Lichfield Road and Walpole Road, as approved at Housing Scrutiny Committee in September 2023.

- An increase of £750,000 in the void repairs budget for 2023/24 recognising the continued poor condition that void properties are being returned in, coupled with the need to refurbish some homes that have been severely fire damaged, reducing this to £300,000 per annum from 2024/25 onwards. This will be reviewed again as part of the MTFS process in 2024, once further tenancy audits have been completed.

- A reduction of £227,150 in the contribution to the bad debt provision for 2023/24 and beyond, recognising the recommendations to reduce the sum set aside annually to 1%, based upon recent use of the fund.

- Recognition of an unavoidable increase of £5,800 in the cost of the Housing Ombudsman Service from 2023/24 onwards.

- A reduction in the level of capitalised administration costs associated with the right to buy process (£6,500), recognising the anticipated reduction in sales in 2023/24.

- A reduction of £2,243,500 in the level of Direct Revenue Financing of capital expenditure in recognition of the changes to the minimum and target level of reserves for the HRA.

- A reduction in depreciation of £387,170 based upon the latest stock projections, depreciable asset values and remaining useful lives.

- An increase of £1,529,230 in the anticipated interest received on cash balances for 2023/24, with balances held higher due to underspending in 2022/23 combined with a significantly improved interest rate on investments.

- A reduction of £659,040 in the budget for interest payable by the HRA, recognising a reduced need to borrow as a result of capital re-phasing.

These changes are detailed in **Appendix E** and are incorporated into the HRA Summary Forecasts at **Appendix G.**

Appendix G summarises the base revenue budget position for the HRA for the period between 2023/24 and 2032/33, based upon inclusion of the amended financial assumptions that form part of the update to the HRA Business Plan.

Section 9 (MTFS)
Review of Capital Budgets

Existing Stock

Decent Homes

Stock condition data has been reviewed and the 30-year investment plan in respect of the existing housing portfolio has been updated to take account of the latest stock numbers, property condition and contract prices for replacement elements of the programme.

This has resulted in an increase in costs of approximately £13 million over the life of the business plan, with the revised costs having been incorporated into the financial assumptions.

Retrofit Pilot Project

The £5,000,000 originally approved to allow a pilot retrofit project to improve 50 homes has been increased to £5,196,000 with the addition of inflation. Based upon the latest pre-tender estimates for the delivery of the programme, costs have the potential to exceed the budgeted sum, but this will be confirmed once the tender process has been concluded, with resources to be adjusted as part of the 2024/25 budget or medium-term financial strategy process if required.

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

- Expenditure as approved in the HRA Budget Setting Report in February 2023.
- Re-phasing of expenditure anticipated to take place in 2022/23, into 2023/24 and beyond, as approved in June / July 2023.

- Update of the 30-year investment plan required to meet decent homes and allow other planned investment in the housing stock, based upon the current stock numbers and contract prices.
- Review of decent homes backlog funding, following update of the 30-year investment plan.
- Adjust inflation budgets to recognise that the review of the 30-year investment plan has re-based contract prices at today's price.

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

Acquisition & New Build

Acquisition

The project to acquire homes for rough sleepers has progressed to completion, with 14 homes acquired and let at a lower cost than originally anticipated.

The acquisition of homes to accommodate Ukrainian and Afghan refugees is progressing well, with 31 of the 34 homes required under the grant conditions completed at the time of writing this report. DLUHC have been clear that they want local authorities to deliver as many homes as possible through this grant funded route, and the authority is currently on track to deliver 3 additional homes as part of this programme, taking the total to 37 homes. To facilitate the additional homes, a virement of £200,000 is proposed from the underspend of budget in respect of rough sleeper acquisitions. This will ensure that the number of additional HRA dwellings to accommodate this group of households is maximised and the grant funding is used to its best advantage. Adjustments have also been made to the budget to reflect expenditure incurred in 2022/23 and the budget required for round 2 of the grant regime.

New Build Schemes On Site

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

Devolution 500 Programme

Scheme	Approved Indicative Social Housing Units	Gain in Affordable Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Devolution Grant	Rent Basis
Colville Road II	4 (63 taken)	4 (63 taken)	14,467,580	(2,743,480)	(6,089,660)	60%
Meadows and Buchan	84 (22 taken)	84 (22 taken)	25,929,000	(7,778,700)	(9,102,060)	60%
Total	**88**	**88**				

10 Year New Homes Programme

Scheme	Approved Indicative Social Housing Units	Gain in Affordable Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Homes England Grant / Other Grant	Rent Basis
L2	75	75	17,727,000	0	(4,830,000)	30 Social Rent / 45 80%
Fen Road	12	12	4,015,000	0	(1,077,000)	Social Rent
Colville Road III	48	32	12,681,000	0	(2,144,000)	32 Social Rent / 16 80%
Ditton Fields	6	6	1,944,000	0	(534,000)	Social Rent
Borrowdale	3	3	1,044,000	0	(258,000)	Social Rent
Aragon Close	7	7	2,426,000	0	(413,000)	80%
Sackville Close	7	7	2,562,000	0	(413,000)	80%
Aylesborough Close	70	37	19,450,000	0	(3,304,329)*	41 Social Rent / 29 80%
Total	**228**	**179**				

*Homes England Grant is assumed, but no grant has yet been secured.

New Build Schemes in the Pipeline

There are a number of sites which have scheme specific approval, but at the time of writing this report, were not on site. The tables below detail the latest budget requirements either approved or for approval as part of the HRA Medium Term Financial Strategy and the assumed number of new homes which can be delivered, recognising that this may still be subject to both planning approval and procurement of a contractor or transfer to CIP for some of the sites.

Devolution 500 Programme

Scheme	Approved / Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Devolution Grant	Rent Basis
Kendal Way	1	1	545,000	(163,500)	0	60%
Total	**1**	**1**				

The scheme at Tedder Way has been removed from the programme, as estimated costs have risen so significantly that the scheme is no longer deemed financially viable. The sum spent to date of £74,901.27 will need to be treated as an abortive cost and will be met from revenue resources.

10 Year New Homes Programme

Scheme	Approved / Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Homes England Grant	Rent Basis
St Thomas's Road	8	8	3,468,000	0	(560,000)*	60%
Paget Road	4	4	1,689,000	0	(300,000)*	2 Social Rent / 2 80%
Fanshawe Road	45	25	13,000,000	0	(1,000,000) (715,000)*	34 60% / 11 80%
Princess and Hanover Court	82	0	29,763,000	0**	0	Social Rent

Scheme	Approved / Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Homes England Grant	Rent Basis
East Road	40	40	11,466,000	0	(2,576,000)*	16 Social Rent / 24 80%
Eddeva Park	32	32	8,021,000	2,005,250	0	60%
East Barnwell	120	110	50,306,000	0	(9,192,000)*	48 Social / 72 80%
Total	**331**	**219**				

*Homes England Grant is assumed, but no grant has yet been secured.
** The anticipated land receipt to the HRA for the element of land transferred to deliver market housing is currently netted off against the costs until details have been finalised.

Fanshawe Road was the subject of a revised report presented to Housing Scrutiny Committee in September 2023, where approval was granted for a smaller mixed tenure scheme on this site in place of the previous larger 100% affordable rented scheme. Budgets have been amended in this iteration of the Medium Term Financial Strategy, to reflect the revised decision. This includes a reduced budget of £13,000,000 recognising the delivery of 45 rented homes on the site instead of the originally anticipated 93, and also reflects the inclusion of a land receipt of an estimated £350,000 for the land upon which the market homes will be built.

Budget remains ear-marked for the costs of the potential redevelopment of Princess and Hanover Court, should redevelopment be the recommended option when the scheme specific report is presented to Housing Scrutiny Committee, as this would be the option carrying the highest cost. This report will be presented to a future Housing Scrutiny Committee.

The table below summarises changes to either approved budgets, and /or anticipated numbers of units, for schemes in the current programme, with inflation added to all schemes not already on site, or in contract, at the start of the year. The scheme at Tedder Way has been removed from the programme due to an increase in costs that made the scheme unviable to pursue. Funding has been increased for schemes at Aragon Close and Sackville Close because of increased foundation costs and the costs of delay, caused by enhanced archaeological works and at Paget Road and St Thomas's Road, where costs have increased as the authority has gone through the tender process for these sites, which are being built to Passivhaus certification. The budget for Aylesborough Close has been reduced, now that the scheme is formally in contract and on site and the budget for the scheme at Fanshawe Road has been amended as reflected above.

Scheme	Previous Budget Approval	Original Estimated Units	Latest Budget Approval Request	Revised Estimated Units	Justification
Tedder Way	528,000	1	0	0	Scheme aborted
Kendal Way	524,000	1	545,000	1	Inflation added
Aragon Close	2,103,000	7	2,426,000	7	Inflation added and budget increased
Sackville Close	2,121,000	7	2,562,000	7	Inflation added and budget increased
Aylesborough Close	19,030,000	70	19,450,000	70	Inflation added and saving delivered
St Thomas's Road	2,953,000	8	3,468,000	8	Inflation added and budget increased
Paget Road	1,421,000	4	1,689,000	4	Inflation added and budget increased
Fanshawe Road	28,587.000	93	13,000.000	45	Reduced Scheme
Princess and Hanover Court	28,610,000	82	29,763,000	82	Inflation added
East Road	10,964,000	40	11,466,000	40	Inflation added

The table below confirms the current status for all pipeline schemes:

Scheme	Site Type	Status	Potential New Build Units
Kendal Way	In-fill	Planning approved	1
St Thomas's Road	Existing HRA Garages	Pre-planning	8
Paget Road	Existing HRA Garages	Pre-planning	4
Fanshawe Road	Existing HRA Housing	Pre-planning	45
Princess and Hanover Court	Existing HRA Housing	Options appraisal in progress	82
East Road	Demolished HRA Garages	Pre-planning	40
Eddeva Park	Section 106	Planning approved	32
East Barnwell	Mixed Ownership Site	Pre-planning	120

Capital Programme

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

- Expenditure as approved in the HRA Budget Setting Report in February 2023.
- Re-phasing of expenditure anticipated to take place in 2022/23 into 2023/24 and beyond, as approved in June / July 2023.
- Adjustment to the Local Authority Housing Fund budget to recognise expenditure incurred in 2022/23 and the budget required to deliver round 2 grant commitments.
- Virement of £200,000 for the budget for rough sleeper acquisitions to the budget for refugee acquisitions, to maximise the number of new homes that can be provided with the grant funding available.
- Increase in the budgets for Aragon and Sackville Close, recognising additional archaeological works and the build cost increases associated with the delay.
- Increase in the budgets for Paget Road and St Thomas's Road recognising the high build cost inflation for improved sustainability homes, borne out through the

tender process, coupled with delivery of an M4 (3) bungalow on the St Thomas's Road site.

- Re-allocation of new build budget of £8,021,000 between the unallocated / generic new build budget and the scheme specific budget for Eddeva Park, following approval of the scheme at Housing Scrutiny Committee in September 2023.
- Increase in the budgets for Aylesborough Close, East Road and Princess and Hanover to recognise standard inflation in costs.
- Revision of the budget for Fanshawe Road to £13,000,000, recognising the revised scheme approved at Housing Scrutiny Committee in September 2023 to deliver 45 affordable rented homes on a mixed tenure site.
- Inclusion of a scheme budget of £50,306,000 for East Barnwell, in line with the scheme specific report being presented to Housing Scrutiny Committee as part of this committee cycle.
- Inclusion of the latest cost assumptions and funding in line with Homes England grant applications, in respect of the 10 Year New Homes Programme. Future right to buy receipts have not been allocated to specific schemes at this stage but are anticipated to be utilised where grant bids are unsuccessful or new homes are on sites not eligible for grant.

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

Section 10 (MTFS)
Risks and Reserves

Risks

The HRA faces a number of risks and uncertainties in respect of its ongoing operation.

Alongside the current financial uncertainty that is being driven by high inflation rates, there are significant risks surrounding unknown costs for the HRA, particularly in respect of investment in the existing housing stock that may be needed for fire safety, other health and safety, compliance and energy efficiency reasons. Whilst the Decent homes 2 standard is still awaited this uncertainty continues.

The cost of delivering new homes also continues to rise steeply, and there is no guarantee that Homes England grant will be available at the levels assumed in our financial forecasts, with the current Homes England Affordable Housing Grant Programme coming to an end in 2024.

Future rental streams are also subject to uncertainty, with no clarity over the level of rent increases that will apply from April 2025 onwards, once the current Rent standard comes to an end.

A detailed risk analysis is presented at Appendix A, with financial and operational uncertainties provided at Appendix B.

Housing Revenue Account Reserves

Minimum Level of HRA General Reserves

Reserves are held to help manage risks, including changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies, such as uninsured damage to the housing stock, unanticipated major repairs or events such as a pandemic, or international conflict. Reserves are also used to fund investment which is anticipated to deliver savings in the longer-term.

The approach to setting both a minimum and target level of reserves for the HRA has been revisited as part of this Medium-Term Financial Strategy, taking account of the type of expenditure or income that the HRA accounts for, and balancing the value and the risk associated with each of these. This results in a new minimum level of reserves is £5,875,000, with a target level of reserves at 20% above this, £7,050,000.

The detailed calculation can be found in Appendix I.

Impact on HRA General Reserves in 2023/24

The impact on HRA reserves for 2022/23, and 2023/24 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	2022/23 £'000	2023/24 £'000
Budgeted Changes in HRA Reserves		
Opening General HRA Reserves	**(19,590)**	**(10,521)**
Original Budget (Approved in January)	1,029	6,185
Carry Forwards (Approved in June)	12,562	335
MTFS Mid-Year Review (Approved in September)	(117)	(3,320)
Budget Setting Report Revised Budget (February)	(4,327)	-
Estimated Closing General HRA Reserves	**(10,443)**	**(7,321)**
Actual Changes in HRA Reserves		

Opening General HRA Reserves	**(19,590)**	**(19,590)**
Actual Outturn for the Year (Reported in June 2023)	9,069	-
Contribution from Ear-Marked Reserves	0	-
Actual Closing General HRA Reserves	**(10,521)**	**-**

The original budget for 2023/24 approved a net call on general reserves of £6,185,160, and also incorporated use of £14,704,510 previously set-aside for potential debt repayment or re-investment, which alongside revenue income, allowed a total revenue contribution to fund capital expenditure of £29,446,380 for the year.

This iteration of the business plan includes changes in:

- estimated dwelling rental income for 2023/24
- pay costs from 2023/34
- interest due for the year based upon revised cash balance assumptions
- interest paid based upon the latest borrowing assumptions
- the level of depreciation assumed to be chargeable to the HRA
- the bad debt provision required for the year, based upon the latest estimates
- the level of revenue funding of capital for the year, based upon capital projections
- allocation of resource identified to respond to an increase in stock numbers
- resource to respond to unavoidable pressures

The final general HRA reserves position reported for 31 March 2023 was £10,521,079. The revised projection of the use of general reserves in the current year (2023/24) now indicates that there is expected to be a net call on reserves of £3,199,670, which would leave a balance of £7,321,409 at 31st March 2024.

Earmarked Funds

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

Section 11 (MTFS)
HRA Budget Strategy

Base Assumptions

In order to update the Housing Revenue Account Business Plan, the assumptions included in the base plan have been revisited and confirmed or amended as appropriate in the light of up-to-date intelligence and information, utilising historical information, externally available data and expert advice and opinion of specialists where appropriate.

The base financial assumptions included in the financial model are included at **Appendix C** of the HRA Medium-Term Financial Strategy, with continuing uncertainties for the HRA summarised at **Appendix B** of the Business Plan.

Appendix D demonstrates the potential impact on the HRA business plan of changes in some of the base assumptions that have been incorporated as part of this review.

HRA Budget Strategy

The Budget Process

The HRA budget for 2024/25 will incorporate any changes proposed and agreed as part of this iteration of the business plan.

Following an independent review of the budget process and associated governance, and approval of several of the resulting recommendations at Strategy & Resources in July 2022, a number of changes have been made:

- Consideration has been given to moving to a more typical budget setting process, aligning processes and decision making for the General Fund and HRA where possible. This has been achieved for the Medium-Term Financial Strategy, but is more complex for the budget setting process due to the need to set and communicate rents within prescribed timescales

- delegation and virement rules have been reviewed and updated
- officer input into the opposition budget process has been reduced to a high level assessment of feasibility, lawfulness and accuracy, with proposals presented without a full opposition budget being drafted
- the budget bid process has been reviewed for 2024/25 to include fewer consolidated strategic proposals, with a minimum value for bids of £50,000 and with officers required to manage smaller business changes within existing budgets using virement rules

Other actions are still in progress:

- current political management arrangements are currently being reviewed
- roles of government, members and officers will be clarified as part of the governance review
- provide a wider context for members of the local government sector
- the timeline and process for reports to formal member meetings will be reviewed as part of the governance review to reduce time taken
- an annual communication strategy to underpin the budget process will be developed as part of the 2024/25 budget process

Development of the Budget Strategy

The HRA still faces significant financial challenges, with increases in ongoing borrowing costs expected to outweigh any increases in income that would otherwise support these costs. There remains a commitment to improve the sustainability of dwellings by 2035, with a target to achieve EPC 'C' in all homes, but this only goes some way towards the aspirational target of achieving net zero carbon.

For 2023/24 the HRA Medium Term Financial Strategy incorporates changes in anticipated dwelling rental income for the current year as a result of continued high levels of voids, decants for redevelopment and delays in the delivery of new homes. The update also includes changes in the contribution to the bad debt provision, anticipated interest earned in year from a revenue perspective, anticipated interest paid on borrowing and in depreciation of the housing stock, alongside some changes in operational budgets.

Changes have been incorporated in the Housing Capital Programme, recognising delays in the new build delivery programme, whilst also updating the sums ear-marked for the 10 Year New Homes Programme to take account of updated assumptions.

The borrowing requirement in future years in order to deliver the reduced 10 Year New Homes Programme has increased, with an estimated £425,000,000 required over the next ten years and £635,000,000 over the life of the plan. The assumption is retained, that for the delivery of new council rented homes to be possible, the authority will be successful in securing grant funding from Homes England. Failure to secure grant will require a significant review of both the proposed development programme and the HRA business plan.

The HRA needs to be able to clearly demonstrate that it can support any borrowing, with borrowing undertaken in order to finance a new asset, and not simply to plug a budget gap. The investment need in the existing housing stock in order to improve sustainability and energy efficiency has still been included in part, with resource to improve homes to and EPC'C' standard, but this will still leave a significant further investment requirement to move homes to a net zero carbon standard. The business plan is unable to support the level of borrowing that would be required without an additional future revenue stream.

As borrowing is required, borrowing routes need to be explored in detail. If the HRA is to deliver the new council rented homes committed to, taking account of the latest changes in assumptions, there is still no ability to set-aside resource to repay any of the self-financing debt and all borrowing will need to be re-financed at maturity, materially impacting the financial forecasts for the HRA and driving the need to identify net savings in future iterations of the business plan.

With the current pressure on the HRA finances, the aspiration to maximise the delivery of new council rented homes and the requirement to improve the energy efficiency of the existing housing stock, this report proposes a budget strategy where an efficiency savings target is set at a level above the proposed strategic investment fund, to generate net ongoing savings in the HRA, to reduce the overall need to borrow. This approach will also ensure that the HRA is best placed to respond to future pressure, in terms of the need to meet updated statutory, health and safety, compliance and regulatory requirements.

The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2024/25 budget bids and savings process, to ensure that these can be weighed up against any strategic re-investment proposed.

Approach to HRA Savings

In line with the budget strategy outlined, it is recommended that an efficiency target is retained for 2024/25 as in previous years, but with a lower level of strategic investment fund, in order to deliver net savings for the HRA to support future investment in sustainable homes and to create some capacity in future years to be able to respond to the financial challenges arising from the Social Housing Regulation Act and review of the Decent Homes Standard.

The inclusion of an efficiency savings target equivalent to 4% of controllable general management and repairs administration expenditure (now £196,000 per annum) is retained for 2024/25 and the following four years.

It is proposed that 50% is redirected into resource for strategic reinvestment in other areas of the housing service, with an annual fund of £98,000 to be created. The authority will need to review and evaluate its approach again in preparation for 2025/26 onwards, once the longer-term impacts on the economy, and its recovery, are clearer.

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

As part of the 2024/25 budget setting process, any areas of new revenue investment will therefore need to be more than offset by the identification of savings or increased income generation elsewhere across the HRA.

The position for the HRA will be reviewed again as part of the January 2025 HRA Budget Setting Report, with a view to continuing to maximise investment in new homes, maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst also ensuring that the existing housing stock is maintained to the latest standards, with the aspiration to improve levels of energy efficiency being key.

It is likely that a greater net savings position may need to be sought from 2025/26 onwards, but by this point it is hoped that the economic outlook will be clearer, and the corporate transformation programme will have presented more detailed recommendations for change.

Appendix A

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified	• Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted. Officers review any publications. • Service Improvement Team in place to respond to requirements of Social Housing Regulation Bill
Delays in announcement of detail surrounding housing policy change negatively impacts decisions taken at a local level	• Decisions taken in the context of a business plan which recognises the uncertainty. Savings taken have impacts exemplified to ensure impact is mitigated.
Funding is not identified to meet the costs associated with changes in statutory requirements	• Additional / specific funding requirements for new services can be identified through the budget process, to allow effective prioritisation of resources. Minimum reserves are held to allow immediate investment if required. • Representation made to DLUHC and other national bodies where statutory requirements carry excessive cost.
Changes in national housing or rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies. • Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible with scenario impact quantified.
Housing Spending Plans	
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets	• Council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in context of long-term impact. • The Business Plan includes long-term trend and scenario analysis on key cost drivers.

Risk Area & Issue arising	Controls / Mitigation Action
	• Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures.
Financial planning lacks appropriate levels of prudency	
Business Planning assumptions are wildly inaccurate Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt
Business plan assumption that all borrowing is re-financed at the end each borrowing term can't be supported	Business plan is reviewed annually, housing stock is maintained to decency standards, with an asset management strategy in place.
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework
Failure to deliver Major Housing / Development Projects, i.e. return on capital investment, project on time etc.	• A business decision is required for all strategic acquisitions, disposals and one-off areas of significant investment • Performance and contractor management procedures are robust and contracts are enforceable • The Council's accounts are audited on an annual basis, with assurance given that the authority is delivering economy, efficiency and effectiveness in its use of resources
Value for money in terms of investment in new build homes is challenged	• Council adopts a mix of delivery vehicles • Council employs cost consultants to demonstrate price comparability with the local market • Council has completed an independent review of new build delivery

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes • Council seeks to influence national settlements and legislative changes through response to formal consultation
Rent and service charge arrears increase, and bad debt rises, as a direct result of the Welfare Benefit Reforms or the current cost of living crisis	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required. • Income Analytics and LIFT software procured to aid arrears recovery.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
Changes in the economic environment cause a significant reduction in the number of right to buy sales, reducing the resource available to finance the capital investment programme	• Sensitivities modelled so potential impacts are understood • Business plan is regularly reviewed allowing reallocation of resource or consideration of borrowing if required
Changes to the right to buy rules result in an increase in the level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity • Delivery timeframe extended to 5 years, with ability to invest up to 40% of receipt into the replacement dwelling
Volatility and competition in the property market impacts the ability to fund planned capital investment from the sale of assets	• Policy on applying general capital receipts for strategic disposals only at point of receipt • Regular review of mix of new build delivered to ensure that assumptions around shared ownership and market sale are realistic

Appendix B

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties
HRA Borrowing and Interest Rates
Future uncertainty exists in the borrowing route to fund the delivery of the 10-year new homes programme and the ability to manage the cashflow and service / re-pay the debt in a self-financing environment. Interest rates are currently rising, and it is difficult to predict where they will settle. Rents are controlled at national level, which was never the intention of operating in a self-financing environment, and which may constrain the HRA business plan.
Right to Buy Sales
The number of sales had begun to reduce as a result of mortgage rate rises, following some recovery in 2021/22 and 2022/23 following the pandemic. Indications are that interest has slowed currently, but the uncertainty in the economy, and the current increased cost of living may continue to impact future sales. It is impossible to predict this accurately.
Right to Buy Retention Agreement
Resource retained in respect of 1-4-1 receipts must be appropriately re-invested to avoid payment of an interest penalty, currently at the bank base rate plus 4%, so 9.25%. At present, sufficient investment is incorporated into the HRA financial model to avoid penalty in the medium-term, so no interest payments are assumed in the business plan.
Inflation
It is difficult to predict the longer-term position in respect of inflation, which is currently still high. The longer-term impact of the conflict In Ukraine in respect of both fuel and utility prices is also unclear at this time. The government is committed to continuing to bring down inflation levels, with some progress made in 2023/24 to date, but it is impossible to predict how much longer this will take and where rates will reside longer-term.
HRA New Build
Delays in the delivery of the new build programme impact negatively upon rental income. If any individual development scheme does not proceed, the initial outlay needs to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in. Until schemes are approved, in contract, and have appropriate planning permission, there are still uncertainties over final costs and dwelling numbers, which could impact the HRA in terms of anticipated rental streams. Delays on site are still being experienced.
Welfare Reforms
The ongoing impact for the authority of the full local rollout of Universal Credit is still uncertain, but with expectations that we may see a significant increase in arrears levels.

Housing Revenue Account – Revenue Uncertainties

Social Housing Regulation Bill

Although the Social Housing Regulation Bill now has Royal Assent, there is still significant detail awaited surrounding the new consumer standards and housing inspection regime. The need for a review of legislation surrounding the decency and maintenance standards of social housing stock was also identified, and we await the details of additional works that may be required.

National Rent Policy

The national rent policy, which is legislative, removes local control over the setting of rent levels. Although the rent standard states an increase of up to CPI plus 1% for one further year, there is no indication what will be imposed from April 2025.

Housing Revenue Account - Capital Uncertainties

Sulphate Attack

Funding of £1.1m is still incorporated into the Housing Capital Programme to tackle sulphate attack in 98 potentially affected properties. Following a risk assessment, this allows works to be carried out, if required, and only when properties become void. There is the potential for similar sulphate attacks in the structures of other council dwellings constructed at a similar time, resulting in the need for additional investment. Work is to be commissioned to revisit this issue and review the current asset management approach.

Disabled Facilities Grants and Private Sector Housing Grants and Loans

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

Right to Buy Sales and Retained Right to Buy Receipts

Under the agreement with DLUHC, the authority is committed to invest the receipts in new homes within 5 years of the receipt period, with this funding meeting no more than 40% of the cost of a dwelling. Once Devolution Grant is exhausted, the authority will be required to identify the 70% top up funding itself or through borrowing, with this assumption currently incorporated as an alternative to Homes England grant. Receipts may need to be paid over to central government at the end of each year, if delays in the delivery of new homes mean that deadlines are breached.

Fire Safety Act and Works in Flatted Accommodation

The authority is still working through the implications of changes to fire safety and building safety regulations, which impact the future investment need in flatted accommodation particularly. The cost of any works required under revised regulations will need to be met from reserves in the short-term, with a wider review of stock investment budgets to follow.

Decent Homes 2

The authority still awaits details of the outcome of the review of the Decent Homes Standard, with future investment needs expected to alter as a result.

Energy Improvement Works

The authority commissioned work to explore the potential costs to retrofit existing homes to improve energy efficiency. The need to evidence that these costs are robust is being addressed by carrying out pilot programmes locally and the authority is exploring funding mechanisms to support this investment. The ability to deliver this level of investment without financial support is limited.

HRA Commercial Property

Stock condition surveys and investment profiles are still required in respect of some of the HRA's commercial property portfolio, to ensure that sufficient resource is identified in the Housing Capital Plan to maintain the properties in a lettable condition.

Appendix C

Revised Business Planning Assumptions (Highlighting Changes in Bold)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	**3% for 2024/25, returning to 2% from 2025/26**	**General inflation on expenditure included at 3% for 2024/25, with 2% ongoing per Bank of England forecasts.**	**Amended**
Capital and Planned Repairs Inflation	**2.68% for planned maintenance and 4.7% for new build**	**Based upon the mix of BCIS and CPI forecasts for next 5 years, using averages over this period. Adopt 4.7% for new build based upon industry projections.**	**Amended**
Debt Repayment	No debt repayment assumed	Assumes surplus is re-invested in income generating assets, but with borrowing rates resulting in ability to support interest payments only.	Retained
Pay Inflation	**1% Pay Progression & Pay Inflation at £1,925 or 3.88% for 2023/24, 4%, then 2%**	**Assume allowance for increments at 1% and cost of living pay inflation at £1,925 (or 3.88% from scp 43) for 2023/24, 4% for 2024/25, then 2% on an ongoing basis.**	**Amended**
Employee Turnover	3%	Employee budgets assume a 3% turnover, unless service area is a single employee, or is a shared service, externally recharged service or trading account.	Retained
Social Rent Review Inflation	**7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI**	**Assume an increase of CPI plus 1% for 2024/25, then reverting to inflation plus 0.5% for 5 years after this, then CPI. Assume CPI in preceding September is 6.7%, then 2% ongoing.**	**Amended**
Affordable Rent Review Inflation	**7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI**	**Affordable rents to be reviewed annually in line with rent guidance, ensuring that re-lets do not breach the Local Housing Allowance, 60% or 80% of market rent, depending upon the tenure.**	**Amended**
Rent Convergence	Voids Only	Ability to move to target rent achieved only through movement of void properties directly to target rent.	Retained

Key Area	Assumption	Comment	Status
External Lending Interest Rate	**5% for 2023/24, 4.5% for 2024/25, 3% for 2025/26, then 2.5% ongoing**	**Interest rates based on latest market projections, recognising that the HRA will benefit from low risk investments only**	**Amended**
Internal Lending Interest Rate	**5% for 2023/24, 4.5% for 2024/25, 3% for 2025/26, then 2.5% ongoing**	**Assume the same rate as anticipated can be earned on cash balances held, so as not to detriment either the HRA or the General Fund longer-term.**	**Amended**
External Borrowing Interest Rate	**5.02% for 2023/24, 4.78% for 2024/25, 4.08% for 2025/26, then 3.8% ongoing**	**Assumes additional borrowing using PWLB projected rates generated by Link, with HRA and certainty rate applied.**	**Amended**
Internal Borrowing Interest Rate	**5.02% for 2023/24, 4.78% for 2024/25, 4.08% for 2025/26, then 3.8% ongoing**	**Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.**	**Amended**
HRA Minimum Balances	**£5,875,000**	**Revise HRA minimum balance to £4,628,000, following a review of the approach to holding reserves in the HRA.**	**Amended**
HRA Target Balances	**£7,050,000**	**Revise HRA target balance to £5,554,000 (minimum plus 20%), following a review of the approach to holding reserves in the HRA.**	**Amended**
Right to Buy Sales	**20 in 2023/24, then 25 sales ongoing**	**Activity has slowed as a result of mortgage rate increases, so the assumed sales for 2023/24 have been reduced, but the previous assumption of 25 sales is retained annually from 2024/25 ongoing.**	**Amended**
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for one receipts included, and ear-marked for direct new build spend. Debt repayment proportion assumed to be set-aside.	Retained
Void Rates	**2% for 2023/24, 1.35% for**	**Assume increased void rate of 2% for 2023/24, 1.35% for 2024/25, then ongoing**	**Amended**

Key Area	Assumption	Comment	Status
	2024/25 then 1% ongoing	**void rate of 1% from 2025/26, recognising intended improved void performance.**	
Bad Debts	**1% from 2023/24 ongoing**	**Bad debt of 1% ongoing reflecting the requirement to collect 100% of rent directly through Universal Credit.**	**Amended**
Savings Target	£196,000 (4% of general and repairs administrative expenditure)	Retain an efficiency target, now at £196,000 from 2024/25 for 5 years. Allows strategic reinvestment and a response to pressure from national housing policy change.	Retained
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Strategic Investment Fund	**£98,000**	**Housing Strategic Investment Fund included from 2024/25 for 5 years at 50% of the value of the savings target, to deliver a net reduction in costs**	**Amended**

Appendix D

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact	Business Plan Impact
Rents Inflation	Assumed at 7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI	No guarantee that there will be the ability to return to previously assumed rent increases if rents are set legislatively after 2024/25, so assume CPI only from 2025/26.	Borrowing increases by £83 million during the life of the plan and interest payments by £34 million.	1,000 of the 1,700 homes are unable to be improved to EPC ‘C’.
Rent Increases	Assumed at 7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI	Assume a cap on rent increases at 7%	Borrowing increases by £26 million and interest payments by £12 million.	340 of the 1,700 homes are unable to be improved to EPC ‘C’.
Rent Increases	Assumed at 7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI	Assume a local decision to cap rent increases at 5% for 2024/25	Borrowing increases by £105 million during the life of the plan and interest payments by £46 million.	1,250 of the 1,700 homes are unable to be improved to EPC ‘C’.
Rent Increases	Assumed at 7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI	Assume a local decision to cap rent increases at 3% for 2024/25	Borrowing increases by £184 million during the life of the plan and interest payments by £80 million.	None of the 1,700 homes are able to be improved to EPC ‘C’ and a savings target of 12% would be required in place of the current 4% for 2024/25.
General Inflation	CPI assumed to be 3% for 2024/25, then 2% ongoing from 2025/26	Assume that high levels of inflation do not return to 2% within 18 months, with CPI at 6% and 4% before returning to 2% from 2026/27.	Borrowing increases by £22 million during the life of the plan.	280 of the 1,700 homes are unable to be improved to EPC ‘C’.
Direct Payments	Bad Debts at 1.5%	Evidence from the pilot authorities for direct payment indicated that	Borrowing increases by £139 million during the life of the plan, with £76 million bad	1,450 of the 1,700 homes are unable to be improved to EPC ‘C’.

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact	Business Plan Impact
(Universal Credit)		collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2024/25.	debt and £66 million in additional interest payments.	
Cost of HRA New Build Programme	Homes England Grant assumed for all eligible affordable tenures	Assume that the authority fails to secure further Homes England Grant to support the delivery of new homes	Borrowing increases by £90 million during the life of the plan and interest payments increase by £62 million.	1,100 of the 1,700 homes are unable to be improved to EPC 'C'.
Cost of Borrowing	Borrowing is assumed at 5.02% for 2023/24, 4.78% for 2024/25, 4.08% for 2025/26, then 3.8% ongoing	Assume that the long-term borrowing rate does not fall to a low as 3.8%, but instead stabilises at 4.5%	Borrowing increases by £128 million during the life of the plan and interest payments increase by £131 million, which is not financially viable.	1,280 of the 1,700 homes are unable to be improved to EPC 'C'.
Cost of Borrowing	Borrowing is assumed at 5.02% for 2023/24, 4.78% for 2024/25, 4.08% for 2025/26, then 3.8% ongoing	Assume that the current reduced HRA rate is the best we can expect in the long-term, so assume borrowing at 5.02% ongoing	Borrowing increases by £266 million during the life of the plan and interest payments increase by £269 million, which is not financially viable.	None of the 1,700 homes are able to be improved to EPC 'C' and 66 fewer homes could be delivered.

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

Appendix E

2023/24 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2023/24 Budget (£)	Budget Amendment in 2024/25 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		**6,519,830**		
HRA General and Special Management				
Increased staffing in Voids and Lettings	Employment of a Lettings Team Leader, recognising the increase in both new homes being handed over and existing homes becoming void and requiring re-let	0	0	Funding already incorporated into the HRA business plan
Increased cost of Housing Ombudsman	The statutory subscription to the Housing Ombudsman Service has increased above inflation again from 2023/24	5,800	5,800	Built into base for future years
Increased abortive fees for potential HRA new build developments	Funding is required to carry out feasibility work for air space development on a number of potentials sites	490,000	0	One off
Total HRA General and Special Management		**495,800**		
HRA Repairs				
Third Party Management Servicing and Repair Costs	Budgets need to be increased to recognise the cost of servicing and maintenance outsourced to third party management companies for new build homes.	0	0	Funding already incorporated into the HRA business plan
Void Repairs	Budgets need to be increased recognising that the poor condition of void properties continues to be a problem.	750,000	300,000	Built into base for future years
Total HRA Repairs		**750,000**		
HRA Summary Account				

Area of Income / Expenditure	Description	Budget Amendment in 2023/24 Budget (£)	Budget Amendment in 2024/25 Budget (£)	Comment
Bad Debt Provision	Reduction in bad debt provision based on latest assumptions	(227,150)	Incorporated into base assumptions	Built into base for future years
Rent Income	Reduction in rental income for 2023/24 due to delays in new build handover and increased voids	281,750	Incorporated into base assumptions	Built into base for future years
Dwelling Depreciation	Reduction in the estimated level of depreciation based upon the latest stock projections	(387,170)	Incorporated into base assumptions	Built into base for future years
RTB capitalisation	The sum that can be capitalised in respect of administrative costs will be lower due to a reduction in sales	6,500	Incorporated into base assumptions	Built into base for future years
Interest earned on HRA Balances	The HRA will receive a higher interest receipt as a result of higher cash balances and a significantly higher intertest rate in 2023/24	(1,529,230)	Incorporated into base assumptions	Built into base for future years
Interest paid on Borrowing	Reduction in interest paid, with assumed borrowing in 2023/24 now at a higher interest rate, but with a lower level of borrowing need	(659,040)	Incorporated into base assumptions	Built into base for future years
Direct Revenue Financing (DRF) of capital	A reduction in DRF recognising a review of target and minimum HRA balances	(2,243,500)	0	One-Off
Pay Inflation	An increase in pay costs based upon the pay award for 2023/24	191,880	Incorporated into base assumptions	Built into base for future years
Total HRA Summary		**(4,565,960)**		
Revised use of / (contribution to) HRA Reserves post MTFS		**3,199,670**		

Appendix F

2023/24 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	**137,272**	**94,762**	**104,135**	**78,402**	**59,698**
General Fund Housing					
Increase in budget in line with DFG Grant via the Better Care Fund	58	0	0	0	0
Decent Homes and Other HRA Stock Investment					
Re-profile decent homes and other stock investment budgets based upon latest stock numbers, contract prices and stock condition data					
Kitchens	0	(130)	(175)	(91)	(183)
Bathrooms	0	0	52	(58)	(123)
Central Heating / Boilers	0	(613)	(171)	(115)	(185)
Insulation / Energy Efficiency / Wall Finishes	0	(92)	(118)	(153)	(125)
Energy Efficiency Pilot / Retrofit / EPC 'C'	868	1,392	0	0	0
External Doors	0	138	(20)	(13)	(4)
PVCU Windows	0	(267)	(39)	(15)	(13)
Wall Structure	0	204	44	22	(24)
Roof Covering (including chimneys)	0	(508)	(307)	(397)	(226)
Electrical / Wiring	0	(28)	(15)	(11)	0
Heating and Boilers	0	0	0	0	0
Other Health and Safety Works	0	0	52	52	52
Decent Homes Backlog	0	(800)	(800)	(800)	(887)
Decent Homes Planned Maintenance Contractor Overheads	0	(141)	(76)	(87)	(91)
Decent Homes New Build Allocation	(1,042)	(572)	(967)	(690)	(750)
Lifts and Door Entry Systems	0	(1)	(3)	0	0
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	0	(6)	(5)	(4)	(4)
New Build					
Remove budget for Tedder Way	(482)	0	0	0	0
Re-phase budget for Campkin Road	227	(227)	0	0	0
Re-phase budget for Meadows and Buchan	(3,803)	3,803	0	0	0
Re-phase budget for Colville Road III	(2,993)	2,993	0	0	0
Increase and re-phase budget for Aragon Close	(957)	1,185	0	0	0

Area of Expenditure And Change	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Increase and re-phase budget for Sackville Close	(909)	1,253	0	0	0
Reduce and re-phase budget for Aylesborough Close	(8,005)	3,923	3,666	0	0
Increase and re-phase budget for St Thomas's Road	(2,001)	1,520	1,661	0	0
Increase and re-phase budget for Paget Road	(1,347)	685	866	0	0
Reduce and re-phase budget for Fanshawe Road	(6,822)	(2,955)	(4,681)	(2,337)	0
Re-phase budget for East Road	(1,631)	(7,158)	7,468	1,321	0
Allocate scheme specific budget for Eddeva Park	2,553	2,625	2,625	218	0
Allocate scheme specific budget for East Barnwell	621	4,885	13,109	18,084	12,260
Include and adjust budget to recognise the delivery of round 2 homes for refugees, partially funded by DLUHC grant, with virement from rough sleeping budget to maximise delivery	1,505	0	0	0	0
Re-allocation of 10 Year New Homes budget in line with changes to scheme specific approvals and update of sums for latest programme assumptions	(13,788)	(14,669)	(19,278)	(105)	23,600
Vire budget from Rough Sleeper acquisitions to Local Authority Housing Fund acquisitions to maximise assets acquired and make best use of grant funding	(200)	0	0	0	0
Sheltered Housing					
No changes	0	0	0	0	0
Other HRA Spend					
No changes	0	0	0	0	0
Inflation Allowance					
Adjust inflation allowed to reflect new base and revised inflation assumptions	(1,567)	(378)	149	1,782	6,164
Total Housing Capital Plan Expenditure post HRA MTFS	**97,557**	**90,823**	**107,172**	**95,005**	**99,159**

Appendix G

HRA 10 Year Summary Forecast 2023/24 to 2032/33

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
Rental Income (Dwellings)	(44,449)	(49,316)	(51,653)	(54,524)	(57,920)	(60,872)	(64,329)	(67,095)	(69,693)	(71,609)
Rental Income (Other)	(1,321)	(1,277)	(1,303)	(1,329)	(1,484)	(1,514)	(1,544)	(1,576)	(1,607)	(1,639)
Service Charges	(4,200)	(4,526)	(4,613)	(4,701)	(4,791)	(4,883)	(4,980)	(5,080)	(5,182)	(5,285)
Contribution towards Expenditure	(559)	(577)	(589)	(601)	(613)	(625)	(637)	(650)	(663)	(676)
Other Income	(528)	(550)	(561)	(572)	(584)	(595)	(607)	(619)	(632)	(644)
Total Income	**(51,057)**	**(56,246)**	**(58,719)**	**(61,727)**	**(65,392)**	**(68,489)**	**(72,097)**	**(75,020)**	**(77,777)**	**(79,853)**
Expenditure										
Supervision & Management - General	6,267	5,927	6,085	6,071	6,299	6,484	6,725	6,950	7,181	7,385
Supervision & Management - Special	4,715	5,128	5,244	5,364	5,486	5,611	5,738	5,869	6,003	6,141
Repairs & Maintenance	11,923	11,303	11,811	12,438	13,017	13,681	14,262	14,856	15,323	15,832
Depreciation – to Major Repairs Res.	11,579	12,056	12,709	13,242	13,963	14,488	15,086	15,588	16,096	16,459
Debt Management Expenditure	0	0	0	0	0	0	0	0	0	0
Other Expenditure	1,245	1,126	1,166	1,214	1,267	1,317	1,370	1,417	1,463	1,502
Total Expenditure	**35,729**	**35,540**	**37,015**	**38,329**	**40,032**	**41,581**	**43,181**	**44,680**	**46,066**	**47,319**
Net Cost of HRA Services	**(15,328)**	**(20,706)**	**(21,704)**	**(23,398)**	**(25,360)**	**(26,908)**	**(28,916)**	**(30,340)**	**(31,711)**	**(32,534)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account										
Interest Receivable	(2,200)	(1,409)	(939)	(754)	(730)	(720)	(713)	(713)	(719)	(723)
(Surplus) / Deficit on the HRA for the Year	**(17,528)**	**(22,115)**	**(22,643)**	**(24,152)**	**(26,090)**	**(27,628)**	**(29,629)**	**(31,053)**	**(32,430)**	**(33,257)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance										

Loan Interest	8,230	10,207	13,062	15,758	18,151	20,899	23,028	23,853	24,096	24,339
Housing Set Aside	(14,705)	0	0	0	0	0	0	0	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0	0	0	0	0	0
Direct Revenue Financing of Capital	27,203	10,679	9,226	9,090	7,677	6,459	6,987	7,345	8,234	8,683
(Surplus) / Deficit for Year	**3,200**	**(1,229)**	**(355)**	**696**	**(262)**	**(270)**	**386**	**145**	**(100)**	**(235)**
Balance b/f	(10,521)	(7,321)	(8,552)	(8,906)	(8,209)	(8,470)	(8,742)	(8,355)	(8,210)	(8,309)
Total Balance c/f	**(7,321)**	**(8,550)**	**(8,907)**	**(8,210)**	**(8,471)**	**(8,740)**	**(8,356)**	**(8,210)**	**(8,310)**	**(8,544)**

Appendix H

Housing Capital Investment Plan (10 Year Detailed Investment Plan)

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend										
Disabled Facilities Grants	808	750	750	750	750	750	750	750	750	750
Private Sector Housing Grants and Loans	195	195	195	195	195	195	195	195	195	195
Total General Fund Housing Capital Spend	**1,003**	**945**	**945**	**945**	**945**	**945**	**945**	**945**	**945**	**945**
HRA Capital Spend										
Decent Homes										
Kitchens	1,250	580	1,230	595	1,170	2,382	2,382	2,382	2,382	2,382
Bathrooms	844	583	662	181	115	841	841	841	841	841
Central Heating / Boilers	2,854	2,117	1,651	2,318	1,331	2,538	2,538	2,538	2,538	2,538
Insulation / Energy Efficiency / Wall Finishes	645	471	253	832	58	732	732	732	732	732
Energy Efficiency Pilot / Retrofit	10,678	5,181	3,789	3,789	3,789	3,789	3,789	3,789	3,789	3,789
External Doors	472	236	63	38	15	159	159	159	159	159
PVCU Windows	1,235	760	945	373	316	966	966	966	966	966
Wall Structure	3,396	206	321	118	527	1,491	1,491	1,491	1,491	1,491
External Painting	372	372	372	372	545	722	372	372	372	372
Roof Structure	312	312	312	312	312	312	312	312	312	312
Roof Covering (including chimneys)	1,704	1,566	1,340	654	940	962	962	962	962	962
Electrical / Wiring	848	380	171	258	4	841	841	841	841	841

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sulphate Attacks	106	106	106	106	106	106	106	106	106	106
HHSRS Contingency	520	312	163	104	104	104	104	104	104	104
Other Health and Safety Works	52	52	52	52	52	52	52	52	52	52
Capitalised Officer Fees - Decent Homes	526	526	526	526	526	526	526	526	375	375
Decent Homes Backlog	625	5,109	5,109	5,109	4,434	4,434	4,434	4,434	0	0
Decent Homes Planned Maintenance Contractor Overheads	1,861	886	841	694	616	1,343	1,304	1,304	1,304	1,304
Decent Homes New Build Allocation	0	1,086	1,468	2,049	2,511	3,078	3,378	3,812	4,022	4,281
Total Decent Homes	**28,300**	**20,841**	**19,374**	**18,480**	**17,471**	**25,378**	**25,289**	**25,723**	**21,348**	**21,607**
Other Spend on HRA Stock										
Garage Improvements	104	104	104	104	104	104	104	104	104	104
Asbestos Removal	52	52	52	52	52	52	52	52	52	52
Disabled Adaptations	808	808	808	808	808	808	808	808	808	808
Communal Areas Uplift	100	100	100	100	100	100	100	100	100	100
Communal Electrical Installations / Fire Systems / Communal Lighting	749	156	156	156	156	156	156	156	156	156
Communal Entrance / Enclosure Doors + Glazing	542	126	151	252	126	126	126	157	126	126
Fire Prevention / Fire Safety Works	1,744	52	729	52	52	52	52	52	52	52
Hard surfacing on HRA Land - Health and Safety Works	235	225	225	225	225	225	225	225	225	225
Communal Areas Floor Coverings	104	104	104	149	149	104	104	104	104	104
Lifts and Door Entry Systems	49	28	75	0	0	39	39	39	39	39
Estate Investment Scheme	1,858	199	0	0	0	0	0	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	119	119	119	119	119	119	119	119	119	119

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	482	215	201	209	195	194	194	198	194	194
Total Other Spend on HRA stock	**6,946**	**2,288**	**2,824**	**2,226**	**2,086**	**2,079**	**2,079**	**2,114**	**2,079**	**2,079**
HRA New Build / Re-Development										
Kendal Way	476	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	232	0	0	0	0	0	0	0	0	0
Cromwell Road	590	0	0	0	0	0	0	0	0	0
Colville Road Phase II	351	634	0	0	0	0	0	0	0	0
Meadows and Buchan Street	8,513	8,031	0	0	0	0	0	0	0	0
Clerk Maxwell Road	604	0	0	0	0	0	0	0	0	0
Campkin Road	1,672	0	0	0	0	0	0	0	0	0
Histon Road	1,661	0	0	0	0	0	0	0	0	0
L2	7,346	0	0	0	0	0	0	0	0	0
Colville Road Phase III	6,759	3,168	0	0	0	0	0	0	0	0
Fen Road	1,625	0	0	0	0	0	0	0	0	0
Ditton Fields	1,140	0	0	0	0	0	0	0	0	0
Aragon Close	1,165	1,185	0	0	0	0	0	0	0	0
Sackville Close	1,242	1,253	0	0	0	0	0	0	0	0
Borrowdale	549	0	0	0	0	0	0	0	0	0
Aylesborough Close	4,149	10,377	3,666	0	0	0	0	0	0	0
St Thomas's Road	188	1,520	1,661	0	0	0	0	0	0	0
Paget Road	79	685	866	0	0	0	0	0	0	0
Fanshawe Road	1,300	5,258	3,532	0	0	0	0	0	0	0
Princess and Hanover	4,467	4,286	10,301	6,520	118	0	0	0	0	0
East Road (Incl. demolition)	120	1,393	8,331	1,321	0	0	0	0	0	0

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Eddeva Park	2,553	2,625	2,625	218	0	0	0	0	0	0
East Barnwell	621	4,885	13,109	18,084	12,260	1,347	0	0	0	0
Hills Avenue POD Homes	20	0	0	0	0	0	0	0	0	0
Acquisition (Incl. for New Build)	2,800	0	0	0	0	0	0	0	0	0
Local Authority Housing Fund Acquisitions and Replacement of Redirection of Existing Pipeline	9,448	0	0	0	0	0	0	0	3,424	0
10 Year New Homes Programme (Unallocated)	466	17,590	31,374	36,325	51,422	61,678	23,620	2,979	0	7,500
Rough Sleeper Acquisitions	517	0	0	0	0	0	0	0	0	0
Total HRA New Build / Re-Development / Acquisition	**60,653**	**62,890**	**75,465**	**62,468**	**63,800**	**63,025**	**23,620**	**2,979**	**3,424**	**7,500**
Sheltered Housing Capital Investment										
No current schemes	0	0	0	0	0	0	0	0	0	0
Total Sheltered Housing Capital Investment	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other HRA Capital Spend										
Orchard Replacement / Mobile Working	87	0	0	0	0	0	0	0	0	0
Corporate IT Investment	130	23	23	23	23	23	23	23	23	23
Shared Ownership Repurchase	300	300	300	300	300	300	300	300	300	300
Commercial and Administrative Property	88	31	31	31	31	31	31	31	31	31
Estate Service Van	50	0	0	0	0	0	0	0	0	0
Total Other HRA Capital Spend	**655**	**354**	**354**	**354**	**354**	**354**	**354**	**354**	**354**	**354**
Total HRA Capital Spend	**96,554**	**86,373**	**98,017**	**83,528**	**83,711**	**90,836**	**51,342**	**31,170**	**27,205**	**31,540**

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Housing Capital Spend at Base Year Prices	**97,557**	**87,318**	**98,962**	**84,473**	**84,656**	**91,781**	**52,287**	**32,115**	**28,150**	**32,485**
Inflation Allowance and Stock Reduction Adjustment for Future Years	0	3,505	8,210	10,532	14,503	19,020	10,884	5,233	5,261	8,169
Total Inflated Housing Capital Spend	**97,557**	**90,823**	**107,172**	**95,005**	**99,159**	**110,801**	**63,171**	**37,348**	**33,411**	**40,654**
Housing Capital Resources										
Right to Buy Receipts	(1,622)	(493)	(498)	(503)	(508)	(513)	(518)	(523)	(529)	(534)
Other Capital Receipts (Land & Dwellings, incl. Market, Rent to Buy and SO)	0	(350)	0	0	0	0	0	0	0	0
Major Repairs Reserve	(19,264)	(12,056)	(12,708)	(13,241)	(13,963)	(14,489)	(15,087)	(15,587)	(16,096)	(16,458)
Direct Revenue Financing of Capital	(27,203)	(10,679)	(9,226)	(9,091)	(7,677)	(6,459)	(6,987)	(7,345)	(8,234)	(8,683)
Devolution / Homes England (assumed) / DLUHC / BEIS Grants	(15,583)	(5,613)	(3,729)	(8,139)	(3,916)	(6,525)	(2,454)	(336)	0	0
Disabled Facilities Grant	(808)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)
Other Capital Resources (Grants / Shared Ownership Re-Sale / R&R Funding)	(1,690)	(1,692)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Retained Right to Buy Receipts	(4,197)	(3,199)	(4,052)	(3,518)	(3,533)	(3,603)	(3,676)	(3,749)	(3,824)	(4,536)
Prudential Borrowing	(26,771)	(55,143)	(75,061)	(58,615)	(67,664)	(77,314)	(33,399)	(8,758)	(3,678)	(9,393)
Total Housing Capital Resources	**(97,138)**	**(89,975)**	**(106,324)**	**(94,157)**	**(98,311)**	**(109,953)**	**(63,171)**	**(37,348)**	**(33,411)**	**(40,654)**
Net (Surplus) / Deficit of Resources	419	848	848	848	848	848	0	0	0	0
Capital Balances b/f	**(5,256)**	**(4,837)**	**(3,989)**	**(3,142)**	**(2,294)**	**(1,446)**	**(599)**	**(599)**	**(599)**	**(599)**
Use of / (Contribution to) Balances in Year	419	848	848	848	848	848	0	0	0	0

Description	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000
Capital Balances c/f	**(4,837)**	**(3,989)**	**(3,142)**	**(2,294)**	**(1,446)**	**(599)**	**(599)**	**(599)**	**(599)**	**(599)**
Other Capital Balances (Opening Balance 1/4/2023)										
Major Repairs Reserve	(7,684)	Utilised in future years to fund investment in the housing stock								
Retained 1-4-1 Right to Buy Receipts	(5,608)	Utilised in 2023/24 and 2024/25 above								
Right to Buy Receipts for Debt Redemption	(12,093)	Retained for future debt repayment								
Devolution Grant	(4,431)	Utilised in 2023/24 above								
Total Other Capital Balances	**(29,816)**									

Appendix I

Minimum Level of HRA General Reserves

Estimate of Prudent Level of HRA Reserves from 2023/24

Description	**Level of risk**	**Amount at risk**	**Risk**
		£	£
Employee costs	*Low*	5,921,700	11,843
Premises costs	*High*	10,391,930	623,516
Transport costs	*Low*	44,910	180
Supplies and services	*Medium*	2,809,300	8,428
Grants and transfers	*Low*	33,180	33
Grant income	*Low*	0	0
Other income	*High*	50,893,510	763,403
Support Services	*Low*	4,671,720	9,343
Total one year operational risk			1,416,746
Allowing three years cover on operational risk			**4,250,000**

General and specific risks	**Amount (£)**	**Probability (%)**	
Unforeseen events	1,000,000	30%	300,000
Insurance loss	250,000	50%	125,000
Legal action - counsel's fees	100,000	50%	50,000
Data Protection breach	500,000	30%	150,000
Capital project overruns	10,000,000	10%	1,000,000
General risks			**1,625,000**

Prudent Minimum Balance (PMB)	**5,875,000**
Target (PMB + 20%)	**7,050,000**

Appendix J

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to September	Current Balance
General Management	(741.2)	(77.7)	0.0	(818.9)
Special Services	(1,233.5)	(151.6)	38.6	(1,346.5)
Repairs and Maintenance	(612.1)	(54.0)	0.0	(666.1)
Total	**(2,586.8)**	**(283.3)**	**38.6**	**(2,831.5)**

Tenants Survey

	Opening Balance	Contributions	Expenditure to September	Current Balance
Tenants Survey	(15.8)	(7.1)	0.0	(22.9)

Tenant Satisfaction New Burdens

	Opening Balance	Contributions	Expenditure to September	Current Balance
Tenant Satisfaction	(21.2)	(0.0)	0.0	(21.2)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to September	Current Balance
Debt Set-Aside	(14,704.5)	0.0	0.0	(14,704.5)

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to September	Current Balance
Debt Set-Aside	(12,093.1)	0.0)	0.0	(12,093.1)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to September	Current Balance
MRR	(7,684.2)	0.0	0.0	(7,684.2)

STRATEGY & RESOURCES SCRUTINY COMMITTEE
20 November 2023
5.30pm – 7:05pm

Present: Robertson (Chair), Baigent, Bennett, Bick, Gawthrope Wood, Holloway, Sheil and Young.

RECOMMENDATION TO COUNCIL (EXECUTIVE COUNCILLOR FOR FINANCE & RESOURCES COUNCILLOR S. SMITH)

TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2023/24

The council has adopted The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (Revised 2021).

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

- An economic update for the first half of the 2023/24 financial year;
- A review of the Treasury Management Strategy Statement and
- Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy,
- and prudential indicators;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24; and
- A review of compliance with Treasury and Prudential Limits for 2023/24.

Cash and investment balances as at 29 September were £142 million. The balance is forecast to gradually reduce over the remainder of the year as existing balances are used to fund General Fund (GF) and Housing Revenue Account (HRA) capital expenditure.

Interest receipts for the year are projected at £6,271,000 which is £3,954,000 above the original budget. Interest receipts are forecast higher than last year due mainly to increases in investment rates and higher cash balances being held for longer periods than expected.

Accordingly, Council is recommended to:

Approve the council's estimated Prudential and Treasury Indicators for 2023/24 to 2026/27 (Appendix A).

This page is intentionally left blank

Item

TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2023/24

To:
The Executive Councillor for Finance and Resources: Councillor Simon Smith

Strategy and Resources Scrutiny Committee 20 November 2023

Report by:
Caroline Ryba – Chief Finance Officer and 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 2021).

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

- An economic update for the first half of the 2023/24 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24; and
- A review of compliance with Treasury and Prudential Limits for 2023/24.

1.3 Cash and investment balances as at 29 September were £142 million. The balance is forecast to gradually reduce over the remainder of the year as existing balances are used to fund General Fund (GF) and Housing Revenue Account (HRA) capital expenditure.

1.4 Interest receipts for the year are projected at £6,271,000 which is £3,954,000 above the original budget. Interest receipts are forecast higher than last year due mainly to increases in investment rates and higher cash balances being held for longer periods than expected.

2. Recommendations

The Executive Councillor is asked to:-

2.1 Recommend to Council the council's estimated Prudential and Treasury Indicators for 2023/24 to 2026/27 (Appendix A).

2.2 Note that no changes have been made to the counterparty list (Appendix B).

3. Background

3.1. In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

3.2 The Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

3.3 In line with the Code of Practice, all treasury management reports are 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, 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. Economic and Interest Rate Update

4.1 The council has appointed Link Group as its treasury advisors and part of their service is to assist the council to formulate a view on interest rates. The PWLB rate forecasts below are based on the certainty rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

4.2 In addition to this discount, the PWLB has introduced a 'Reduced HRA lending margin'. This is a reduction in the margin applied to loans that will be used to fund capital expenditure within the HRA. From 15 June 2023 qualifying loans have attracted a lower rate equivalent to 0.40% below the current PWLB certainty rate. This rate is available for an initial period of one year until June 2024.

4.3 The latest forecast on 25 September 2023 is shown below. A comparison between the forecast and that included in the Treasury Management Strategy Statement shows that PWLB rates have increased generally and show a speed up in the rate of increase in Bank Rate as inflation has increased. The table shows that interest rates appear to have peaked but will remain at an elevated level until the middle of 2024. PWLB rates are scheduled to fall slowly over the forecast period.

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Bank rate	5.25%	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	2.75%	2.75%	2.75%
3 month Average Earnings	5.30%	5.30%	5.30%	5.00%	4.50%	4.00%	3.50%	3.00%	2.80%	2.80%	2.80%
6 month Average Earnings	5.60%	5.50%	5.40%	5.10%	4.60%	4.10%	3.60%	3.10%	2.90%	2.90%	2.90%
12 month Average Earnings	5.80%	5.70%	5.50%	5.20%	4.70%	4.20%	3.70%	3.20%	3.00%	3.00%	3.00%
5yr PWLB rate	5.10%	5.00%	4.50%	4.70%	4.40%	4.20%	4.00%	3.90%	3.70%	3.70%	3.60%
10yr PWLB rate	5.00%	4.90%	4.80%	4.60%	4.40%	4.20%	4.00%	3.80%	3.70%	3.60%	3.60%
25yr PWLB rate	5.40%	5.20%	5.10%	4.90%	4.70%	4.40%	4.30%	4.10%	4.00%	3.90%	3.80%
50yr PWLB rate	5.20%	5.00%	4.90%	4.70%	4.50%	4.20%	4.10%	3.90%	3.80%	3.70%	3.60%

4.4 The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target (falling to 6.2% during August of this year). At its meeting ending on 20th August 2023, the MPC voted by a majority of 6-3 to increase Bank Rate by 0.25 percentage points, to 5.25%. Two members preferred to increase Bank Rate by 0.50 percentage points, to 5.50% and one member preferred to keep the Bank Rate at 5.00%. At its meeting on 20th September 2023, the MPC agreed to maintain the Bank Rate at 5.25%.

5. Annual Investment Strategy

5.1 The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 23 February 2023.

5.2 The council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the council's risk appetite.

5.3 The council has endeavoured to position its portfolio to take advantage of the current interest rate environment. Officers have sought to achieve a balance between instruments offering liquidity to meet the needs of financing the capital programme with fixed term investments agreed when the interest rates were generally understood to have peaked. The strategy will be kept under review over the remainder of the financial year and updated in line with revised profiling of capital expenditure and advice from our treasury management advisors on the future path of interest rates.

5.4 The average rate of return for all deposits to 29th September 2023 is 4.62%, compared to 1.48% in 2022/23. In the year to date the council's investment in the CCLA Property Fund has provided distributions equivalent to 4.58% of the Council's initial investment.

5.5 To ensure that minimal risk is present for the HRA nominal cash balances, returns from lower risk investments will be used to transfer interest receipts to the HRA.

5.6 Current estimates for 2023/24 include gross interest receipts of £6,271,000. This is mainly due to interest rates being high and increasing throughout 2023/24.

5.7 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 (up to 5 years) deposits.

DEPOSIT ANALYSIS Annualised Av Balance	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Short Term	50,778	37,218	34,988	29,529
Medium Term	37,367	20,488	19,988	9,160
Long Term	38,800	25,000	15,000	15,000
TOTAL	**126,495**	**82,706**	**69,976**	**53,689**

5.8 The council's balances are forecast to reduce temporarily in line with the cash requirements associated with the redevelopment of Park Street and of CIP housing projects. Borrowing for Park Street will be drawn down in full by December 2025 and proceeds from the sale of homes at CIP sites are used to repay borrowing. The current HRA and GF capital plans will result in a permanent reduction in cash balances as existing capital resources are used to fund delivery of capital schemes alongside external borrowing which will be drawn down the period covered by the Medium Term Financial Strategy (MTFS).

5.9 An analysis of the instruments the council has invested in and the associated counterparties has been prepared as at 29 September 2023 (Appendix C).

5.10 During the first half of 2023/24, we have utilised Link Group's Treasury Agency Service. This service facilitates access to financial instruments which are not always available to individual local authorities accessing financial markets. Working with Link, we have invested in 'sustainable deposits', a fixed term deposit provided by Standard Chartered. This product provides liquidity to finance sustainable assets in developing countries aligned to the United Nations' Sustainable Development Goals Investing in this way is consistent with the council's corporate objectives in respect of the climate emergency and sustainability.

5.11 Officers continue to work with Link Group to understand developments within financial markets which offer the opportunity to have regard for environmental, social and governance (ESG) criteria when placing investments. The relevant CIPFA guidance asserts the primacy of 'security, liquidity and yield' considerations when managing the treasury portfolio and the Council is required to adhere to that guidance. Where the Council invests for the longer term, there are opportunities to invest in products or counterparties which align with Council objectives. Currently, this is reflected in the substantial fixed-term deposits with other local authorities covering periods up to 13 months and investments in the CCLA Local Authority property fund. The CCLA property fund provides investors with regular updates about its work to reduce the carbon footprint of its property portfolio and increase the EPC rating of individual properties it owns.

6. The Council's Capital Expenditure and Financing 2023/24 to 2026/27

6.1 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.

6.2 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 2023/24 and is in line with the agreed capital plan and estimated future capital expenditure.

Estimate	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
GF capital expenditure	67,634	73,107	15,096	970
HRA capital expenditure	108,039	95,109	101,214	86,283
Total capital expenditure	**175,673**	**168,216**	**116,310**	**87,253**
Resourced by:				
• Capital receipts	-21,308	-5,059	-5,967	-4,973
• Other contributions	-80,314	-34,947	-30,082	-28,883
Total resources available for financing capital expenditure	**-101,622**	**-40,006**	**-36,049**	**-33,856**
Financed from cash balances & any Prudential Borrowing required	**74,051**	**128,210**	**80,261**	**53,397**

6.3 The investment of £84.7 million to re-develop Park Street continues to represent the single largest scheme in the GF. This spend has recently been re-profiled to reflect the current programme of works. Spend in the HRA has also been updated to align with HRA Medium Term Financial Strategy.

7. The Council's Prudential and Treasury Management Indicators

7.1 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.

7.2 Both the GF and HRA CFR are projected to increase from current levels in line with the capital plans for the respective funds. The Minimum Revenue Provision (MRP) shown in the table below applies only to the GF as capital financing arrangements for the construction of new properties in the HRA differ from the arrangements applicable to GF assets. Based on the current capital plan the GF CFR from 2026/27 begins to reduce as capital loans to CIP begin to be repaid. However, the current MTFS assumes that subsequent capital plans, approved as part of future year's budgets, will increase the CFR unless other sources of financing for GF capital expenditure can be identified.

CFR and External Borrowing Estimate	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
GF CFR	85,021	149,796	161,672	134,329
HRA CFR	250,767	313,896	380,657	434,054
Total CFR	**335,788**	**463,692**	**542,329**	**568,383**
Movement in the CFR	**65,839**	**127,904**	**78,637**	**26,054**
Financed from cash balances & any Prudential Borrowing required	*74,051*	*128,210*	*80,261*	*53,397*
Minimum Revenue Provision	*(309)*	*(355)*	*(2,587)*	*(3,240)*
Estimated External Gross Debt/Borrowing (Including HRA Reform)	249,363	343,939	477,366	539,905
Authorised Limit for External Debt	550,000	550,000	600,000	600,000
Operational Boundary for External Debt	346,642	474,546	553,183	579,237

7.3 A further prudential indicator controls the overall level of borrowing externally. This is the Authorised Borrowing Limit (ABL) which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members.

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

UPDATE	Principal (£'000)
Authorised Borrowing Limit (A) – Agreed by Council on 23rd February 2023	550,000
PWLB Borrowing (for HRA Self-Financing, B)	213,572
Headroom (A minus B)	336,428
Borrowing up to 30th September 2023	NIL
Total Current Headroom (A minus B)	**336,428**

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

7.6 The appendix includes the Council's liability benchmark for both the General Fund and the HRA. This is a measure of how well the existing loans portfolio matches our planned borrowing needs.

7.7 The purpose of this prudential indicator is to compare the council's existing loans outstanding against the future need for loan debt. It is important to understand that the chart is based on the 2023/34 Budget Setting Report with amendments for re-profiling of Park Street, in accordance with guidance published by CIPFA. Currently, long-term borrowing in the General Fund Capital Plan is either represented by temporary use of internal borrowing or by loans already organised in respect of Park Street. The MTFS stresses that based on work undertaken by service managers proposals for capital spending which require external borrowing are likely to come forward. This means that this chart is subject to change, particularly since GF capital proposals funded from existing balances will reduce the scope for internal borrowing in future and the lending from the GF to HRA shown in the chart may not be feasible.

8. Borrowing

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

8.2 Current borrowing relates to loans from the PWLB for self-financing dwellings held within the HRA, taken out in 2012 totalling £213,572,000.

8.3 The council's current capital plan incorporates new external borrowing from 2024/25. This represents the draw down of funding for Park Street agreed at the inception of the project, funding for delivery of the HRA capital programme and funding for GF capital projects which cannot be funded from available capital resources. The current Medium Term Financial Strategy assumes an increasing need for borrowing over the life of the forecast period. The council will take advice from its treasury management advisors about when to borrow and the appropriate terms to reflect the assets being financed.

8.4 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 30 January 2023. 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.

9. 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.

10. Consultation and communication considerations

None required.

11. Background papers

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

12. Appendices

12.1 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 – Glossary of Terms and Abbreviations

13. Inspection of papers

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

Author's Name:	Neil Krajewski
Author's Phone Number:	01223 458130
Author's Email:	neil.krajewski@cambridge.gov.uk

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

Estimates	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- GF	67,634	73,107	15,096	970
- HRA	108,039	95,109	101,214	86,283
Total	**175,673**	**168,216**	**116,310**	**87,253**
Capital Financing Requirement (CFR) as at 31 March				
- GF	85,021	149,796	161,672	134,329
- HRA	250,767	313,896	380,657	434,054
Total	**335,788**	**463,692**	**542,329**	**568,383**
Change in the CFR	**65,839**	**127,904**	**78,637**	**26,054**

The above tables reflect capital expenditure in the current capital plan and highlight the expected impact of that expenditure on the council's Capital Financing Requirement.

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

Estimates	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Deposits at 31 March (Average Annualised Balances)	126,495	82,706	69,976	53,689
External Gross Debt	249,363	343,939	477,366	539,905
Prudential Indicators				
Ratio of net financing costs to net revenue stream				
-GF	(11.97%)	(4.47%)	9.51%	21.68%
-HRA	12.31%	16.92%	21.91%	24.97%
Total (%)	**0.34%**	**12.45%**	**31.42%**	**46.65%**
Net income from commercial and service investments to net revenue stream				
-GF	11,078	11,078	11,078	11,078
-HRA	493	413	413	413
% of net revenue stream				
-GF	41.82%	38.82%	36.59%	52.76%
-HRA	0.97%	0.74%	0.71%	0.67%

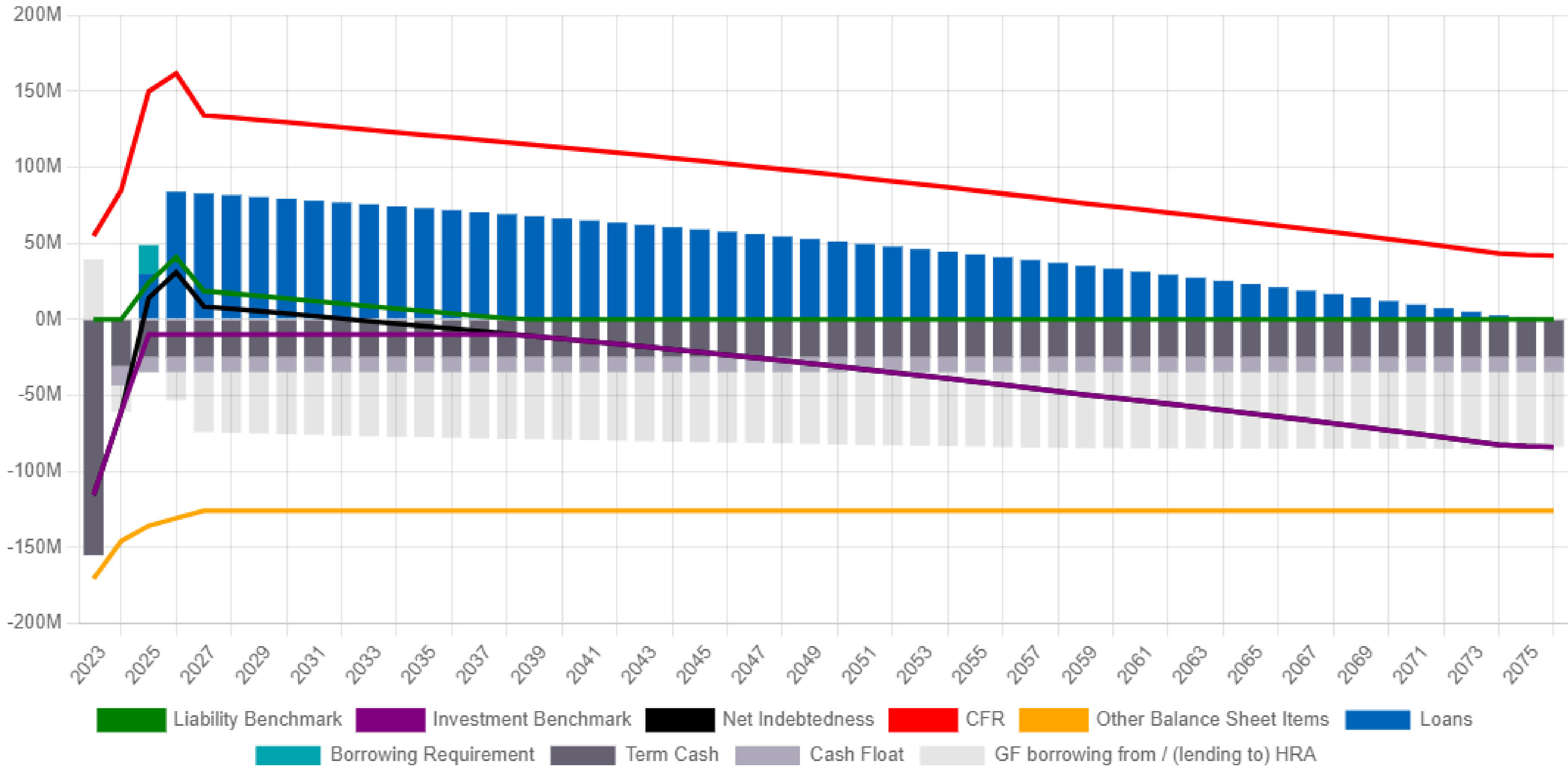
The above table reflects the treasury management implications of the projected capital expenditure, funding sources, financing costs and investment income set out in the council's current Medium Term Financial Strategy (MTFS). The use of the MTFS is considered to provide the most relevant source of data to show how the council's performance against CIPFA's prudential indicators is expected to change over the period covered by the MTFS.

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

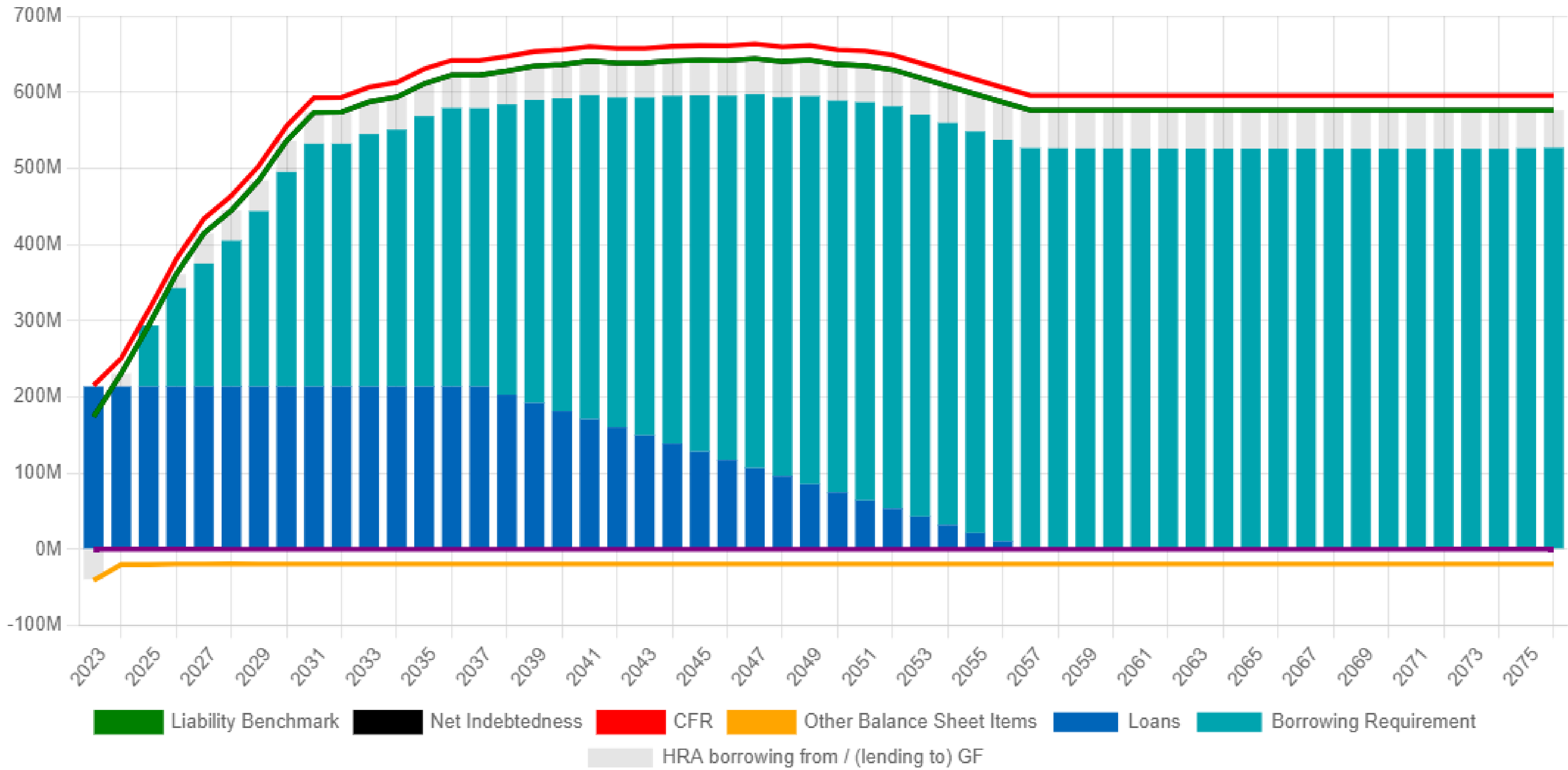
Estimates	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
Treasury Indicators				
Authorised limit				
for borrowing	550,000	550,000	550,000	600,000
for other long-term liabilities	2,000	2,000	2,000	2,000
Total	**552,000**	**552,000**	**602,000**	**602,000**
Operational boundary				
for borrowing	345,142	473,046	551,683	577,737
for other long-term liabilities	1,500	1,500	1,500	1,500
Total	**346,642**	**474,546**	**553,183**	**579,237**
Upper limit for total principal sums deposited for over 364 days & up to 5 years	50,000	50,000	50,000	50,000
Analysis of exposure to fixed and variable interest rates				
Net interest on fixed rate borrowing/deposits	1,678	7,833	13,548	17,379
Net interest on variable rate borrowing/deposits	(2,258)	(1,773)	(1,290)	(1,058)
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit	
10 years and above		100%	100%	

The above table reflects the treasury management implications of the projected capital expenditure, financing costs and investment income set out in the council's current Medium Term Financial Strategy (MTFS). The use of the MTFS is considered to provide the most relevant source of data to show how the council's performance against CIPFA's prudential indicators is expected to change over the period covered by the MTFS.

General Fund Liability Benchmark



HRA Liability Benchmark


700M
600M
500M
400M
300M
200M
100M
0M
-100M
2023
2025
2027
2029
2031
2033
2035
2037
2039
2041
2043
2045
2047
2049
2051
2053
2055
2057
2059
2061
2063
2065
2067
2069
2071
2073
2075
Liability Benchmark
Net Indebtedness
CFR
Other Balance Sheet Items
Loans
Borrowing Requirement
HRA borrowing from / (lending to) GF

Treasury Management Annual Investment Strategy

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.

Current Counterparty List

Link Group Colour	Council's Current Deposit Period	Category	Limit (£)
UK Banks and Building Societies: -			
Yellow	60 months	UK Banks and Building Societies	35m
Magenta	60 months	UK Banks and Building Societies	35m
Pink	60 months	UK Banks and Building Societies	35m
Purple	24 months	UK Banks and Building Societies	30m
Blue	12 months	UK Banks and Building Societies	30m
Orange	12 months	UK Banks and Building Societies	30m
Red	6 months	UK Banks and Building Societies	20m
Green	100 days	UK Banks and Building Societies	10m
No Colour	Not recommended	UK Banks and Building Societies	0m

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

Name	Council's Current Deposit Period	Category	Limit (£)
All UK Fire Authorities	N/A	Fire Authority	20m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
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
UK Government Treasury Bills	Up to 6 months	Financial Instrument	15m
Members of a Banking Group	Using Link's Credit Criteria	UK Banks and UK Nationalised Banks	40m
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
Cherry Hinton Community Benefit Society	Up to 1 year	Loan	50,000
CCHC Investment *	Rolling Balance	Loan (Asset Security)	7,500,000
Cambridge Investment Partnership (Mill Road)*	Rolling Balance	Loan (Asset Security)	17,800,000
Cambridge Investment Partnership (Cromwell Road)*	Rolling Balance	Loan (Asset Security)	48,300,000
Cambridge Investment Partnership (Orchard Park L2)*	Rolling Balance	Loan (Asset Security)	11,529,000
Cambridge Investment Partnership	Rolling Balance	Loan (Asset Security)	33,940,000

Name	Council's Current Deposit Period	Category	Limit (£)
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	See limits above
Certificates of Deposit (with UK Building Societies)	Liquid Rolling Balance	Financial Instrument	See limits above
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.

Appendix C

Deposits as at 29 September 2023

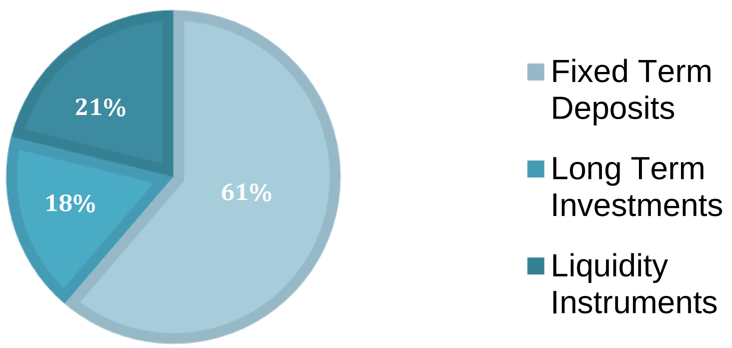
Local authorities are free to deposit surplus funds not immediately required to meet the costs of providing its services. The council deposits amounts set aside in its general reserves and earmarked reserves.

The interest earned on these deposits is credited to the GF and HRA respectively and helps to fund the cost of providing services.

At 29 September 2023, the council had deposits of £142.0 million. The table below provides a breakdown of the where money was deposited and the types of financial instrument held.

Funds Deposited as at 29 September 2023	**£'000**
UK Banks	22,500
UK Banks – Sustainable Deposits	10,000
Local Authorities	49,500
Money Market Funds	30,000
Enhanced Cash Funds	10,000
Property Fund	15,000
Allia Limited	5,000
Total Deposited	**142,000**

Council Investments as at 29 September 2023 analysed by type of investment



Appendix D

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
DLUHC	Department for Levelling Up, Housing & Communities (formerly Ministry for Housing, Communities & Local Government)
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
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)
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
Quantitative Easing (QE)	A financial mechanism whereby the Central Bank creates money to buy bonds from financial institutions, which reduces interest rates, leaving businesses and individuals to borrow more. This is intended to lead to an increase in spending, creating more jobs and boosting the economy

Term	Definition
Ring-Fenced Bank (RFB)	Government & Bank of England rules will apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non-Ring-Fenced Banks for the 1st January 2019 deadline
Security	A measure of the creditworthiness of a counterparty
SONIA	Sterling Overnight Index Average – is an important interest rate benchmark
Specified Investments	Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' credit rating criteria where applicable
Supranational Bonds	Multi-lateral Development Bank Bond
UK Government Gilts	Longer-term Government securities with maturities over 6 months and up to 30 years
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
Variable Net Asset Value (VNAV)	MMFs values based on daily market fluctuations to 2 decimal places known as mark-to-market prices
Weighted Average Life (WAL)	Weighted average length of time of unpaid principal
Weighted Average Maturity (WAM)	Weighted average amount of time to maturity
Yield	Interest, or rate of return, on an investment

STRATEGY & RESOURCES SCRUTINY COMMITTEE
20 November 2023
5.30pm – 7:05pm

Present: Robertson (Chair), Baigent, Bennett, Bick, Gawthrope Wood, Holloway, Sheil and Young.

RECOMMENDATION TO COUNCIL (EXECUTIVE COUNCILLOR FOR FINANCE & RESOURCES COUNCILLOR S. SMITH)

General Fund (GF) Medium Term Financial Strategy (MTFS)

This report presents and recommends the budget strategy for the 2024/25 budget cycle as outlined in the MTFS October 2023 document, which is attached and to be agreed (Appendix 1). Also presented at Appendix 2 is the proposed budget consultation for 2024/25.

This report also recommends the approval of new and amended revenue and capital items as shown in the MTFS.

At this stage in the 2024/254 budget process the range of assumptions on which the Budget Setting Report (BSR) published in February 2023 was based need to be reviewed in light of the latest information available to determine whether any aspects of the strategy need to be revised. This then provides the basis for updating the budget for 2024/25 and to provide indicative budgets to 2033/34. All references to the recommendations to Appendices, pages and sections relate to MTFS Version 1.0

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.

Accordingly, Council is recommended to:

General Fund Revenue
Agree the incorporation of changed assumptions as presented in Section 3 [pages 12 and 13], which provide an indication of the net savings requirement, by year for the next five years [page 16], and revised

projections for General Fund (GF) revenue and funding as shown in Appendix A [page 34] and reserves, Section 6 [page 26].

Agree the 2023/24 revenue budget proposal as set out in Section 4 [page 15], for a £651k increase in pay budgets to reflect the recently agreed pay settlement for 2023/24.

Capital
Note the changes to the capital plan, as set out in Section 5 [pages 22 to 25]. and Appendix B [pages 35 to 44] of the MTFS document. 2.4 To agree a capital spending proposal, rephasing and scheme deletions/reductions as set out below.

Ref.	Description - £'000s	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	Proposals							
SC853	East Barnwell redevelopment	49	1,447	1,996	677	-	-	4,169
	Rephasing							
SC732	Park Street car park development	(69,203)	(7,173)	-	-	-	-	(76,376)
		11,295	65,081					76,376
PR055	Operational Hub	(9,308)	-	-	-	-	-	(9,308)
		705	8,063	-	-	-	-	9,308
	Deletion/reduction							
SC771	Data and analytics	(70)	-	-	-	-	-	(70)
SC770	ICT project delivery	(40)	-	-	-	-	-	(40)
SC804	ICT and digital capabilities	(145)	-	-	-	-	-	(145)
SC659	Online customer portal	(19)	-	-	-	-	-	(19)
	Total	**(66,736)**	**67,418**	**1,996**	**677**	**-**	**-**	**3,355**

Reserves
Agree changes to GF reserve levels, the prudent minimum balance being set at £5.934 million and the target level at £7.121 million as detailed in Section 6 [page 27].

Approve the contribution of £700k of general reserves and £274k of funding released from capital schemes to the Our Cambridge Transformation earmarked reserve as set out in Section 4 [pages 19 to 21].

Approve the council’s reserve policy as set out in Appendix E [page 47].

Item

Strategy & Resources 20 November 2023: General Fund (GF) Medium Term Financial Strategy (MTFS)

To:
Councillor Simon Smith, 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 2024/25 budget cycle as outlined in the MTFS October 2023 document, which is attached and to be agreed (**Appendix 1**). Also presented at **Appendix 2** is the proposed budget consultation for 2024/25.

1.2 This report also recommends the approval of new and amended revenue and capital items as shown in the MTFS.

1.3 At this stage in the 2024/254 budget process the range of assumptions on which the Budget Setting Report (BSR) published in February 2023 was based need to be reviewed in light of the latest information available to determine whether any aspects of the strategy need to be revised. This then provides the basis for updating the budget for 2024/25 and to provide indicative budgets to 2033/34. 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 incorporation of changed assumptions as presented in Section 3 [pages 12 and 13], which provide an indication of the net savings requirement, by year for the next five years [page 16], and revised projections for General Fund (GF) revenue and funding as shown in Appendix A [page 34] and reserves, Section 6 [page 26].

2.2 To agree the 2023/24 revenue budget proposal as set out in Section 4 [page 15], for a £651k increase in pay budgets to reflect the recently agreed pay settlement for 2023/24.

Capital

2.3 To note the changes to the capital plan, as set out in Section 5 [pages 22 to 25]. and Appendix B [pages 35 to 44] of the MTFS document.

2.4 To agree a capital spending proposal, rephasing and scheme deletions/reductions as set out below.

Ref.	Description - £'000s	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	Proposals							
SC853	East Barnwell redevelopment	49	1,447	1,996	677	-	-	4,169
	Rephasing							
SC732	Park Street car park development	(69,203)	(7,173)	-	-	-	-	(76,376)
		11,295	65,081					76,376
PR055	Operational Hub	(9,308)	-	-	-	-	-	(9,308)
		705	8,063	-	-	-	-	9,308
	Deletion/reduction							
SC771	Data and analytics	(70)	-	-	-	-	-	(70)
SC770	ICT project delivery	(40)	-	-	-	-	-	(40)
SC804	ICT and digital capabilities	(145)	-	-	-	-	-	(145)
SC659	Online customer portal	(19)	-	-	-	-	-	(19)
	Total	**(66,736)**	**67,418**	**1,996**	**677**	**-**	**-**	**3,355**

Reserves

2.5 To agree changes to GF reserve levels, the prudent minimum balance being set at £5.934 million and the target level at £7.121 million as detailed in Section 6 [page 27].

2.6 To approve the contribution of £700k of general reserves and £274k of funding released from capital schemes to the Our Cambridge Transformation earmarked reserve as set out in Section 4 [pages 19 to 21].

2.7 To approve the council's reserve policy as set out in Appendix E [page 47].

MTFS and budget consultation

2.8 The Executive Councillor is also asked to recommend that The Executive agree the budget consultation, which is based on the presented MTFS and will run from 21 November 2023 to 14 January 2024.

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 2024/25 budget process within the context of projections over the medium term as presented in the MTFS October 2023 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 2033/34, 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 the existing commitments of 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 2024/25 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 The report presents the proposed budget consultation for consideration.

6. Background papers

6.1 Background papers used in the preparation of this report:

- MTFS working papers on the 2023/24 and 2024/25 files

7. Appendices

The following items are included with this report:

- **Appendix 1** - MTFS October 2023
- **Appendix 2** – Budget consultation

8. Inspection of papers

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

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

Version 1.0
20 November 2023
Strategy and Resources Scrutiny Committee

General Fund
Medium Term Financial Strategy

November 2023

2023/24 to 2032/33

Cambridge City Council

CAMBRIDGE CITY COUNCIL

Contents

Appendices

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

Introduction

The Medium Term Financial Strategy (MTFS) and Budget Setting Report (BSR) are Cambridge City Council's two main annual financial documents. The MTFS draws together financial information halfway through the financial year, makes assumptions and forecasts and provides a basis on which to prepare the BSR for the next financial year.

Cambridge is ranked first by the Global Innovation Index as the 'most intensive science and technological cluster in the world. Over the last year, Innovate Cambridge – a cross sector partnership – has been developing a locally-led innovation strategy with inputs from over 200 organisations to ensure Cambridge retains and enhances its global competitiveness over the long term.

Growth in investment and jobs in the cluster is contributing to the rising costs of housing, traffic congestion and hence declining bus services and harm to the environment and biodiversity.

On top of these local pressures, over a decade of national public policy failures in economic management and trade, public sector austerity and global inflation and high interest rates are reducing our quality of life. The cost-of-living crisis is putting most households under acute financial pressure and serving to widen social and economic inequalities. Our common rights to clean water, clean air and a sustainable environment want for serious action to stop sewage discharges into our streams and rivers, protect and enhance biodiversity and deliver a net zero carbon future for the next generations.

We have called on Government to commit resources to support 'good growth.' Our priorities being to meet housing needs, address water scarcity, accelerate the proposed development of Hartree/Northeast Cambridge as a new net zero carbon district of 5,600 new homes and commercial floorspace, bring forward the Cambridge South-East Transport (CSET) scheme and join Innovate Cambridge and the City Council is pump priming the Greater Cambridge Social Investment Fund.

Council's Priorities

The Council's four key priorities, within its remits, are to address the challenges and deliver the Council's vision for 'One Cambridge, Fair of All,' are to:

- Tackle Poverty and Inequality, despite the cost-of-living crisis and austerity, and promote food and fuel injustice,
- Achieve a net zero Council by 2030, address the climate and biodiversity emergencies,
- Build a New Generation of Sustainable Council Homes and work to reduce and prevent homelessness,
- Protect Local Services and Businesses while modernising the Council to best support and represent Cambridge residents.

Local Government Funding and Savings Requirement

Local government is required by Government to set a balanced budget within the context of a MTFS. For its part, Government's regulations, rules, and funding settlements for local government create uncertainties for medium term finance strategy making.

The base MTFS assumptions include: no real terms increase in the Government funding settlement, impacts of local government funding reform – fair funding review and resetting of business rates baseline – from 2026/27 and a cap on Council Tax increases limited to 2.99% or £5 whichever the greater.

In this and the wider economic context, the MTFS identifies a five-year net and recurring savings requirement of £11.1m (by 2028/29) from the current £74m pa General Fund budget. Scenario modelling indicates that the savings requirement could range from £6.1m to £28.6m illustrating the risks and uncertainties surrounding the assumptions made.

Budget Strategy

To ensure, the Council neither faces a cliff edge funding gap in 2026/27 nor makes considerably more savings than ultimately required, the Council will identify and deliver recurring net savings of £6m pa within three years from 2024/25.

It is intended to offset this target by allocating £1.5m pa of Business Rates retention funds to the General Fund as this is the forecast minimum baseline after the reset of the Business Rates retention. The balance will be delivered through service transformation.

The Transformation Programme; 'Our Cambridge'

In less than two years, the programme has created three strategic pre-conditions for a more efficient and effective organisation: an enhanced customer focus; stronger strategic partnerships and an entrepreneurial approach to service improvement and budget management. A senior management review has created a flatter and more empowered management structure. This is enabling challenges about service purposes and focus and innovations in service design, digitalisation, and operational delivery. A fundamental change in our ICT service capabilities will accelerate deployment of digital, data and technology projects fundamental to service improvements and over £4m in savings by 2026/27.

Capital

The General Fund capital expenditure is funded from grants, planning S106 agreements, capital receipts, internal borrowing, and external borrowing. The costs of both internal and external borrowing are high as they comprise either lost or actual payment of interest and minimum revenue provision for repayment of debt over the life of the relevant asset. Prudent management of capital expenditure is required as these costs are forecast to account for £4.6m of the £11m of required savings.

Our Strategy

A Government that accepts rising numbers of people relying on food banks and warm hubs has lost its way. Our moral compass points us to do everything in our power to fight the indignities of poverty and lost life chances and promote good growth: affordable housing; net zero carbon development, protect and enhance the environment and provide public services that meet our communities' needs.

Cllr Simon Smith – Executive Councillor for Finance and Resources
Cllr Mike Davey - Leader of the Council

Section 1
Executive summary

Context

Cambridge City Council produces two main financial documents each year, the Budget Setting Report (BSR) and this, the Medium Term Financial Strategy (MTFS). The MTFS draws together a review of the 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.

Savings requirement

MTFS 2022 identified a five year net new savings requirement of £11.5m. This MTFS revises the requirement to £11.1m, driven largely by inflationary increases for pay and other costs but partly offset by an improved local finance settlement for 2023/24 and 2024/25 and a projected increase in resources from government due to the fair funding review. Scenario modelling indicates that the savings requirement could range from £6.1m to £28.6m, illustrating the risks and uncertainties surrounding the assumptions made.

Budget strategy

The Our Cambridge Transformation and Recovery Programme has identified indicative recurring savings of up to £4 million deliverable for the General Fund (GF) over the next three financial years. This will contribute to the £11.1m of recurring savings required to balance the council's budget over the next five years. Whilst reserves can provide in-year support to mitigate the non-achievement of savings in specific years, this MTFS sets out a significant planned use of reserves over the next three to five years to complete the refurbishment and decarbonisation of the Guildhall. This emphasises the need for savings to be found quickly to bridge the budgetary gap identified in this MTFS.

Section 2
Local context and economic assessment

This section of the Strategy explains the approach taken to incorporate the global and national economic context in the MTFS including an assessment of the resources expects to receive from government through the Local Government Finance Settlement.

The council's local context

Cambridge emerged from the pandemic with many of the City's core economic strengths intact. The city continues to be a hub for high-growth, innovative international businesses offering opportunities for talented people to work and live in the city and neighbouring areas. Visitor numbers have recovered to pre-pandemic levels and the City's combination of employment options, green space and amenities means that it continues to be recognised internationally as a great place to live. These strengths provide the council with a strong economic foundation. However, many of the City's historic challenges remain. A combination of constrained financing for public services, together with a sustained cost-of-living crisis, risks exacerbating existing inequalities. Recent experience has highlighted that the benefits of economic growth are not always equally distributed. Additional pressures around congestion, population density, pollution and the availability of affordable housing are key examples of some of the difficulties faced.

Driven by its vision of 'One Cambridge, Fair for All' the council established its Our Cambridge transformation programme in 2021/22 funded by an investment of £3.9million from reserves. The programme has gathered momentum in 2023/24 as evidenced by the implementation of a new organisational structure with a Chief Executive's office operating alongside a smaller senior leadership team leading four groups covering the full range of the council's activities. The 2024/25 budget will be the first to be set by Members working with Group Leads. The council's transformation team will continue to support the ongoing review of council services supporting Group Leads to make changes to service delivery which will shape, modernise and improve how the council interacts with the city's residents and other stakeholders whilst ensuring the council can balance its budget.

Council priorities

The council's Corporate Plan 2022-2027, approved in February 2022, sets out four key priorities to address these challenges and deliver the council's vision of 'One Cambridge, Fair for All'. [Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council]

It describes what success will look like and includes performance indicators to measure progress. The priorities are:

- Leading Cambridge's response to the climate and biodiversity emergencies and creating a net zero council by 2030
- Tackling poverty and inequality and helping people in the greatest need
- Building a new generation of council and affordable homes and reducing homelessness
- Modernising the council to lead a greener city that is fair for all

Economic assessment

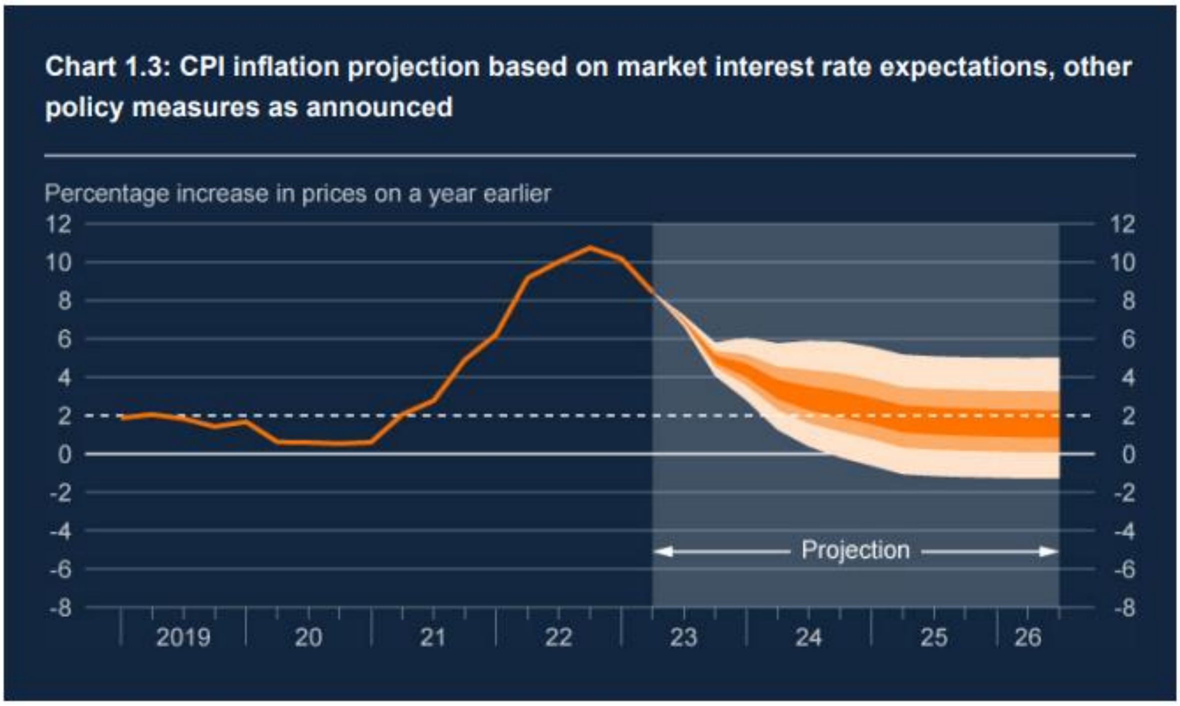
The council's finances are impacted by a combination of global, national and local factors. This MTFS is being set against a backdrop of continuing economic and political uncertainty. Global events, particularly the conflict in Ukraine, continue to impact commodity and energy prices with the impact being felt across the supply chain. The favoured policy response to the resulting inflation has been a steep increase in interest rates. Addressing inflation through monetary policy can take up to 18 months to have the desired impact making it difficult to predict the trajectory of interest rates and inflation over the period covered by this strategy.

Officers have therefore made judgments based on the available forecasts and economic data to forecast the council's position over the medium term. Most notably, pay awards already agreed, those under negotiation, and those anticipated will continue to significantly increase the council's cost base. Such increases will not ordinarily be matched by an increase in the resources available to the council and a combination of economic factors could result in a real terms decrease particularly if the country enters a recession.

Inflation rates

The base rate of inflation used to drive expenditure assumptions in this MTFS is the Consumer Price Index (CPI). Having peaked at 11.1% in October 2022, CPI has fallen significantly and in July 2023 inflation had dropped to 6.8%. This is partly because the impact of the surge in energy costs is now fully built into the base position. Gas prices fell by 25.2% between June and July 2023 and electricity fell by 8.6% over the same period. This has reduced the headline CPI figure but to some extent masks price increases in other parts of the economy.

The council buys most of its energy in bulk. This means it was insulated from the impact of the original surge in energy prices but will not immediately benefit from the recent decreases evident in the inflation figures. For this reason, separate rates of inflation are applied to utility budgets based on forecasts provided by the energy specialists engaged by the council. Currently, the Bank of England predicts that its interventionist policies will ensure inflation returns to the 2% target by Q2 2025. The chart below produced by the Bank of England in August 2023 shows how inflation is expected to reduce over the forecast period with the sharpest decrease expected before the end of the current financial year.



The shaded area reflects the Bank of England's assessment of what the level inflation will be until Q2 2026. In 90% of scenarios modelled based on the Bank's assumptions and current economic conditions inflation will fall within the large, shaded area. The area in the middle shaded dark orange reflects the level of inflation in 30% of the scenarios modelled.

Interest rates

Cash balances are invested on a short-term basis, generating interest income, whilst managing both security and liquidity of the cash. The Bank of England base rate was increased to 5.25% on 3 August 2023. Many commentators expect the base rate to remain at 5.25% until the middle of 2024 when it is expected to start reducing as the impact of earlier rate rises feeds through to the wider economy and results in inflation moving towards the Bank of England's 2% inflation target.

The council currently has no external GF borrowing but uses its cash balances to fund capital spending and loans to the Cambridge City Housing Company (CCHC) and the Cambridge Investment Partnership (CIP). Use of cash balances in this way is known as 'internal borrowing' and may indicate a need to borrow externally in due course. In April 2024 the council will receive the first of three tranches of a loan of £85 million arranged in advance to fund the redevelopment of the Park Street car park. The interest on this annuity loan is predetermined and not impacted by current market rates. Interest payable and repayments due are built into the financial model which has been developed.

The council intends to fund significant components of its capital programme from reserves, in particular the refurbishment of the Guildhall, including decarbonisation works necessary to deliver the council's commitments to net zero. Whilst this approach eliminates the financing costs in the revenue account which would otherwise have been associated with the schemes, the approach reduces the scope to rely on internal borrowing and over the medium term will reduce the surplus cash which the council has available to invest.

Local government finance

Despite pressure from sector leaders, central government has continued to resist demands to provide a multi-year settlement for local government. The settlement for 2023/24 was better than expected with authorities receiving an overall 9.4% increase in Core Spending Power. The settlement included a 3% funding guarantee which gave authorities a 3% increase in resources irrespective of the increase in income from Council Tax. Government has pledged that funding in 2024/25 would be on the same basis with revenue support grant being increased by CPI and the Council Tax referendum limit remaining at 3% for this authority.

The current settlement disadvantages those authorities, including this council, which have seen significant population growth. Government has signalled its intention to carry out a review of relative needs and reset business rates in the next parliament. The expected reset of business rates, with further resets every five years is built into the council's MTFS.

The following factors may affect future funding levels, but potential impacts are too uncertain to be included in this MTFS:

- Financial pressures arising from the demand for social care have led to many authorities experiencing significant financial difficulties. Government will need to address this shortfall through the fair funding review but further re-balancing may be required.
- The current government has used devolution deals to hand power to local leaders to take decisions that matter locally. If changes were to be made to the existing devolution deal for Cambridgeshire and Peterborough this would bring a new set of opportunities and associated risks to model within future iterations of this strategy.
- Government has a commitment to reform arrangements for waste collection and recycling. On the basis that the 'producer pays' councils expected to start receiving payments from producers in October 2024. This now been delayed until October 2025 and significant uncertainties remain regarding the implementation and financial impact of scheme.

Modelling provided by local government specialists has been used to estimate the resources which will be available to the council from 2025/26 based on current demographic data. Whilst limited reliance should be placed on such modelling in the current economic and political environment, it provides the best available information at the time of writing.

In summary, the base assumptions modelled in this MTFS are:

- The 2024/25 settlement will roll over from 2023/24 with no real terms increase in the funding. The 2025/26 settlement will be broadly similar due to delays in implementing the fair funding reforms
- There will be no further payments of New Homes Bonus after 2024/25
- Changes resulting from local government funding reform, including the impact of demographic changes, will be implemented for 2026/27. These changes include the resetting of the business rates baseline with a partial reset assumed in 2030/31. No dampening protections are assumed
- Band D Council Tax increases will be limited to 2.99% or £5, whichever is greater

Core Spending Power (£m)	**23/24**	**24/25**	**25/26**	**26/27**	**27/28**	**28/29**	**29/30**	**30/31**	**31/32**	**32/33**
Business rates income	11.990	13.348	14.434	9.831	10.725	11.658	12.641	11.031	12.656	13.400
Less: Business rates growth	(7.400)	(8.747)	(9.741)	(2.594)	(3.488)	(4.421)	(5.404)	(3.794)	(5.418)	(6.163)
Settlement Funding Assessment	**4.591**	**4.601**	**4.693**	**7.237**	**7.237**	**7.237**	**7.237**	**7.237**	**7.237**	**7.237**
Grants	4.634	4.826	5.143	0	0	0	0	0	0	0
Council Tax	9.812	10.306	10.706	11.168	11.647	12.092	12.599	13.074	13.598	14.098
TOTAL	**19.037**	**19.733**	**20.542**	**18.405**	**18.884**	**19.329**	**19.836**	**20.311**	**20.835**	**21.335**

The council does not rely on business rates growth to fund service delivery. Growth achieved is transferred to reserves and forms part of the resource which is available to fund refurbishment of the Guildhall including decarbonisation works.

The table above shows that the resetting of the business rates will reduce the in-year benefit the council receives from business rates growth. The business rates system remains highly complex with an intricate relationship between appeals, discounts and grants and is subject to regular changes. This makes it difficult to forecast business rates growth reliably. Consequently, the council avoids placing undue dependence on business rates growth as a source of income to balance its budget.

Section 3
Key assumptions

Key financial modelling assumptions reflect the economic assessment in the previous section and other factors specific to the council.

Key area	Assumption	Comment / Sensitivity
Pay inflation	Pay progression – 1% Pay inflation – 2024/25 – 4% and on-going - 2.0% (previously 2.0% all years)	An additional 1% increase would cost the council approximately £293K
Employee turnover	4%	Specific vacancy factors are applied where experience indicates that a different vacancy factor is more applicable. Not applied to those services which need to maintain a core number of staff
Pension costs	17.6% plus £2.108m deficit payment	Next valuation due to be received in mid-2026 reflecting valuation at 31 March 2025.
General inflation	2024/25 – 3% and after – 2.0% (previously 2.0% all years)	The same inflation factors are applied to Central and Support Services as for direct services. Separate inflation applied to utilities based on forecast unit costs.
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	Matched to general inflation, 2024/25 – 3% and after – 2.0% (Previously 2.0% all years)	Income and charges – specific reviews of all charges required by committees. Some income streams, such as property rental income, based on specific factors.
Investment interest rate	Investment specific but as per the HRA below the central assumption is 5% for 2023/24, 4.5% for 2024/25 then 3%	Investment income built into the MTFS reflects forecast rates on the cash balance held
Interest paid on HRA cash balances	5% for 2023/24, 4.5% for 2024/25, then 3%	Based on current projections
Council Tax increase	Greater of £5.00 or 2.99% in each year	A 1% change in council tax represents almost £100k p.a. for the council.

Key area	Assumption	Comment / Sensitivity
Council Tax Base	Based on local housing trajectory forecasts Collection rate 98.7%	Collection rate returned to pre-Covid level
Core spending power (local government funding)	As outlined in section 2	

Section 4
Revenue expenditure

This section provides an overview of the factors pertinent to modelling service income and expenditure including changes made to brought forward figures in light of the current forecast outturn.

2022/23 outturn

Total net portfolio expenditure in year was £3.329m below budget, spread across nearly all service groupings. After variances on government funding and other 'below the line' adjustments, there was an overall increase in the GF reserve of £2.528M (2021/22: increase of £9.0m). This increase was driven largely by a marked increase in treasury management returns arising from a series of increases in interest rates and higher cash balances, an underspend on staffing cost and the release of centrally held provisions no longer required.

2023/24 forecasts

In-year financial performance is monitored closely throughout the year. This enables action to be taken quickly to manage emerging financial pressures. In the context of preparing this document it also gives the council the opportunity to identify any in-year variances which might impact the council's financial position over the medium-term. The current projected outturn is an underspend of £1.8 million before allowing for the cost of implementing the 2023/24 pay award which is currently estimated at £0.65 million as explained below. Investment income is forecast to exceed budget by £1.9 million making it the most significant variance identified in the latest forecast. Based on forecast interest rates referred to above, earlier estimates for investment income in 2024/25 and future years have been updated based on expected cash balances and forecast interest rates.

The council will continue to review in-year performance and this review will inform the budget setting process. This allows consideration and scrutiny of budget proposals to address financial challenges experienced by individual services, in particular the council's commercial services which rely on achievement of income targets to deliver a budgeted contribution to the GF. Emerging proposals need to be considered with reference to the savings requirement identified as part of work to produce this strategy as approving a reduced contribution from income-generating services will increase the council's savings requirement.

In-year adjustments

When the budget is set each year, it incorporates the key assumptions approved as part of the MTFS. By exception, and where the impact is material and council-wide, changes may be made to the original budget in year to update earlier assumptions. The purpose of such changes is two-fold:

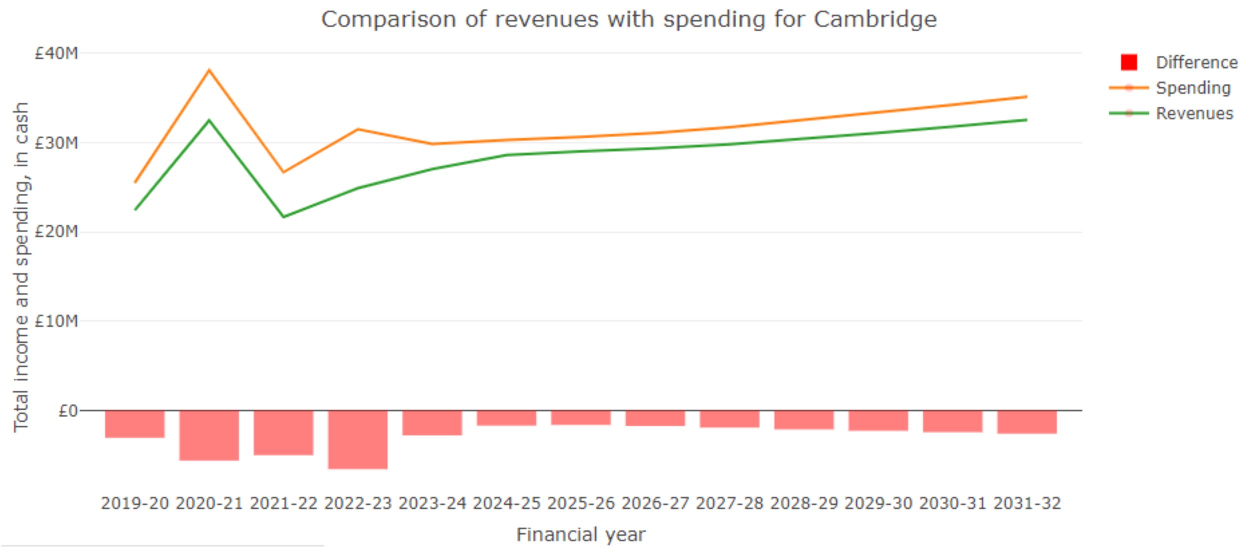
- To ensure that the budget reflects the cost of permanent staffing resources as would have been budgeted for if the updated assumption had been used when the original budget was set;
- To ensure the year-end outturn variance against budget is meaningful and reflects the organisation's true performance to the extent that the variance reported is not distorted to a material extent by the difference between budgeted assumptions and assumptions included in the latest MTFS.

2023/24 pay offer (£651k)

The 2023/24 budget includes an effective pay increase of 3% after the award of increments. The recently agreed pay settlement is for £1,925 per annum per full time equivalent (FTE) for staff graded up to spinal column point (SCP) 43 and 3.88% for all staff at SCP 44 and above. The pay increase creates additional pressure on budgets already impacted by inflationary pressures. It is proposed to increase 2023/24 pay budgets to reflect the excess of the pay settlemet over the 3% already budgeted.

Savings requirements

The IFS/CIPFA/DCN Local Government Finance Model, illustrates the council's financial challenge, based on published data and general modelling assumptions.



Applying revised assumptions to the council's own financial model and allowing for indicative pressures, the baseline net savings requirement totals around £11.053m for the 5-year period.

Description - £000	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Net savings requirement – new each year (BSR 23/24)	**2,889**	**5,380**	**1,464**	**1,352**	**(59)**	**11,026**
Funding changes	(626)	(4,475)	(1,816)	(2,038)	(1,662)	
Changes to assumptions and technical adjustments	859	1,182	1,054	1,038	1,266	
Change in indicative cost of capital financing strategy	(782)	(1,609)	(1,016)	(284)	422	
Total changes to savings requirement	**(550)**	**(4,902)**	**(1,778)**	**(1,284)**	**26**	
Net savings requirement – new each year (MTFS 2023)	**2,339**	**1,028**	**4,589**	**1,846**	**1,251**	**11,053**

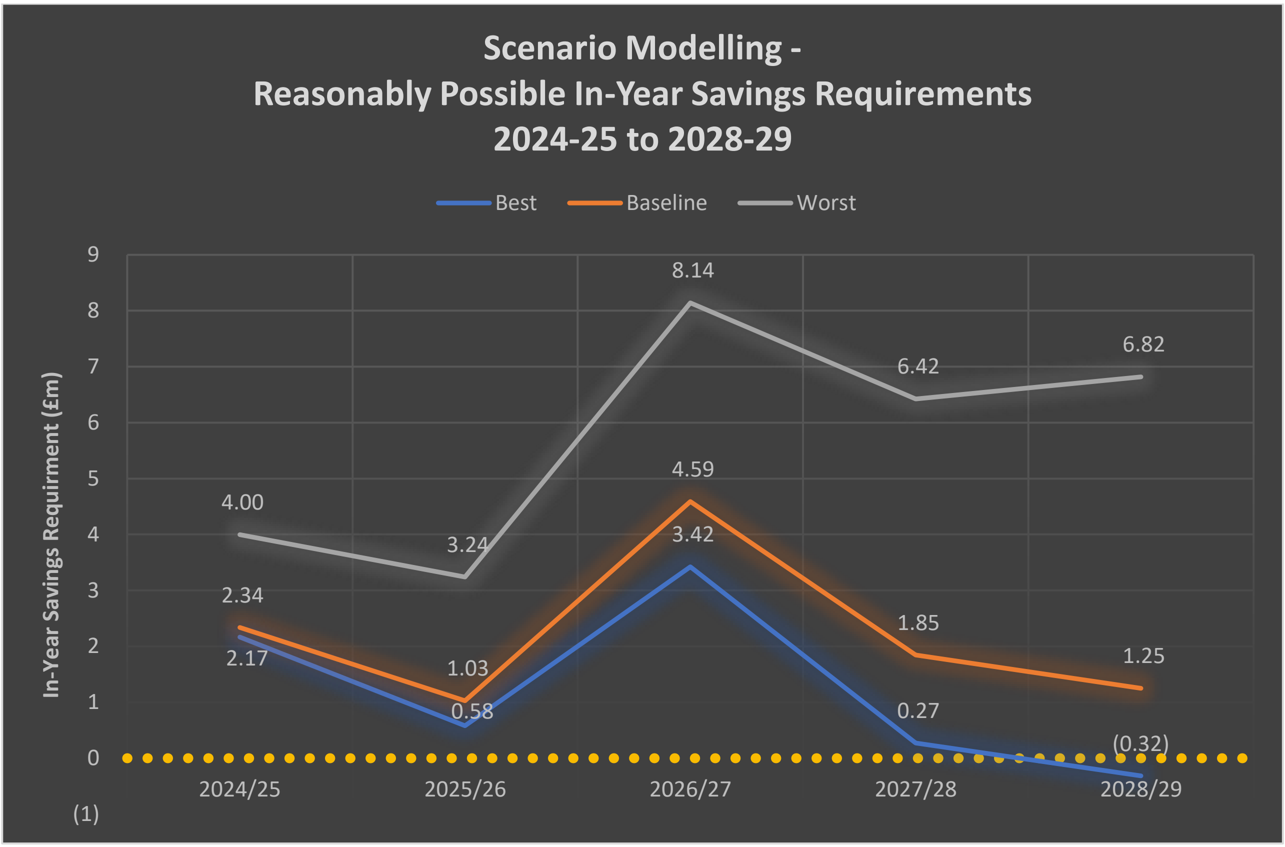
The savings requirement has remained at just over £11 million despite a range of changes in modelling assumptions, many of which are interlinked. The most significant are as follows:

- The local government finance settlement for 2023/24 was better than expected and now forms the basis for settlements until 2026/27, assuming fair funding reforms are delayed from 2025/26.
- Higher inflation expectations contribute to an increase in pay and non-pay expenditure which is partially offset by inflationary increases in fees and charges.

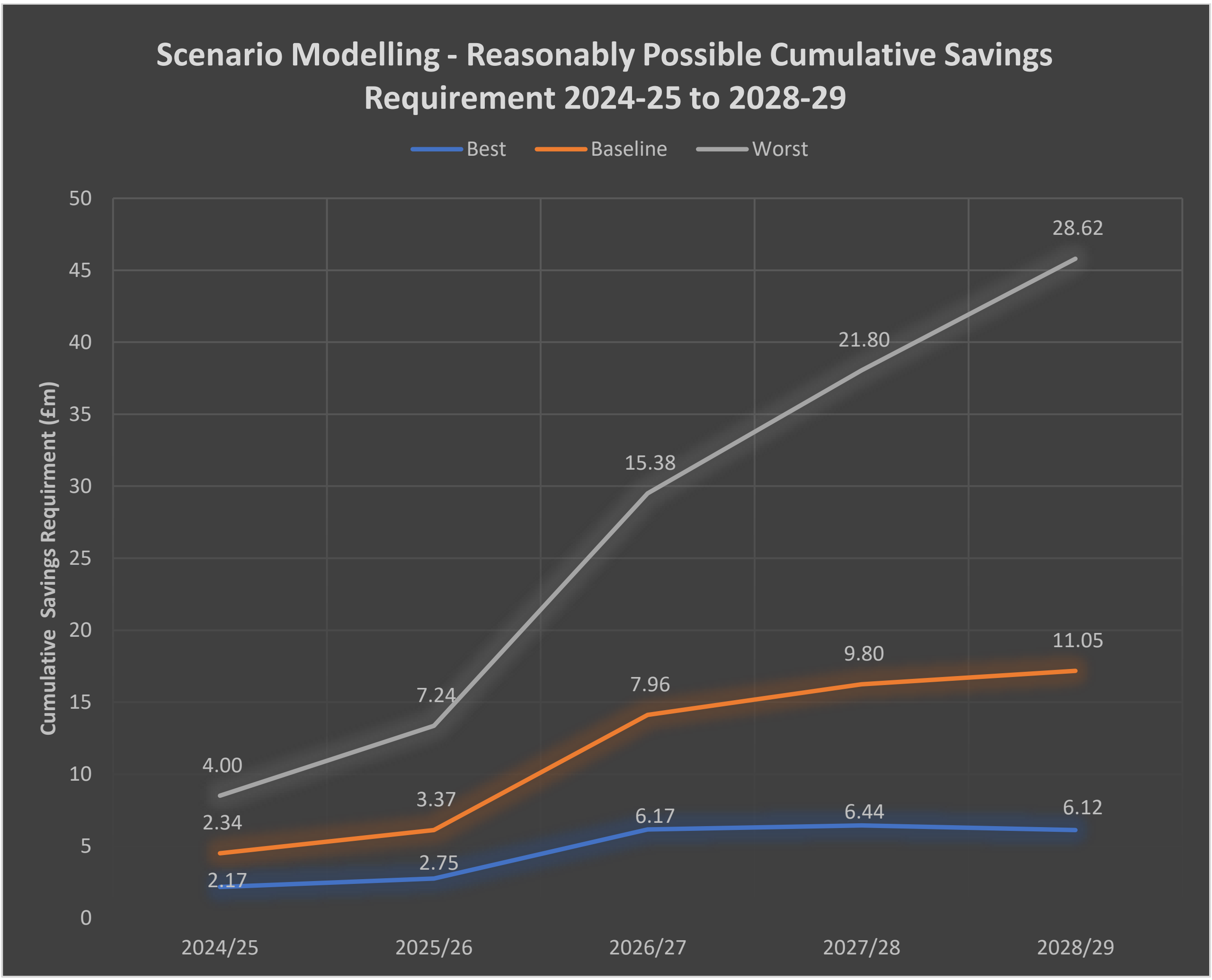
- Long-term interest rates assumed for future borrowing are lower than projected in September 2022. Investment income in 2024/25 is now expected to be above that estimated previously.
- Reducing cash balances in the medium-term will reduce investment income in the latter years of the forecast period as the council uses accumulated balances to fund capital expenditure.
- The revenue implications of the Park Street development are now included within the modelling. However, due to borrowing constraints imposed by the Public Works Loan Board (PWLB) borrowing guidance, it is recommended that once fully operational, surpluses from the scheme are transferred into an earmarked reserve and made available to fund regeneration projects in the city.

Scenarios

As noted throughout this report, the financial situation of the council is currently subject to exceptional levels of uncertainty, particularly with regard to inflation and local government funding. We have therefore considered a series of scenarios to assist with financial planning, with the resulting cumulative savings requirements shown in the graph below. In 2024/25, these scenarios show the in-year budget gap ranging from £2.17 million to £4 million. By 2028/29, the range has increased from a nominal surplus, if required savings are achieved in earlier years, to a requirement of £6.82m in addition to savings delivered to balance the budget in earlier years.



Scenario Modelling -
Reasonably Possible In-Year Savings Requirements
2024-25 to 2028-29
Best
Baseline
Worst
In-Year Savings Requirment (£m)
9
8
7
6
5
4
3
2
1
0
(1)
2024/25
2025/26
2026/27
2027/28
2028/29
8.14
6.42
6.82
4.00
3.24
4.59
3.42
2.34
2.17
1.03
0.58
1.85
0.27
1.25
(0.32)



Scenario Modelling - Reasonably Possible Cumulative Savings
Requirement 2024-25 to 2028-29
Best
Baseline
Worst
Cumulative Savings Requirment (£m)
50
45
40
35
30
25
20
15
10
5
0
2024/25
2025/26
2026/27
2027/28
2028/29
28.62
21.80
15.38
7.24
4.00
11.05
9.80
7.96
3.37
2.34
6.17
6.44
6.12
2.75
2.17

Our Cambridge - Transformation programme

In MTFS 2021, funding of £3.1 million and a further contingency of £0.8 million were set aside in earmarked reserves to fund a fundamental review and transformation of the way the council delivers its services and works with local partners.

The Our Cambridge programme has been running since January 2022. In that time, it has achieved significant successes including:

- **Senior management review:** the successful transition to a flatter management structure, saving £300,000 per year, and delivering a structure that better empowers the middle leadership cohort.
- **Leadership capacity:** the Leadership Team and Corporate Management Team onboarding projects have created unity and leadership capacity across the organisation.
- **The Use of Space project** has delivered savings by reducing the number of buildings used for council business, brought in rental income and has built community capacity by letting spaces to local charities and social impact organisations. The total financial benefit has been over £146,000, as well as income of £80,000+ per year for two years from renting out office space within the Guildhall.
- **The City Operations group design programme** is delivering £200,000 of savings by implementing a flatter structure and making better use of digital technology, with more savings planned for City Operations 2.0.
- **The Corporate Group design programme** is in the research and design phase, with a path to delivering savings, as well as a higher performing, more efficient and effective council.
- **A new set of 'partnerships by default' principles** have been tested and mainstreamed across the organisation. We have secured £700,000 in external funding, which has been pumped into projects which reduce community reliance on the council.
- **The social impact investment project** has secured funding to start a new organisation that will lead and manage Cambridge's first social investment fund.
- **Cambridge Together** has provided insight about what is important to our communities, and therefore on what the council should focus. Also, we have learnt to work differently to engage with our seldom-heard communities.
- **Culture shift:** We have had feedback that the organisation has significantly changed since 2021 and feels much more future focussed and innovative. The change in culture

from Our Cambridge is credited as being the catalyst which supports City Services to achieve significant savings this year and in the future.

In that time, however, we have also experienced challenges which have interrupted the delivery of the programme:

- The senior management review took longer than planned, with knock on effects for the group design programmes, which are the major drivers of savings.
- There was much less basic data and information within the organisation than initially envisaged, which has meant more time and effort had to go into ensuring we fully understood the current position before being able to plan and implement change.
- Additional activities and challenges, not originally in scope or known, coming into the programme because they were identified as essential to success – most notably Digital and ICT.

As a result of all the work undertaken to date, we know that Our Cambridge has the capability to reach the savings identified in the October 2021 S&R paper (£4.2m to the general fund), and more over time as longer-term savings come through. However, to deliver the savings we need to run the programme to a revised completion date of December 2025.

Based on our current approach to resourcing, which places the least burden on operational teams and carries the least risk, we'd need £1.533m from reserves. We are, however, committed to leading by example when it comes to reducing financial burden on the council. A number of reduced-cost options have been scoped, with a full risk analysis performed on each option. As a result, the following approach is recommended, balancing additional costs and risks to the delivery of programme benefits.

Description - £000	2024/25
Additional funding required to complete Our Cambridge as currently planned	**1,539**
Reallocate some of the savings from 3C ICT cost reapportionment exercise to support DTOM and DDAT implementation projects	(227)
Reduce Group Design Project expenditure budgets	(60)
Reduce programme overheads (leadership and web support capacity)	(93)
Reduce transformation capacity to support Group redesign and implementation (2FTE rather than 3FTE)	(152)
Reduce contingency on staffing costs (to cover eventualities such as maternity leave, from 15% to 7.5%)	(33)
Total changes recommended	**(565)**
Additional Our Cambridge costs	**974**
Funded by:	
Reallocation of capital funding from transformation projects (see Section 5)	274
Contribution from GF reserve to the Our Cambridge earmarked reserve	700
Total	**974**

As identified in Section 5, there is a total of £274k of revenue funding of capital schemes that is no longer required by the programme. Therefore, it is recommended that the additional costs of £974k are funded by reallocating this capital funding and that the balance of £700k is transferred from the GF reserve to the Our Cambridge Transformation earmarked reserve. Taken together, these increases in funding for Our Cambridge will enable the programme to deliver both improvements in the way the council works and savings to contribute to the overall savings requirement. The impact of this transfer on the GF reserve is shown in Section 6.

Section 5
Capital expenditure

Capital plan

The table below summarises capital schemes and adjustments to S106 funding agreed since the capital plan was approved by council in February 2023.

Ref.	Description - £'000s	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	Approved since BSR Feb 2023:						
	Adjustments in respect of S106 funded projects	(60)	-	-	-	-	(60)
SC793/ SC794	Funding adjustments in respect of government warm homes grants	(2,599)	-	-	-	-	(2,599)
SC727/ SC820	Logan's Meadow vehicular access and works at wetlands	573	-	-	-	-	573
SC847/ SC848/ SC852	Three externally funded tree projects	92	92	49	-	-	233
SC795	CHUB - community extension to Cherry Hinton library	837	-	-	-	-	837
SC851	Grillo hydrostatic mower for S&OS	43	-	-	-	-	43
SC839	Laptop and desktop replacement	100	-	-	-	-	100
	Total approved since BSR Feb 2023	**(1,014)**	**92**	**49**	**-**	**-**	**(873)**

Mid-year adjustments to existing schemes

As part of the outturn report, information is provided regarding the in-year spend on all capital schemes including those which span multiple years. Previously, where budgeted spend has not taken place in the year it is re-profiled to the subsequent financial year and combined with the allocation for that financial year.

For smaller schemes this approach tends to appropriately reflect the profiling of expected expenditure, particularly if the original projected end date for the scheme was prior to quarter 4 of the financial year. However, for the more complex multi-year schemes, a more comprehensive review of the expected timing of expenditure is required to ensure the MTFS reflects when capital resources will be required. For this reason, two adjustments are proposed.

Park Street – Aparthotel and car park development (£90.8m)

Work began on site on this complex project in 2021/22. At the current time the underground car park is scheduled to open in the summer of 2024 followed by completion and opening of the aparthotel in spring/summer 2025.

Detailed review of the expected cash flows has highlighted that spend in 2023/24 is likely to be significantly less than in the current capital plan. An adjustment is proposed to ensure the capital plan correctly reflects the timing of expenditure. The project remains on track to deliver within budget and planned timescales.

(£000)	**2023/24**	**2024/25**
Capital Plan updated June 2023 (outturn report)	69,203	7,173
Adjustment	(57,908)	57,908
MTFS 2023	**11,295**	**65,081**

Operational hub (£10m)

This scheme was originally approved by the Strategy and Resources Scrutiny Committee in October 2021. £10 million was approved to cover the cost of relocating the depot from Cowley Road to a new facility. The scheme is expected to be completed in the 2024/25 financial year, therefore the adjustment below is proposed to reflect this timetable.

	2023/24 (£000)	**2024/25 (£000)**
Capital Plan updated June 2023 (outturn report)	9,308	0
Adjustment	(8,603)	8,603
MTFS 2023	705	8,603

New scheme

A detailed report on the delivery of a new centre for Barnwell will be considered at Housing Scrutiny Committee on 21 November 2023. The scheme, which is to be delivered by the Cambridge Investment Partnership (CIP), is predominantly housing but includes a community centre, library, pre-school, bowling green, pavilion, multi-use games area with provision for tennis, and additional play facilities at Peverel Road recreation ground. The library and pre-school are to be leased at a peppercorn to Cambridgeshire County Council. These community facilities will be held within the GF, and therefore approval for a capital scheme costing £4.169 million is sought, with £204k of financing available from S106 contributions and a further £500k as a contribution from the county council. The remainder, £3.465 million, is to be funded from generally available capital resources.

Through the provision of private sales dwellings on part of the site, the scheme is forecast to achieve a land receipt and development surplus that together could total around £600k. The timing and amount of these receipts is uncertain, and therefore in line with current policy, once received will be made available to finance future capital schemes thereby reducing the future revenue costs of financing these schemes.

Schemes to be reduced or deleted

The following capital schemes were approved as part of the Our Cambridge programme. As the programme has developed, it has become clear that the original objectives of the schemes will be delivered substantially through work of a revenue, rather than capital, nature. Therefore, it is recommended that the following schemes are either reduced or deleted and the funding, which had been allocated from revenue resources, is repurposed to fund the extension of the Our Cambridge programme described in Section 4.

	Schemes to be deleted	**Delete / reduce**	**£000**
SC771	Data and analytics - putting building blocks in place for future use of data and information management	Delete	70
SC770	ICT project delivery: project management, technical resource, business analysis and change management	Delete	40
SC804	ICT and Digital Capabilities	Reduce from £300k to £155k	145
SC659	My Cambridge City online customer portal	Delete	19
	Total contribution to Our Cambridge earmarked reserve		**274**

Financing of capital

Capital expenditure, where not funded from specific grants or contributions, is funded firstly from capital receipts and then from internal and external borrowing. The use of borrowing creates ongoing and increasing revenue pressures (interest and minimum revenue provision

(MRP)). Exceptionally capital expenditure may be funded from earmarked reserves if set aside for that purpose through the budget setting process.

However, for all other schemes the finite amount of capital receipts available to the council means it is necessary to appraise the affordability of funding capital expenditure using borrowing. 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 £4.0m per year should be set for new capital proposals without specific grant or contribution funding. This capital spending limit requires 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 is reviewed annually.

Capital receipts and development surpluses (£000)	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Unallocated capital receipts at 1 April 2023	14,141	-	-	-	-	-	**14,141**
Forecast receipts and development surpluses	5,825	4,000	-	475	13,000	2,000	**25,300**
Total receipts available to finance capital spending	**19,966**	**4,000**	**-**	**475**	**13,000**	**2,000**	**39,441**

Section 6
Risks and reserves

Risks

The council identifies, assesses, and manages risk throughout the year at the corporate, service and project levels. Some key risks will impact on the council's financial position. These include:

- A period of abnormally high inflation has increased the base cost of labour, commodities, and materials, impacting the costs of service and project delivery. Future levels of inflation are uncertain, so whilst careful management can contain these costs to a degree, there is a risk that budgets are insufficient to deliver planned activities and outcomes.

- Cambridge has seen continuing increases in its population, both within council boundaries and on its fringes, and this places additional demands on services such as Leisure, Environmental Health and Homelessness. As council funding is unlikely to grow in line with population, there is a risk that the council is unable to afford the level of services required by residents and visitors.

- The council has ambitious plans to achieve net zero by 2030. However, there is limited funding available from central government to support these plans, exacerbated by market-driven increases in the cost of net zero works due to a shortage of skilled professionals in the relevant industries. Therefore, there is significant risk to the delivery of net zero within these timescales and within resources available to the council.

- There remains uncertainty in the level of funding for local authorities from central government beyond 2024/25. In addition, potential changes in local authorities' statutory responsibilities may not be adequately funded. These factors, along with a possible change of government following a General Election, create challenges for financial planning and the financial sustainability of the council.

- The council is undertaking a complex programme of transformational change to streamline and modernise services and achieve savings. There is considerable risk to the timing and costs of the programme and to the delivery of savings and planned outcomes.

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. The prudent minimum balance (PMB) and target level of the GF reserve has been reviewed in the light of current risks, see Appendix C, and a 13.4% decrease is recommended. This reduction reflects the outcome of a review of sensitivity of income streams to changes in the external environment. This has been offset by an increase in the allowance for potential delays in the delivery of recurrent savings linked to the council's transformation programme.

General Fund reserve - £m	**February 2023 BSR**	**November 2023 MTFS**
- Target level	8.225	7.121
- Minimum level (PMB)	6.854	5.934

The table below shows current and projected levels of the GF reserve, assuming that all savings requirements are delivered in the year to which they relate, as identified in Section 4. Potential business rates growth is highly dependent on the local economy and central government decisions and is therefore shown separately as amounts and timings cannot be relied on for financial planning purposes.

The table below includes *indicative allocations in italics*. These include:

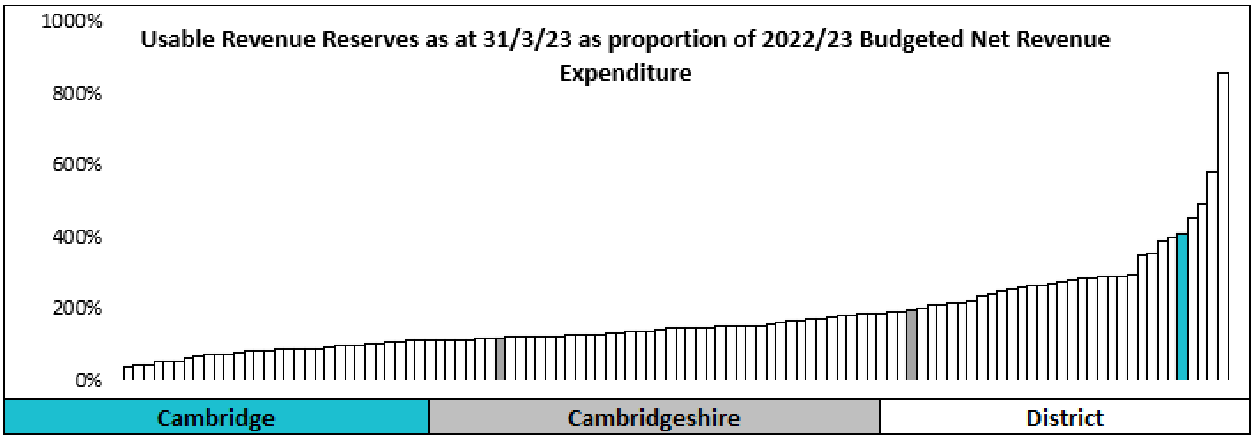
- Funds to deliver refurbishment of the Guildhall and associated decarbonisation works in line with the Office Accommodation Strategy approved at Strategy and Resources Scrutiny Committee in October 2022. Officers are currently developing a programme of works to estimate the cost of a range of schemes to enhance the Guildhall and further details will be provided as part of the budget setting report. The table below indicates the minimum contribution from reserves which would be required to complete the programme of works after accounting for the capital receipt the council expects to generate from the sale of existing office accommodation.
- High-level allocations for additional resources to fund the restructuring of services where the revised structure has a smaller number of posts.
- Contributions to the Climate Change Fund, where proposals are expected to come forward in BSR 2024/25.

GF reserve £'000s	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Balance at 1 April (b/fwd)	**(28,061)**	**(24,523)**	**(7,773)**	**(6,723)**	**(6,673)**	**(6,623)**
2022/23 Carry forwards	1,568	-	-	-	-	-
2023/24 Funding approved at outturn – Greater Cambridge Impact (£200k)/Place Group Programme Delivery (£218k)/Climate Change Reserve (£80k)	498	-	-	-	-	-
Funding for 2023/24 pay award above 3% reflected in 2023/24 BSR	651	-	-	-	-	-
Budgeted contribution to reserves per approved 2023/24 budget	(932)					
Restructuring arising from Phase 1 of City Services Review	548	-	-	-	-	-
Funding required to complete Our Cambridge transformation programme (see section 4)	700	-	-	-	-	-
Application of previously approved funding in service budgets for capital projects	511					
Indicative funding for further restructuring arising from future phases of Our Cambridge		*1,000*	*1,000*	-	-	-
Indicative funding for the Climate Change Fund (CCF)	-	*750*	*50*	*50*	*50*	*50*
Indicative transfer to earmarked reserve for Guildhall refurbishment and decarbonisation	-	*15,000*	-	-	-	-
Balance at 31 March before business rates growth (c/fwd)	**(24,517)**	**(7,767)**	**(6,717)**	**(6,667)**	**(6,617)**	**(6,567)**
Business rates growth – indicative growth element (at risk)	(7,400)	(8,478)	(9,736)	(2,594)	(3,488)	(4,421)
Balance at 31 March including business rates growth	**(31,917)**	**(23,645)**	**(32,331)**	**(34,875)**	**(38,313)**	**(42,684)**

No indicative allocations are made to reflect other potential uses of reserves identified in BSR 2023/24, as amounts are too uncertain, or plans are not yet sufficiently advanced. Future contributions from general reserves may be made to:

- Support service delivery whilst the council transforms, and savings are made
- Improve sustainability and climate change adaptation for both the council and the city, including carbon reduction measures for the council's other administrative and operational buildings, decarbonisations of the council's vehicle fleet and reductions in water usage (£10-15 million)
- City Centre regeneration (£5-10 million)

Currently, the council holds a good level of useable reserves compared with other district councils. However, the table above highlights that planned spending will rapidly deplete the General Fund Balance. Most significantly without business rates growth by 2025/26 the balance will fall below the target balance set out above. If savings are not delivered between now and 2025/26 this situation could arise sooner, and action may be required to ensure the PMB is maintained on the GF.



LGImprove: Compiled from unaudited Statement of Accounts 22/23, as published by 10 October 2023

Earmarked and specific funds

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.

Type of earmarked or specific fund	Balance at 31 March 2022 £000	Balance at 31 March 2023 £000
Major policy-led funds	(6,365)	(4,885)
Asset replacement funds (R&R)	(2,029)	(1,643)
Statutory and accounting reserves	(5,238)	(4,484)
Shared / partnership funds	(7,248)	(7,576)
Other – to be closed once committed balances are spent	(7,670)	(2,814)
Total	**(28,550)**	**(21,402)**

A summary of principal earmarked funds is included at Appendix D.

Reserves policy

The council's management of reserves has been formalised as a reserves policy, attached at Appendix E and recommended for approval.

Section 7
Budget strategy

General Fund savings requirements

Description - £000	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Net savings requirement – new each year - Section 4 of this report	2,339	1,028	4,589	1,846	1,252	**11,054**

General Fund budget strategy

Budget process

The detailed GF budget process for 2023/24 will remain broadly similar to that for previous years, working within an overall cash limit. The process of scrutiny and approval was changed last year recommended in an external review of the budget process and further changes will be made for the 2024/25 budget as a result of feedback on the 2022/23 process. The base model used to prepare this report has driven the recommendations in respect of the 2024/25 budget process and provided indications of the level of savings required to meet both current and anticipated spending needs. The MTFS process has shown that there is an urgent need to take action to balance the budget in the short term and to ensure financial sustainability for the council in the long term.

Budget principles

In light of the requirement to make substantial savings, a savings target of £6m net new recurring savings over the three years 2024/25 to 2026/27 has been agreed. Detailed processes and principles have been set to ensure that all budget proposals align with council priorities and are supported by a business case.

Our Cambridge - Transformation and recovery programme

An outline of the programme's achievements to date is given in Section 4, alongside a request for additional funding. The programme is expected to deliver substantial savings, both within its extended timescale to December 2025, and beyond. By enabling culture change and undertaking detailed organisational design work, the programme will make it possible for the council to continue to deliver improvements and associated savings into the future.

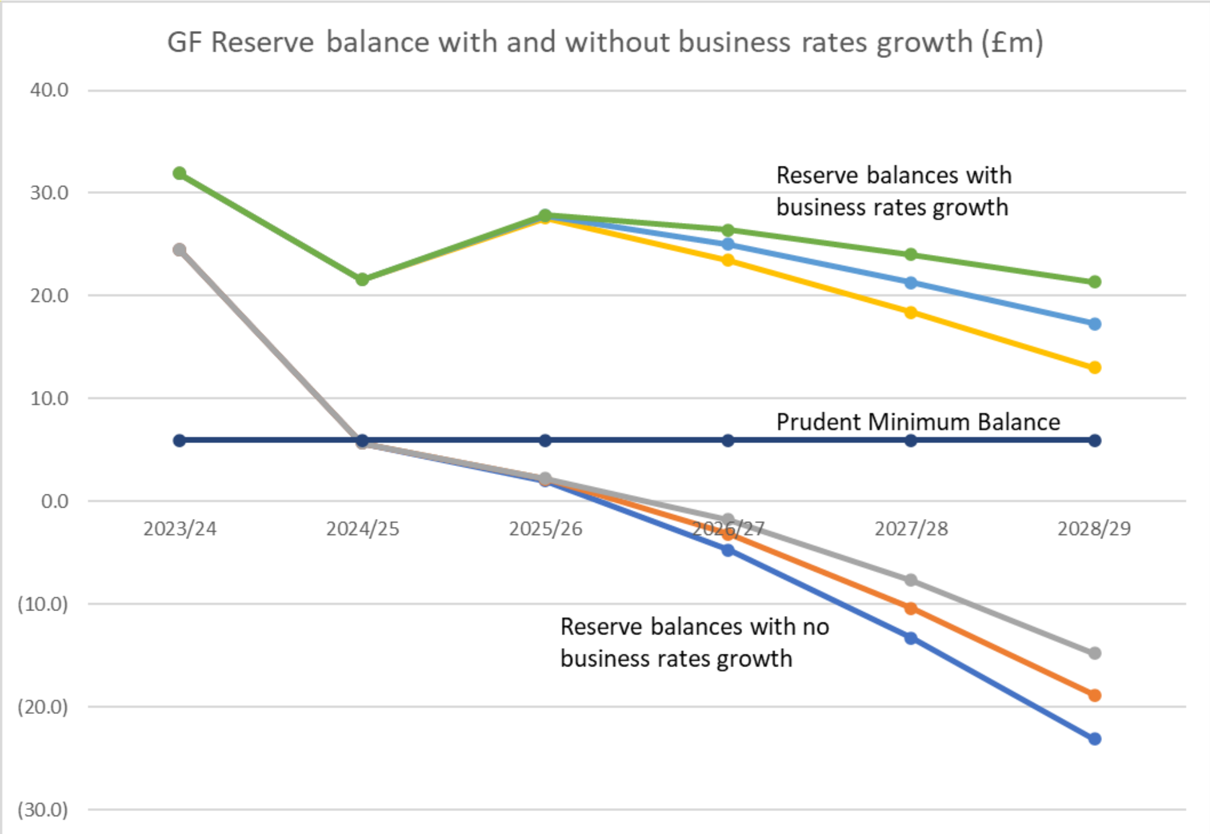
The latest forecast of GF savings that could be deliverable within the three year programme are shown below. It is assumed for planning purposes that approximately 75% of total savings will be attributable to the GF, and the remainder to the Housing Revenue Account (HRA). Savings shown for the extended programme will only be achievable if additional funding is agreed as requested in Section 4.

Our Cambridge cumulative indicative savings (GF only) - £000	2024/25	2025/26	2026/27	2027/28	2028/29
Our Cambridge – no additional funding	(260)	(705)	(1,287)	(1,287)	(1,287)
Our Cambridge – extended to December 2025	(260)	(890)	(2,652)	(2,652)	(2,652)
Our Cambridge – extended to December 2025 – stretch target	(260)	(957)	(3,980)	(3,980)	(3,980)

The impact of the indicative savings identified above have been used to model the impact of the programme on the council's savings requirements and GF reserve levels, assuming that no additional savings are delivered, and no further expenditure is required.

£000	2024/25	2025/26	2026/27	2027/28	2028/29
Cumulative savings requirement - Section 4 of this report	2,339	3,367	7,956	9,802	11,054
Remaining savings requirement					
Our Cambridge – no additional funding	2,079	2,662	6,669	8,515	9,767
Our Cambridge – extended to December 2025	2,079	2,477	5,304	7,150	8,402
Our Cambridge – extended to December 2025 – stretch target	2,079	2,410	3,976	5,822	7,074

If all savings identified are delivered as expected, the council will still face a new net savings requirement of at least £7 million and possibly up to nearly £10 million by 2028/29. The total budget gap, shortfall of income compared with expenditure over the five years, could range from £21 million to £30 million. The diagram below shows the impact of funding this budget gap from reserves. If no business rates growth is assumed, the council will breach PMB by the end of 2024/25. Whilst this is a 'worst case' scenario, the level of future retained business rates growth is dependent on the extent and timing of changes to the business rates system and local economic conditions. The council, therefore, cannot rely on business rates growth to remove the need to make further substantial savings, and will need to maximise the financial benefits of the Our Cambridge programme alongside identifying and delivering further reductions in spending or increases in income.



As noted, the longer term outlook for local government finances and the economy in general is uncertain. Financial pressures will continue to build; from inflation, from increased service demand and from circumstances that we are not yet aware of. This MTFS supports the council to plan for the next two to three years and will be regularly updated to enable longer term planning.

Section 8
Budget process and timetable

Context and approach

This MTFS draws together a review of internal and external financial information halfway through the year, makes assumptions and forecasts for the future and provides the basis on which to prepare the budget for the year ahead.

Changes were made to the budget-setting process in 2022/23. The impact of these changes was evaluated earlier this year. Whilst it was agreed that changes made had been beneficial, it was felt that further changes could be made to enhance scrutiny of budget proposals and improve the arrangement for consultation. Revisions to the timetable are reflected in the table below.

The council will begin a consultation exercise following approval of this MTFS. The outcome of that consultation will be available for members to consider when considering the BSR in early 2024. We will use our online engagement platform, CitizenLab, to seek views from all residents, businesses and others on the proposals and themes of the budget and some of the ideas for new ways of working in the council and with our communities.

Timetable

Date	Task
2023	
20 November	Strategy and Resources Scrutiny Committee consider the GF MTFS for recommendation to Council
20 November	The Executive considers the MTFS and approves commencement of the consultation process
30 November	Council considers and approves the GF MTFS
2024	
15 January	Draft GF budget considered by Strategy and Resources Scrutiny Committee
5 February	The Executive consider and recommend the GF BSR and council tax level to Council
15 February	Council considers the GF BSR and amendments, approves the GF budget and sets the level of council tax for 2024/25

Appendix A

Description / £'000s	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Expenditure											
Net service budgets - base and inflation	25,509	27,833	29,176	29,047	30,093	30,538	30,878	31,026	31,181	31,544	31,914
Savings delivered from prior years			(2,339)	(3,366)	(7,955)	(9,801)	(11,053)	(11,393)	(11,661)	(11,661)	(11,734)
Net service budgets	**25,509**	**27,833**	**26,837**	**25,681**	**22,138**	**20,737**	**19,825**	**19,633**	**19,520**	**19,883**	**20,180**
Capital accounting adjustments	(6,336)	(5,997)	(5,997)	(5,997)	(5,997)	(5,997)	(5,997)	(5,997)	(5,997)	(5,997)	(5,997)
Capital expenditure financed from revenue	1,570	130	0	0	0	0	0	0	0	0	0
Indicative cost of revised capital financing strategy	279	35	335	1,569	2,847	4,099	4,606	5,202	5,465	5,781	5,717
Contributions to earmarked funds	995	395	395	1,742	1,742	1,742	1,742	1,742	1,742	1,742	1,742
Net spending requirement before in-year savings	**22,017**	**22,396**	**21,570**	**22,995**	**20,730**	**20,581**	**20,176**	**20,580**	**20,730**	**21,409**	**21,642**
In-year savings	0	(2,339)	(1,027)	(4,589)	(1,846)	(1,252)	(340)	(268)	0	(73)	0
Net spending requirement	**22,017**	**20,057**	**20,543**	**18,406**	**18,884**	**19,329**	**19,836**	**20,312**	**20,730**	**21,336**	**21,642**
Funded by:											
Settlement Funding Assessment (SFA)	(4,591)	(4,601)	(4,693)	(7,237)	(7,237)	(7,237)	(7,237)	(7,237)	(7,237)	(7,237)	(7,237)
Locally Retained Business Rates – Growth Element	(7,400)	(8,478)	(9,736)	(2,594)	(3,488)	(4,421)	(5,404)	(3,794)	(5,419)	(6,163)	(6,163)
New Homes Bonus (NHB)	(53)	(53)	0	0	0	0	0	0	0	0	0
Core Funding Grants	(4,634)	(5,097)	(5,143)	0	0	0	0	0	0	0	0
Appropriations from earmarked funds	(3,858)	0	0	0	0	0	0	0	0	0	0
Council Tax	(9,813)	(10,306)	(10,706)	(11,168)	(11,647)	(12,092)	(12,599)	(13,074)	(13,598)	(14,098)	(14,584)
Contributions to / (from) reserves	8,332	8,478	9,735	2,593	3,488	4,421	5,404	3,793	5,524	6,163	6,342
Total funding	**(22,017)**	**(20,057)**	**(20,543)**	**(18,406)**	**(18,884)**	**(19,329)**	**(19,836)**	**(20,312)**	**(20,730)**	**(21,336)**	**(21,642)**

Appendix B

Capital Plan

Ref.	Description	Lead Officer	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	2028/29 (£000's)
Capital-GF Projects								
PR032w	S106 Accordia open space improvements - hedge-planting and landscaping	J Richards	3	0	0	0	0	0
SC778	S106 Jesus Green ditch biodiversity improvements	G Belcher	6	0	0	0	0	0
SC785	S106 The Art of Play	N Black	3	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Car Parks	S Cleary	199	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	36	0	0	0	0	0
SC645	Electric vehicle charging points - taxis	J Dicks	86	0	0	0	0	0
SC651	Shared ICT waste management software - Alloy/Yotta	J Ogle	75	0	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	589	0	0	0	0	0

Ref.	Description	Lead Officer	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	2028/29 (£000's)
SC678	Crematorium - additional car park	G Theobald	338	0	0	0	0	0
SC679	Crematorium - cafe facilities	G Theobald	283	0	0	0	0	0
SC684	Property Management software	P Doggett	42	0	0	0	0	0
SC688	Environmental Health software	Y O'Donnell	23	0	0	0	0	0
SC689	Income management software	C Norman	52	0	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0	0
SC692	Cromwell Road Redevelopment (GF)	M Wilson	160	0	0	0	0	0
SC694	Meadows Community Hub and Buchan St retail outlet	J Smith	263	0	0	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	4,600	0	0	0	0	0
SC708	Replacement plantroom at Jesus Green outdoor pool	I Ross	140	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	A French	100	0	0	0	0	0

Ref.	Description	Lead Officer	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	2028/29 (£000's)
SC715	Additional refuse vehicle for property growth shared with SCDC	B Esan	420	0	0	0	0	0
SC724	Residential electric charging points	J Dicks	60	0	0	0	0	0
SC727	Logan's Meadow vehicular access	G Belcher	293	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	11,295	65,081	0	0	0	0
SC739	S106 Abbey Pool improvements	I Ross	27	0	0	0	0	0
SC741	S106 Nightingale Rec Ground pavilion	I Ross	208	0	0	0	0	0
SC752	S106 Byron's Pool ecological mitigations	G Belcher	165	13	0	0	0	0
SC753	S106 Nine Wells ecological mitigations	G Belcher	68	5	10	0	0	0
SC754	Cambridge Corn Exchange - infrastructure improvements and upgrades	F Alderton	462	0	0	0	0	0
SC756	EV infrastructure at the Cambridge City Council depot	S Cleary	57	0	0	0	0	0
SC758	Charging infrastructure for electric vehicles - Cambridge City council only	B Esan	50	0	0	0	0	0
SC759	Creation of a new boat pumping station at Stourbridge Common	A Wilson	60	0	0	0	0	0

Ref.	Description	Lead Officer	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	2028/29 (£000's)
SC760	Investment programme for public toilet re-purposed property asset	A French	532	0	0	0	0	0
SC761	Installation of cattle ramp on Midsummer Common	A Wilson	44	0	0	0	0	0
SC764	Environmental Improvements Programme (EIP) options	J Richards	505	0	0	0	0	0
SC765	Introduction of car parking charges at Cherry Hinton Hall	A French	19	0	0	0	0	0
SC768	Extend data capacity in shared data centre	M Lord	11	0	0	0	0	0
SC769	Network equipment refresh	M Lord	65	0	0	0	0	0
SC772	Market Square project	S French	214	0	0	0	0	0
SC773	Colville Rd Phase 3 - replacement of commercial units	D Prinsep	427	0	0	0	0	0
SC776	BEIS grant for Parkside pools decarbonisation works	I Ross	62	0	0	0	0	0
SC777	BEIS grant for Abbey pool decarbonisation works	I Ross	28	0	0	0	0	0
SC779	Parker's Piece tree planting	M Magrath	2	0	0	0	0	0
SC780	S106 Darwin Green community centre equipment and furnishings	V Haywood	11	0	0	0	0	0

Ref.	Description	Lead Officer	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	2028/29 (£000's)
SC791	S106 Coldhams Common BMX track	J Richards	76	0	0	0	0	0
SC793	Sustainable Warmth Grant - Local Authority Delivery Phase 3	J Smith	612	0	0	0	0	0
SC794	Sustainable Warmth Grant - Home Upgrade Grant	J Smith	1,047	0	0	0	0	0
SC795	CHUB - community extension to Cherry Hinton library	A Conder	1,731	0	0	0	0	0
SC796	Building Control software	H Jones	120	0	0	0	0	0
SC797	Waste - electric replacement vehicles	B Esan	970	0	0	0	0	0
SC799	Closed churchyard wall repairs	A French	63	0	0	0	0	0
SC800	[COMPLETED] New vehicle to support S&OS Assets multi skilled operatives	J Parrott	55	0	0	0	0	0
SC801	Replacement vehicle lift	D Cox	40	0	0	0	0	0
SC803	Market Square electrics upgrade	S French	52	0	0	0	0	0
SC804	ICT & Digital Capabilities	P Boucher	155	0	0	0	0	0
SC808	Our Cambridge transformation - Office Accommodation Strategy	P Boucher	53	0	0	0	0	0
SC811	S106 Mill Road Centre fit out	A Conder	62	0	0	0	0	0

Ref.	**Description**	**Lead Officer**	**2023/24 (£000's)**	**2024/25 (£000's)**	**2025/26 (£000's)**	**2026/27 (£000's)**	**2027/28 (£000's)**	**2028/29 (£000's)**
SC812	S106 Clay Farm community centre improvements	R Brown	6	0	0	0	0	0
SC813	S106 Trumpington Rec ground environmental enhancements	J Ogle	14	0	0	0	0	0
SC814	S106 public art grant for Solidarity and Community - The Pink Festival	N Black	29	0	0	0	0	0
SC820	Wetlands at Logan's Meadow LNR	G Belcher	280	0	0	0	0	0
SC822	Loan to CIP to purchase land south of Cambridge	C Ryba	15,139	0	13,500	0	0	0
SC823	S106 public art grant for Cherry Hinton Brook mural	N Black	2	0	0	0	0	0
SC824	S106 public art grant for Birdwood Area Art	N Black	5	0	0	0	0	0
SC825	S106 public art grant for Park Street Residents' Association Art	N Black	11	0	0	0	0	0
SC826	S106 Midsummer's Common community orchard improvements - seating, bins, paths and raised beds (Market Ward)	J Ogle	18	0	0	0	0	0

Ref.	Description	Lead Officer	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	2028/29 (£000's)
SC827	S106 Five Trees open space: wildflower and tree planting in East Chesterton	M Magrath	15	0	0	0	0	0
SC828	WREN solar project at Waterbeach	B Esan	1,493	130	0	0	0	0
SC830	S106 grant to Trumpington village hall - disabled access and outside meeting space	I Ross	4	0	0	0	0	0
SC831	Sustainable Warmth Grant - Home Upgrade Grant 2	J Smith	4,500	5,508	0	0	0	0
SC832	S106 Bramblefields LNR improvements - East Chesterton	G Belcher	15	0	0	0	0	0
SC833	Kings Hedges play area improvements	J Parrott	165	0	0	0	0	0
SC834	Decarbonisation works - Abbey pool, Parkside pool, Cherry Hinton village centre	I Ross	159	650	400	0	0	0
SC835	Recommended maintenance at Abbey pool, Parkside pool and Cherry Hinton village centre	I Ross	200	200	240	175	0	0
SC836	Essential repairs to Jesus Green river bank	A French	125	0	0	0	0	0
SC837	Parkside Pool's diving boards	I Ross	30	0	0	0	0	0
SC838	Refuse collection vehicle - replacement HVO	B Esan	400	0	0	0	0	0
SC839	Laptop and desktop replacement	M Lord	200	100	100	100	0	0

Ref.	Description	Lead Officer	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	2028/29 (£000's)
SC840	Pathfinder House data centre equipment replacement - racks, power and cooling systems	M Lord	110	0	0	0	0	0
SC841	Sand Martin/Pathfinder House data centre refresh to hybrid environment	M Lord	215	0	0	0	0	0
SC842	Windows 2012 server replacement	M Lord	30	0	0	0	0	0
SC843	Wireless access point	M Lord	75	0	0	0	0	0
SC844	Uninterruptible power supply replacement	M Lord	35	0	0	0	0	0
SC845	Democratic services software replacement	G Clift	27	0	0	0	0	0
SC846	Contribution to GF from HRA for corporate IT investment	J Hovells	(130)	(23)	(23)	(23)	0	0
SC847	Local Authority Treescape Fund - Round 2	M Magrath	33	33	32	0	0	0
SC848	Urban Tree Challenge Fund	M Magrath	17	17	17	18	0	0
SC849	S106 Coleridge Rec outdoor kit fit	I Ross	75	0	0	0	0	0
SC850	OZEV grant for electric charge points in council car parks	S Cleary	199	0	0	0	0	0
SC851	Grillo hydrostatic mower for S&OS	G Belcher	43	0	0	0	0	0
SC852	National Lottery grant for DiversiTREE project	M Magrath	42	42	0	0	0	0
SC853	East Barnwell Community Facilities	B Binns	49	1,447	1,996	677		
Capital-GF Projects			**56,614**	**73,203**	**16,272**	**947**	**0**	**0**

Capital-Programmes								
Ref.	**Description**	**Lead Officer**	**2023/24 (£000's)**	**2024/25 (£000's)**	**2025/26 (£000's)**	**2026/27 (£000's)**	**2027/28 (£000's)**	**2028/29 (£000's)**
PR010	Environmental Improvements Programme	J Richards	73	0	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	39	0	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	57	0	0	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	24	0	0	0	0	0
PR039	Minor Highway Improvement Programme	J Richards	59	0	0	0	0	0
PR053	Commercial property repair and maintenance	J Richards	400	300	300	300	300	0
PR054	Administrative buildings maintenance	W Barfield	166	166	400	400	400	0
PR055	Depot Relocation programme to create Operational Hub	S Cleary	705	8,603	0	0	0	0
PR056	Chalk Streams projects in Cambridge	G Belcher	60	120	120	0	0	0
PR057	Green Recovery Programme	G Belcher	75	0	0	0	0	0
Capital-Programmes			**1,658**	**9,189**	**820**	**700**	**700**	**0**

Capital-GF Provisions								
Ref.	**Description**	**Lead Officer**	**2023/24 (£000's)**	**2024/25 (£000's)**	**2025/26 (£000's)**	**2026/27 (£000's)**	**2027/28 (£000's)**	**2028/29 (£000's)**
PV007	Cycleways	J Richards	354	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	0	60	0	0	0	0
PV554	Development Of land at Clay Farm	D Prinsep	181	705	0	0	0	0
Capital-GF Provisions			**535**	**765**	**0**	**0**	**0**	**0**
Total GF Capital Plan			**59,032**	**81,710**	**15,096**	**970**	**700**	**0**

Appendix C

General Fund reserves – calculation of Prudent Minimum Balance (PMB) and target level

Estimate of prudent level of General Fund reserves 2024/25

Description	**Level of risk**	**Amount at risk**	**Risk**
		£	£
Employee costs	*Low*	34,856,820	69,714
Premises costs	*Medium*	8,441,890	37,989
Transport costs	*Medium*	649,560	3,897
Supplies and services	*Medium*	30,402,700	91,208
Grants and transfers	*Low*	27,883,740	27,884
Grant income	*Low*	41,221,590	41,222
Other income	*Variable*	37,756,510	704,343
Total one year operational risk			976,256
Allowing three years cover on operational risk			**2,929,000**

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	6,000,000	33%	1,980,000
Cover for lower level of earmarked and specific reserves	500,000	30%	150,000
General risks			**3,005,000**

Prudent Minimum Balance (PMB)	**5,934,000**
Target (PMB + 20%)	**7,121,000**

Appendix D

Principal earmarked and specific funds

Fund	Balance at 1 April 2023	Anticipated contributions	Forecast expenditure	Forecast balance at 31 March 2028
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	5,260	0	(5,260)	0
Climate Change Fund	302	950	(1,252)	0
Asset Replacement Fund (R&R)	1,643	0	(1,643)	0
Bereavement Services Trading Account	440	0	(440)	0
Homes for Ukraine Grant Funding	1,498	0	(1,498)	0
Insurance Fund	1,294	0	0	1,294
Shared Services Reserves*	2,315	0	(2,315)	0
A14 Mitigation Fund	1,500	0	(1,500)	0
Covid Grants	297	0	(297)	0
NNDR Additional Income	124	0	(124)	0
Our Cambridge Transformation and Contingency Funds	2,402	694	(3,096)	0
Total	**17,075**	1,644	(17,425)	**1,294**

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

*This includes the Local Plan Development Fund is used to fund work with South Cambridgeshire District Council on the joint Local Plan as well as balances pertaining to the Homes Improvement Agency and Building Control

Appendix E

Reserves policy

Introduction

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the council and the purposes for which they will be used and maintained.
Sections 32 and 43 of the Local Government Finance Act 2003 require local authorities to have regard to the level of resources needed to meet estimated future expenditure when calculating the annual budget requirement.
Regard should be had for the best practice guidance published by The Chartered Institute of Public Finance & Accountancy (CIPFA) in CIPFA Bulletin 13 Local Authority Reserves and Balances | CIPFA

Definitions

Reserves are sums of money held by the council to meet future expenditure. There are two principal types of reserves:

- **General:** non-specific reserves which are kept to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the council's five year Medium Term Financial Strategy (MTFS). The council's general revenue reserves are held in the general reserve balance.

- **Earmarked reserves:** held for specific purposes and which are established either by statute or at the discretion of the council. They remain legally part of general reserves.

A summary of all reserves, including in year movements and year end balances are contained in the council's Statement of Accounts.

General reserve balance

The council's Financial Regulations state that it is the responsibility of the Chief Finance Officer to advise the executive and/or full council on prudent levels of reserves for the authority.

The council will maintain an adequate level of general reserve balance to:

- Provide a working balance to cushion the impact of uneven cash flows and avoid unnecessary short-term borrowing.
- Provide a contingency to cushion the impact of unexpected events or emergencies.
- Plan for potential major items of expenditure

The appropriate level of reserves for this purpose will be determined by the council's MTFS, which will be reviewed annually and will be subject to approval by full council. However, the council will not maintain levels of general reserve balances that are excessive compared with appropriate minimum levels. In this context, "excessive" will be assessed and reviewed annually in the MTFS with regard to:

- The projected level of General Reserve balance at the end of the MTFS, less the appropriate minimum level.
- The annual planned use of reserves in each year of the MTFS.
- The impact of sudden large changes in annual use of balances on services or Council Tax levels.

The adequacy of the general reserve balance will be determined by assessing the financial risks associated with meeting continuing obligations to provide services. The risk assessment will be reviewed annually.

CIPFA provides guidance on the factors which should be taken into account in determining the overall level of reserves and balances. These are:

- Assumptions regarding inflation and interest rates.
- Estimates of the level and timing of capital receipts
- Treatment of demand-led pressures
- Treatment of planned efficiency savings / productivity gains
- Risks inherent in any new partnerships, major outsourcing arrangements or major capital developments
- Financial standing of the council, including the level of borrowing, debt outstanding, capacity to manage budget pressures etc.
- General financial climate to which the council is subject
- Impact of major unforeseen events and the likely level of government support following such events

The general reserve balance will be reviewed and projections on future balances will be made at key points during the financial year, namely as part of the budget setting process and update of the MTFS. In exceptional circumstances, the actual level of the council's balance may fall below the level which is considered appropriate. This is consistent with the need to meet short-term unforeseen expenditure. However, the actual level will be monitored against balances outlined in the MTFS. The plan will set out the level of planned balances, as well as confirming acceptable thresholds above or below the balance. If the balance falls outside of the planned tolerance levels, a plan will be agreed by the council to restore balances to the appropriate level.

Earmarked reserves

Earmarked reserves are not available to the council for use in setting its ongoing base budget. They are required for specific purposes and are a means of building up funds to meet known or predicted liabilities.

Creation of such reserves must be approved by the Chief Finance Officer, with full council approval required for major policy led funds (see below).

Each earmarked reserve will have a clear protocol setting out:

- The reason for / purpose of the reserve
- How and when the reserve can be used
- Procedures for the reserve's management and control

Balances should be reasonable for the purpose held and must be used for that purpose only. Reserves will be reviewed annually for continuing relevance and adequacy. If the reserve is no longer required for its original purpose, or no longer required at its current level, the balance will transfer to the general fund balance, as approved by full council.

Earmarked reserves are analysed as follows:

Type of earmarked reserve	Rationale
Major policy-led funds	Established to manage corporate priorities including transformation and cross group policy issues
Asset replacement funds	Funds set aside for specific asset replacement (ongoing use in Housing Revenue Account only)
Statutory and accounting reserves	As required
Shared / partnership funds	Retained for use by shared services / partnerships
Other	As required – limited time reserves to be closed once committed balances are spent

Public budget consultation for 2024/25

Budget 2024 to 2025

Current spend and funding

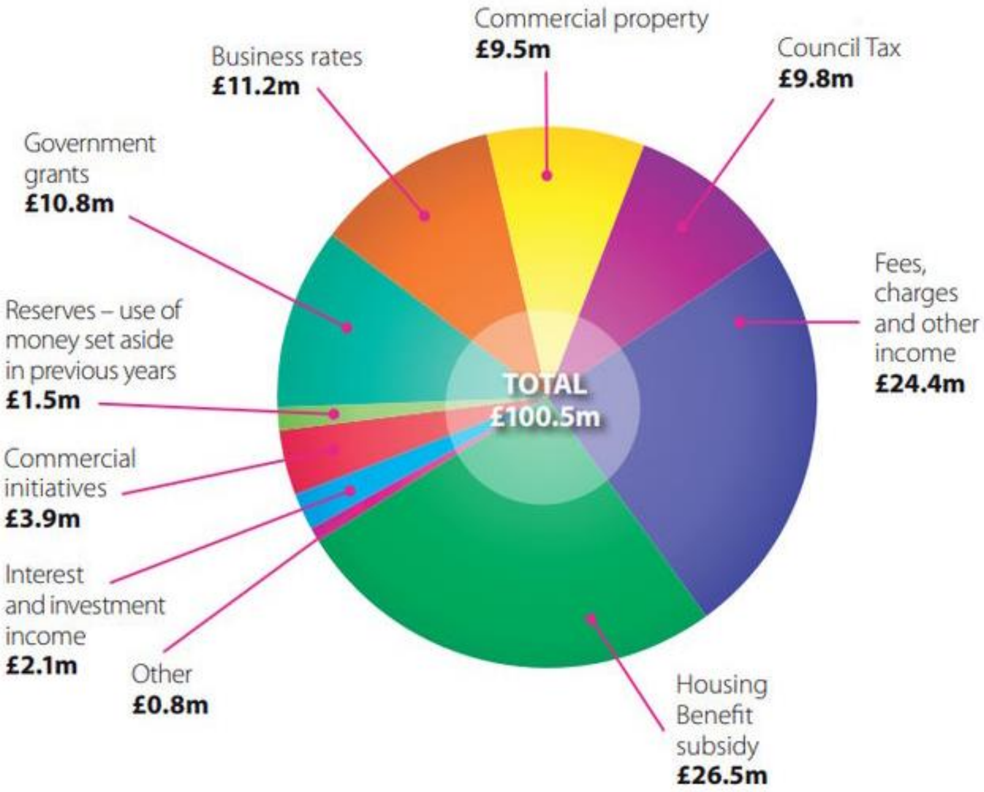
We are keen to understand residents' and businesses' views on the services we provide and on proposals we have identified that could be used to balance our budget for the next financial year (2024/25). The areas covered by council are shown here: Ward map - Cambridge City Council

Cambridge City Council provides a wide range of services and has set out its priorities in our Corporate Plan. Some services in the city of Cambridge are provided by Cambridgeshire County Council (for instance maintenance of the highways, social care for children and adults) or the health service (including GPs and dentists) or other bodies. This consultation is not about those services.

At present the council spends about £100 million a year to deliver services in Cambridge, excluding the provision of council homes, which are budgeted and reported separately. This is paid for mainly from the income we generate from fees and charges for services, commercial property rents and government grants.

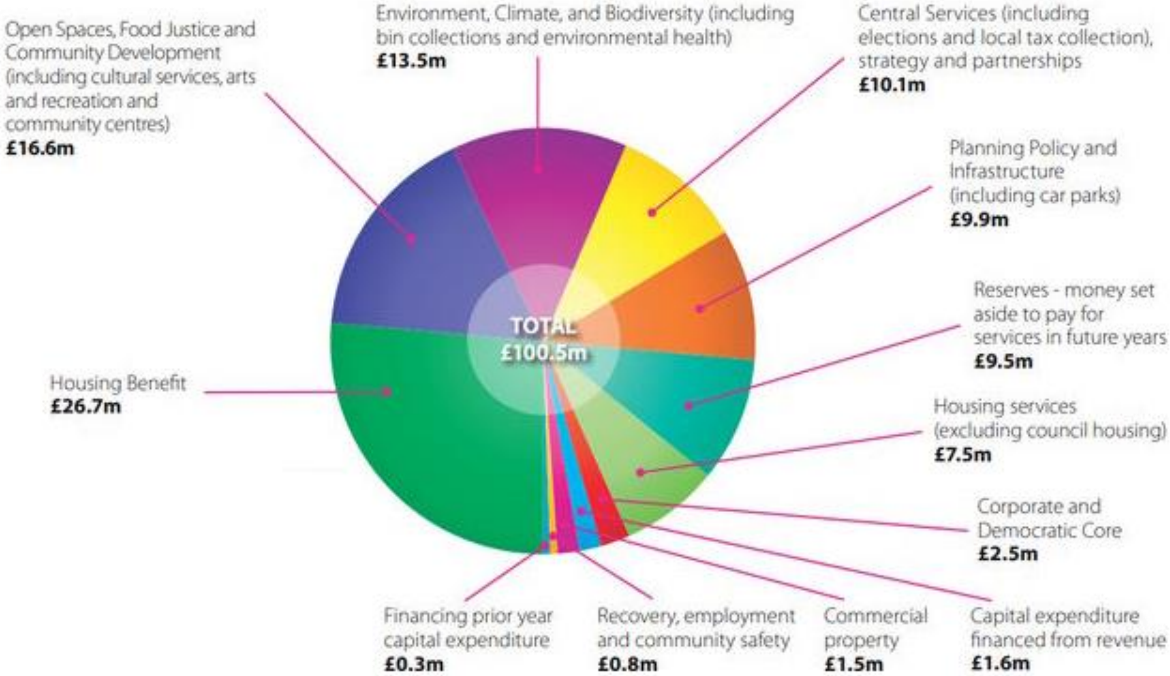
Our net spend is that part of our total spend that is not covered by the income we generate. It is about £20m per year and is funded by a share of business rates and Council Tax.

Where the council's money comes from



Income	
Service	**Income**
Housing Benefit subsidy	£26.5m
Fees, charges and other income	£24.4m
Business rates	£11.2m
Government grants	£10.8m
Council Tax	£9.8m
Commercial property	£9.5m
Commercial initiatives	£3.9m
Interest and investment income	£2.1m
Reserves – use of money set aside in previous years	£1.5m
Other	£0.8m
Total income	**£100.5m**

Where the council's money is spent



Expenditure	
Service	**Expenditure**
Housing Benefit	£26.7m
Open Spaces, Food Justice and Community Development (including cultural services, arts and recreation and community centres)	£16.6m
Environment, Climate, and Biodiversity (including bin collections and environmental health)	£13.5m
Central Services (including elections and local tax collection), strategy and partnerships	£10.1m
Planning Policy and Infrastructure (including car parks)	£9.9m
Reserves - money set aside to pay for services in future years	£9.5m
Housing services (excluding council housing)	£7.5m
Corporate and Democratic Core	£2.5m
Capital expenditure financed from revenue	£1.6m
Commercial property	£1.5m
Recovery, employment and community safety	£0.8m
Financing prior year capital expenditure	£0.3m
Total expenditure	**£100.5m**

Need to reduce our net spend

We need to **reduce our <u>net</u> spending by around £6 million** in the next three financial years. This is due to the increasing demand for our services as a result of the cost of living crisis and the growth of the city, which are not matched by increases in our funding from government. Proposals identified in the Medium Term Financial Strategy (MTFS) [link] could contribute to that.

We expect that our annual net spending will need to be around £11.1 million less in 2029 than it is now for the council to be financially sustainable.

This reduction in net spend in the coming years is in addition to the £13 million that the City Council has already saved over the past five years.

Balancing our budget?

The council is delivering a transformation programme called “Our Cambridge” ‘Our Cambridge’ transformation programme - Cambridge City Council .Through this programme we are building on new ways of working and good relationships we have made with other local organisations, so that we can deliver a better future for our communities and local businesses.

We are also looking at changing how we do things within the council, so that we can maximise the value of everything we do and achieve operational efficiencies, improvements, savings and generate additional income.

Have your say

We are keen to hear your views on our five-year financial plans (the MTFS) and the potential savings and additional expenditure included within it [link]

Please submit your views by completing our survey.

What happens next?

- Draft budget proposals will be discussed at our Strategy and Resources Scrutiny Committee meeting on 15 January 2024. Agenda for Strategy and Resources Scrutiny Committee on Monday, 15th January, 2024, 5.30 pm - Cambridge Council
- Your responses to our survey will be summarised and reported to councillors after that meeting. Your responses will then inform our thinking on budget choices and service priorities as we finalise our budget for 2024/25.
- The Budget will be discussed at a meeting of The Executive on 5 February 2024 and a decision will be made at the Council meeting on 15 February 2024.
- We will communicate what has been decided after that meeting via our website.

Questionnaire

We are keen to hear your views on the services we provide and on proposals to help set our budget for the next financial year (2024 to 2025).

The survey will take approximately nine minutes to complete

PRIORITISATION OF COUNCIL SERVICES

1. **What do you think are the three most important priorities for Cambridge?**

The following statements or phrases describe some of the things that may need to be done in Cambridge by either the council, its partners or other agencies in the year(s) ahead.

In some cases, the council has a limited direct impact but seeks to work with partners to address those.

Please select three options.

a) Affordable housing
b) Climate change and biodiversity
c) Congestion, greener transport and active travel
d) Essential public services (for example, collecting household waste, street cleaning and planning applications)
e) Homelessness
f) Local economy sustainable growth
g) Local skills
h) Addressing poverty and inequality
i) Ensuring people are safe and have equal access to opportunities and resources
j) Something else? Please specify.

2. **Select three of our top services that you value most.**

Please select three options.

- Benefits (including Housing Benefit and Council Tax reductions)
- Car parks
- Central market
- Community centres and community development

- Council houses and sheltered housing
- Community safety (including preventing anti-social behaviour)
- Crematorium and bereavement services
- Cultural services, including the Corn Exchange and outdoor events such as the Folk Festival and Fireworks Night
- Elections
- Environmental health services (including licensing, air pollution, food safety standards in restaurants and standards in private rented housing)
- Housing advice and temporary accommodation for people at risk of homelessness
- Leisure services, including swimming pools
- Parks, open spaces, trees and nature reserves
- Planning services (including planning applications, enforcement and local plan making)
- Street cleaning services
- Waste services (including recycling and green waste)

BALANCING THE 2024 TO 2025 BUDGET

The Medium Term Financial Strategy (MTFS) identifies strategic savings and additional spending that could be considered for inclusion in our budget for the year ahead. These potential changes are likely to have the most impact on public services and on our budget.

6. Which of the potential budget proposals do you support? [tick boxes to indicate support]

a) Improve the environmental performance of our buildings
b) Where possible, charge commercially for the provision of advice
c) Review and merge services to improve efficiency
d) Rent out unused office space
e) Modernise and streamline operational services
f) Support households in need impacted by the cost of living crisis
g) In collaboration with partners, reduce emissions from our buildings and the wider city to reduce the city's carbon footprint
h) None of the above

Please explain briefly why you support these proposals.

7. Are there any potential budget proposals that you oppose? [tick boxes to indicate opposition]

8. Improve the environmental performance of our buildings
9. Where possible, charge commercially for the provision of advice

10. Review and merge services to improve efficiency
11. Rent out unused office space
12. Modernise and streamline operational services
13. Support households in need impacted by the cost of living crisis
14. In collaboration with partners, reduce emissions from our buildings and the wider city to reduce the city's carbon footprint
15. None of the above

Please explain briefly why you oppose these proposals.

OPTIONS TO BALANCE THE BUDGET OVER THE NEXT FIVE YEARS

16. To what extent do you agree that we should focus on:

a. Using digital technology and providing more services online, whilst maintaining face-to-face support only where it is needed
   a) Strongly Agree
   b) Agree
   c) Neither Agree nor Disagree
   d) Disagree
   e) Strongly Disagree

b. Increasing co-operation and co-delivery of services by working with local communities and voluntary sector organisations to design and deliver services:
   a) Strongly Agree
   b) Agree
   c) Neither Agree nor Disagree
   d) Disagree
   e) Strongly Disagree

c. Working collaboratively with local partner organisations, including businesses, universities and statutory partners such as Cambridgeshire County Council, NHS, police and other public bodies
   a) Strongly Agree
   b) Agree
   c) Neither Agree nor Disagree
   d) Disagree
   e) Strongly Disagree

d. Working with neighbouring councils to deliver additional shared services to help save money and become more efficient
   a) Strongly Agree
   b) Agree
   c) Neither Agree nor Disagree

d) Disagree
e) Strongly Disagree

17. How strongly do you agree or disagree with the following statements about the approaches Cambridge City Council could take to balance its budget:

e. Stop delivering services that have a less direct impact on residents' quality of life
    a) Strongly Agree
    b) Agree
    c) Neither Agree nor Disagree
    d) Disagree
    e) Strongly Disagree
f. Continue delivering existing services, but do some things to a reduced specification or frequency (for example grass cutting, street cleansing)
    a) Strongly Agree
    b) Agree
    c) Neither Agree nor Disagree
    d) Disagree
    e) Strongly Disagree
g. Reduce capital spending on physical assets and 'street scene' projects in the city (for example, park, playgrounds and street furniture)
    a) Strongly Agree
    b) Agree
    c) Neither Agree nor Disagree
    d) Disagree
    e) Strongly Disagree
h. Increase fees and charges for some services (the council currently charges for parking, planning applications, inspections, hire of buildings and open spaces etc. and may consider introducing charges for some additional services)
    a) Strongly Agree
    b) Agree
    c) Neither Agree nor Disagree
    d) Disagree
    e) Strongly Disagree
i. Seek to increase income from the commercial properties through redevelopment and refurbishment
    a) Strongly Agree
    b) Agree
    c) Neither Agree nor Disagree
    d) Disagree
    e) Strongly Disagree
j. Sell underused buildings and assets or let them out to generate additional income
    a) Strongly Agree
    b) Agree
    c) Neither Agree nor Disagree

d) Disagree
e) Strongly Disagree

COUNCIL TAX

In Cambridge, increasing Council Tax by 1% raises an extra £98,000 for the city council (89% of the Council Tax that we collect goes to Cambridgeshire County Council, police and fire services).

An increase of 2.99% would add about £6.54 per year to the bill for a Band D property (an average house). This would generate around £293,000 for the city council. It is the most we are allowed by the Government to raise Council Tax in one year without holding a referendum.

18. Bearing in mind the need to find £2.3m to balance next year's budget, which of the following options do you support?

a) Reduce Council Tax
b) Keep Council Tax the same
c) Increase Council Tax by less than 2.99%
d) Increase Council Tax by 2.99%
e) Increase by more than 2.99%

Please explain why you chose this option.

END