



Cambridge City Council
Strategy and Resources Scrutiny Committee

Date: Monday, 20 November 2023

Time: 5.30 pm

Venue: Council Chamber, The Guildhall, Market Square, Cambridge, CB2 3QJ [access the building via Peashill entrance]

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

Agenda

- 1 Apologies for Absence
- 2 Declarations of Interest
- 3 Minutes (Pages 3 - 8)
- 4 Public Questions
- 5 To Note Record of Urgent Decision Taken by the Executive Councillor for Finance and Resources
- 5a Building Cleaning Contract (Pages 9 - 10)

Decisions for the Executive Councillor for Finance and Resources

- 6 Treasury Management Half Yearly Update Report 2023/24 (Pages 11 - 32)
- 7 General Fund Medium Term Financial Strategy 2023/24 to 2032/33 and indicative strategic budget proposals for consultation (Pages 33 - 96)

Strategy and Resources Scrutiny Committee Members: Robertson (Chair), Baigent (Vice-Chair), Bennett, Bick, Gawthrop Wood, Holloway, Young and Sheil

Alternates: Divkovic, Nethsingha and Payne

Executive Councillors: Davey (Leader), Gilderdale (Executive Councillor for Community Wealth Building and Community Safety and Deputy Leader (Statutory)) and S. Smith (Executive Councillor for Finance and Resources)

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- Email: democratic.services@cambridge.gov.uk
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All questions must be submitted in writing in full by noon two working days before the date of the meeting. The questions submitted will be published on the meeting webpage before the meeting is held and will not be read out.

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

STRATEGY AND RESOURCES SCRUTINY COMMITTEE 2 October 2023
5.30 - 6.59 pm

Present: Councillors Robertson (Chair), Baigent (Vice-Chair), Bennett, Bick, Gawthrop Wood, Holloway and Young

Officers:

Assistant Chief Executive: Andrew Limb

Development Manager: Alistair Wilson

Asset Development Manager: Anthony French

Committee Manager: Chris Connor

Producer: Boris Herzog

Others Present:

The Council's representative on the Combined Authority Board: Councillor Anna Smith

Cambridgeshire and Peterborough Combined Authority Chief Executive: Rob Bridge

FOR THE INFORMATION OF THE COUNCIL

Information Note:

This Scrutiny Meeting was an informal meeting as the agenda was not published in time to meet the legal requirement for 5 clear days' notice of a meeting.

The decision on the Building Cleaning Contract would be taken by the Executive Councillor for Finance & Resources after the (informal) meeting, who would consider all the points raised in the debate. The decision would be reported to the next Strategy and Resources Scrutiny Committee in November.

23/100/SR Apologies for Absence

No apologies were received.

23/101/SR Declarations of Interest

No declarations of interest were made.

23/102/SR Minutes

As no decisions could be made at this meeting the approval of the minutes was deferred to the next meeting.

23/103/SR Public Questions

There were no public questions.

23/104/SR Combined Authority Update

Matter for Discussion

This is a regular report to the Scrutiny Committee each cycle providing an update on the activities of the Cambridgeshire and Peterborough Combined Authority (CPCA) Board since the last meeting of the Scrutiny Committee on 3 July.

Informal Debate

The Council's representative on the Combined Authority Board Councillor A. Smith provided a verbal report:

- i. Would go to audit on bus reform business case.
- ii. Phases one and two of the CPCA bus network review would go ahead.
Would investigate current subsidised routes.
- iii. Introduced new Cambridgeshire & Peterborough Combined Authority Chief Executive Rob Bridge who was present and who introduced himself to Members.

The Council's representative on the Combined Authority Board A. Smith and Cambridgeshire & Peterborough Combined Authority Chief Executive Rob Bridge said the following in response to Members' questions.

- i. The special measures put in place for the CPCA were put in place by the Department for Levelling Up, Housing and Communities (DLUC) for 12 months. Would meet with DLUC in January to ascertain if special

measures would continue. Was hopeful these measures would be ended in January.

- ii. The current Local Transport Connectivity Plan (LTCP) was still in effect. Had hoped the new local transport plan was passed by the CPCA Board at the last meeting however it was not.
- iii. Would need to explore next steps regarding the LTCP. Expected a government announcement regarding that and would review next steps then.
- iv. Had a finite set of funds to subsidise bus routes.
- v. Did not just want to keep the bus routes that were profitable, would look at routes that the public needed and if were not subsidised would not run.
- vi. It was not a franchise network.
- vii. There would be a community led investigation regarding bus routes.
- viii. The CPCA did need to step in and save routes that had been cut.
- ix. Had been looking at routes that were not currently running to see if any that were needed could be added.
- x. A [statement](#) had been put out by the CPCA regarding the number 18 bus route.
- xi. Franchising may be a good solution to bus routes as franchising could cross subsidise from successful to struggling routes.
- xii. Audit of franchising was the first step.
- xiii. The number 18 bus route was currently subsidised.
- xiv. The DLUC auditor recognised that progress had been made at the CPCA.
- xv. There were political differences in the Chamber of the CPCA. However felt that there had been improvements.
- xvi. Was aware of issues with the A-bus route and that local people were having issues. This was not a subsidised route. Stagecoach were able to do what they like however were in conversation with Stagecoach.
- xvii. There were opportunities in the future for Cambridge City Council to be more involved in the CPCA in the future.
- xviii. Recognised there were challenges around water scarcity. There would be a new Fenland reservoir which would have an effect on the area. The CPCA was heavily involved.

23/105/SR Building Cleaning Contract

Informal Debate

The Asset Development Manager introduced the report.

The Asset Development Manager and the Development Manager and said the following in response to Members' questions:

- i. There were no major risks, there was just a short period of time to but contract out to tender.
- ii. There was a financial risk in not securing a contract in time. Could go over budget if not found.
- iii. Current employees were Cambridgeshire based.
- iv. This would be advertised on the Council website, therefore there were opportunities locally and nationally.
- v. There did not need to be a consultation with the Executive Councillor regarding the end of the previous contract.
- vi. It would be difficult to pause the process now as the current process may time out and we would be left with no service.
- vii. A decision could be taken at a later date if Members wished to consider bringing this back in-house.
- viii. The Executive Councillor stated that he did see an early draft of this report however due to timescale no other option than to proceed with Officers recommendation. However does agree that Members should have been advised well in advance so an informed debate could have taken place.
- ix. There was 1 full time toilet cleaning attendant at Lion Yard and a mobile team that clean the other 14 sites. There were 6 workers in total. There were also supervisors who oversaw the cleaners.
- x. Monthly KPI monitoring meetings took place with the contracting company.
- xi. For the actual asset itself, any repairs that were necessary were managed by the Operations Team.

The Chair asked the Committee informally if they were able to make a decision today what would their response have been. The response was that 8

Members would have approved the recommendation and that 1 Member would have abstained.

Information note:

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The decision on the Building Cleaning Contract would be taken by the Executive Councillor for Finance & Resources after the (informal) meeting, who would consider all the points raised in the debate. The decision would be reported to the next Strategy and Resources Scrutiny Committee in November.

The decision was available to view [here](#).

The meeting ended at 6.59 pm

CHAIR

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Cambridge City Council

Record of Executive Decision

Approval of Building Cleaning Contract

Decision of: Councillor Simon Smith, Executive Councillor for Finance and Resources

Reference: 23/URGENCY/S&R/16

Date of decision: 03/10/23 Date Published on website: 05/10/23

Decision Type: Key

Matter for Decision: To advise the Executive Councillor that lots 1 and 2 of the existing building cleaning contract(s) are being allowed to expire with the current contractor on March 31st, 2024, and to seek approval to re-procure the services.

Why the Decision had to be made (and any alternative options):

The agenda was not published in time to meet the legal requirement for 5 clear days' notice of a meeting for a decision to be made at Strategy and Resources Scrutiny Committee Meeting on 02 October 2023.

The Executive Councillor's decision:

- a) To note and approve the re-procurement of lots 1 & 2 within the Building Cleaning contracts, subject to best value considerations.
- b) To delegate to the Director of City Services the authority to take delegated decisions to determine the specification, tender evaluation, and award one or more contracts for building cleaning, in consultation with the Committee Chair and Opposition Spokes.

Reason for the decision: As detailed in the Officers report [here](#).

Scrutiny Consideration: Members of the Strategy and Resources Scrutiny Committee informally discussed this item prior to the action being authorised.

Conflict of interest: None

Comments: None

The decision will be reported back to Strategy and Resources Scrutiny Committee in November 2023

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 MTF5 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
<i>Financed from cash balances & any Prudential Borrowing required</i>	<i>74,051</i>	<i>128,210</i>	<i>80,261</i>	<i>53,397</i>
<i>Minimum Revenue Provision</i>	<i>(309)</i>	<i>(355)</i>	<i>(2,587)</i>	<i>(3,240)</i>
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 23 rd 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
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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
<u>Prudential Indicators</u>				
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.

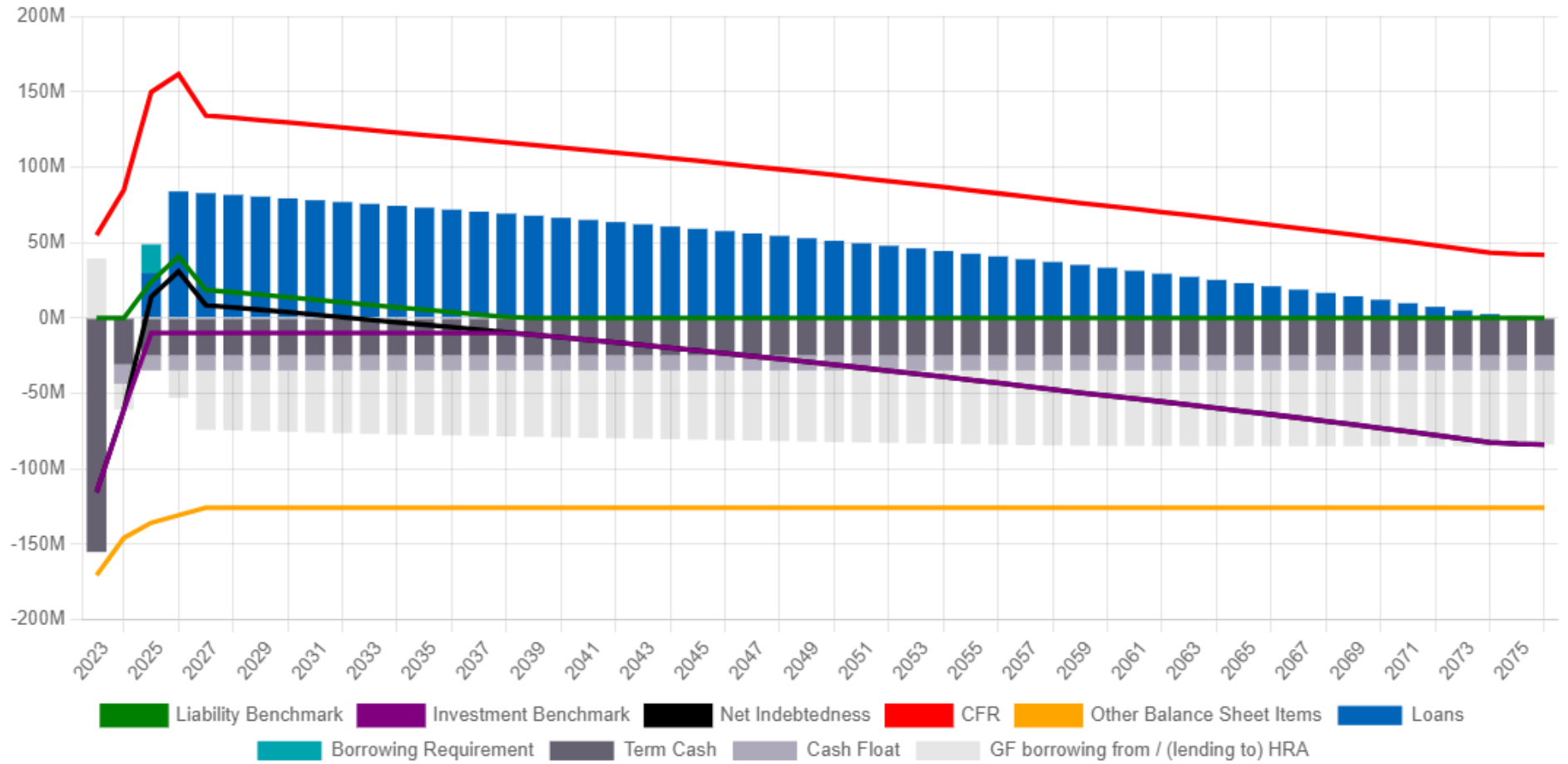
PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

Estimates	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
<u>Treasury Indicators</u>				
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%	

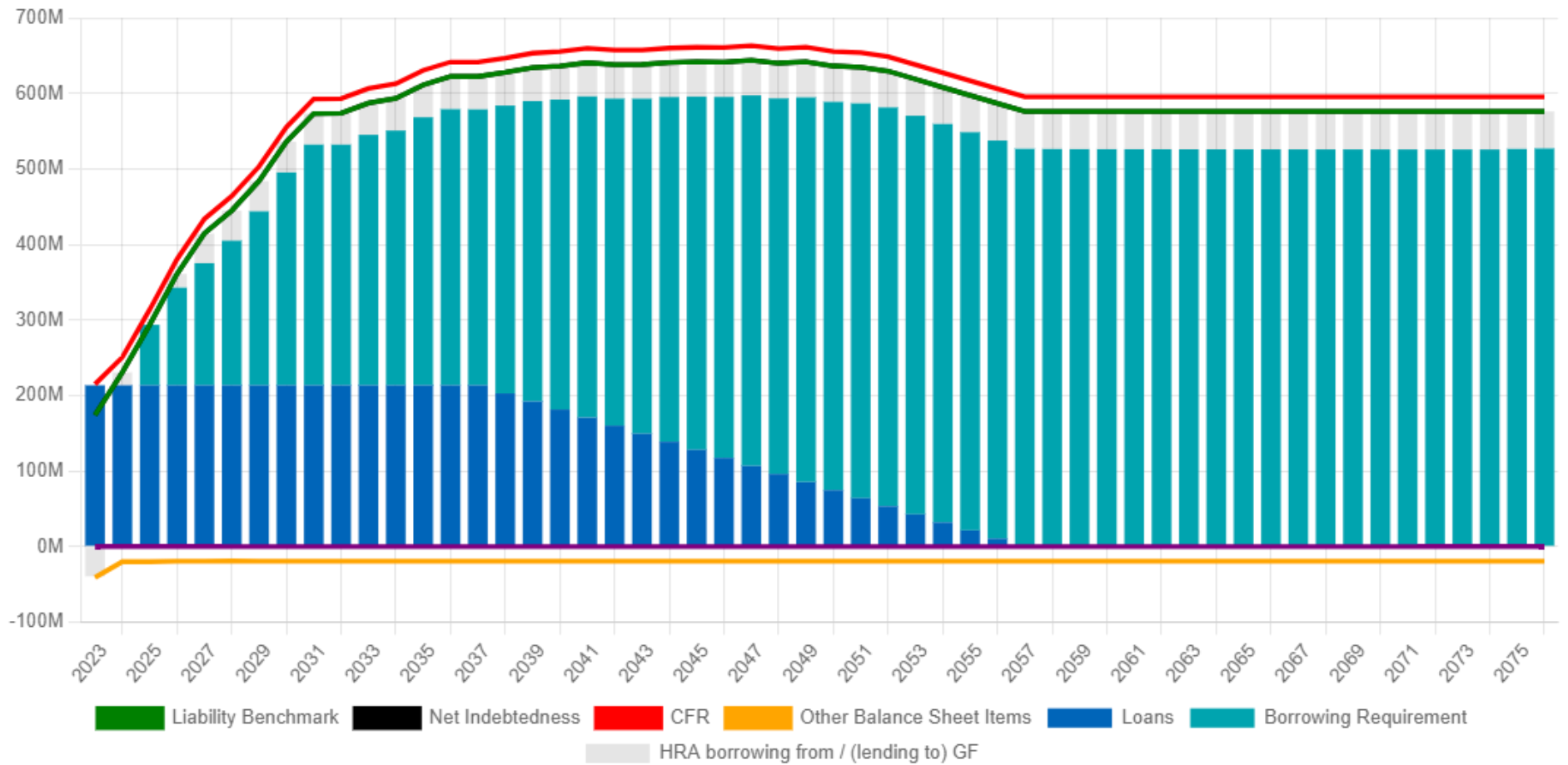
The above table reflects the treasury management implications of the projected capital expenditure, financing costs and investment income set out in the council's current Medium Term Financial Strategy (MTFS). The use of the MTFS is considered to provide the most relevant source of data to show how the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

General Fund Liability Benchmark

Page 24



HRA Liability Benchmark



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: AAf/S1, Fitch: AA/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 (AAf) – 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: AAf/S1, Fitch: AA/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.

Deposits as at 29 September 2023

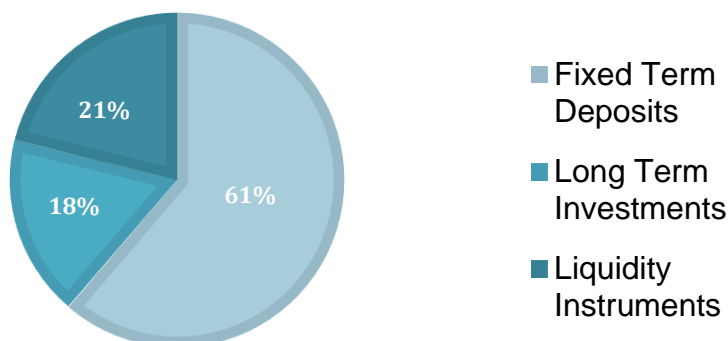
Local authorities are free to deposit surplus funds not immediately required to meet the costs of providing its services. The council deposits amounts set aside in its general reserves and earmarked reserves.

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



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 1 st 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 1 st 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

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 2024/25 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
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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



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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 expected 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.

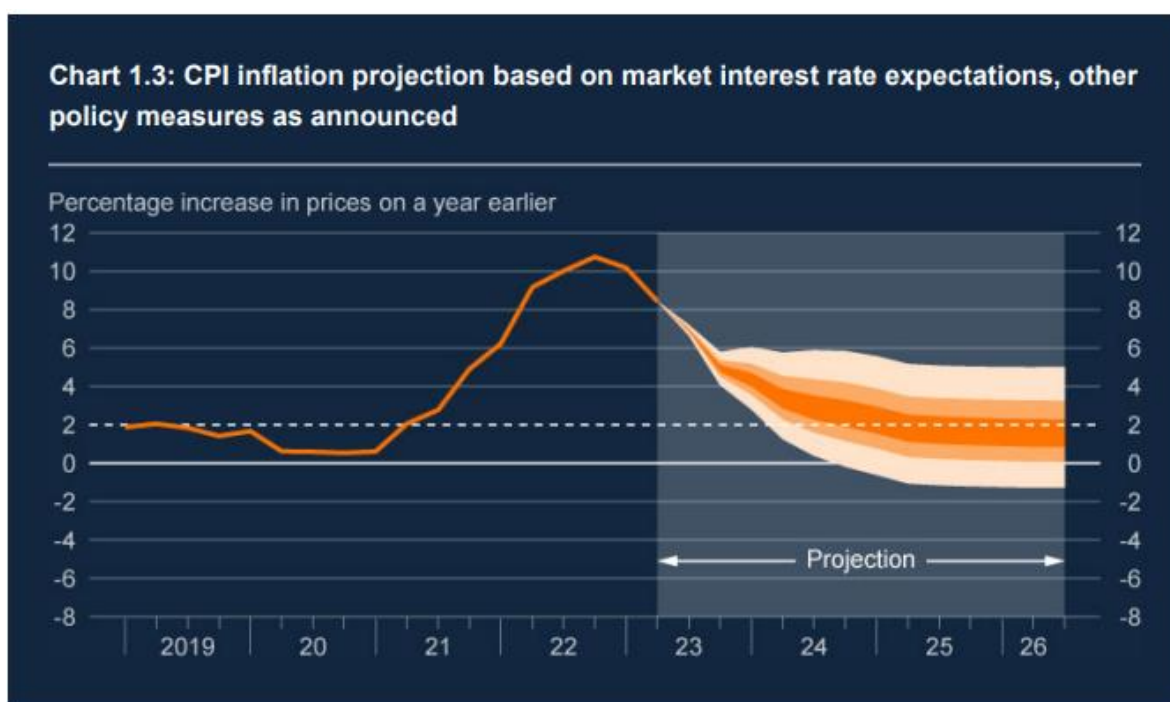
Officers have therefore made judgments based on the available forecasts and economic data to forecast the council's position over the medium term. Most notably, pay awards already agreed, those under negotiation, and those anticipated will continue to significantly increase the council's cost base. Such 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:

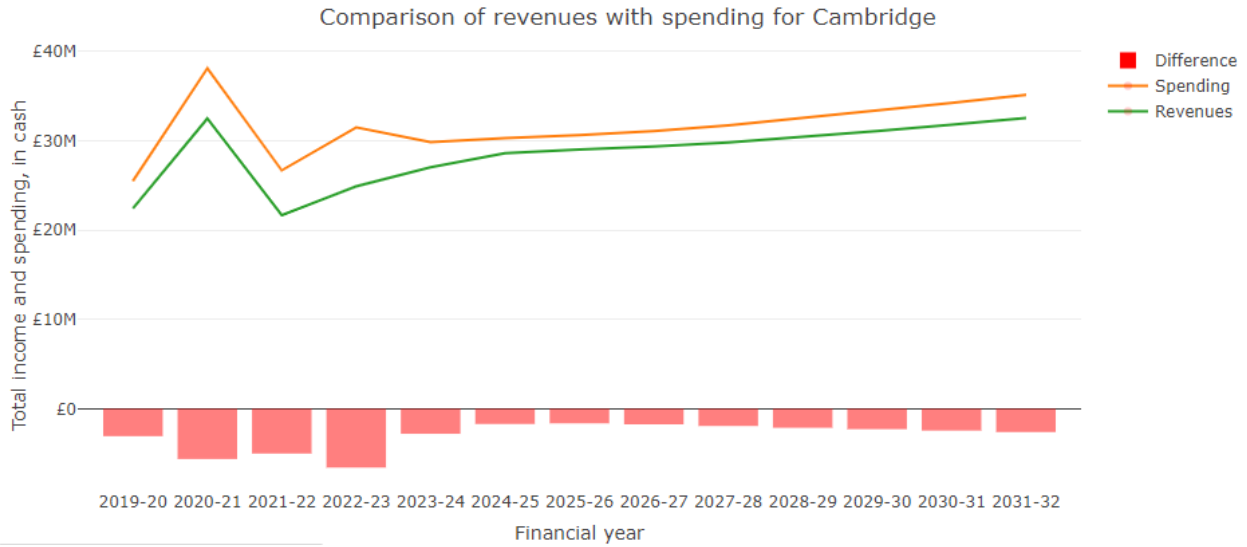
- To ensure that the budget reflects the cost of permanent staffing resources as would have been budgeted for if the updated assumption had been used when the original budget was set;
- To ensure the year-end outturn variance against budget is meaningful and reflects the organisation's true performance 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 settlement 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:

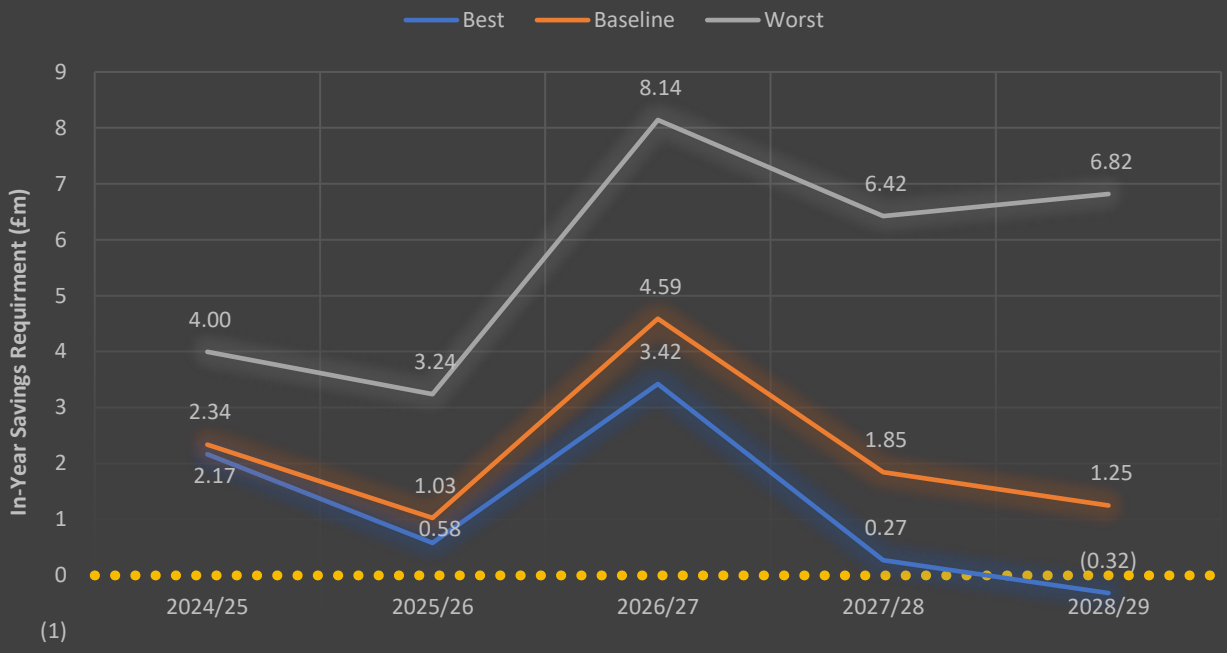
- The local government finance settlement for 2023/24 was better than expected and now forms the basis for settlements until 2026/27, assuming fair funding reforms are delayed from 2025/26.
- Higher inflation expectations contribute to an increase in pay and non-pay expenditure which is partially offset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

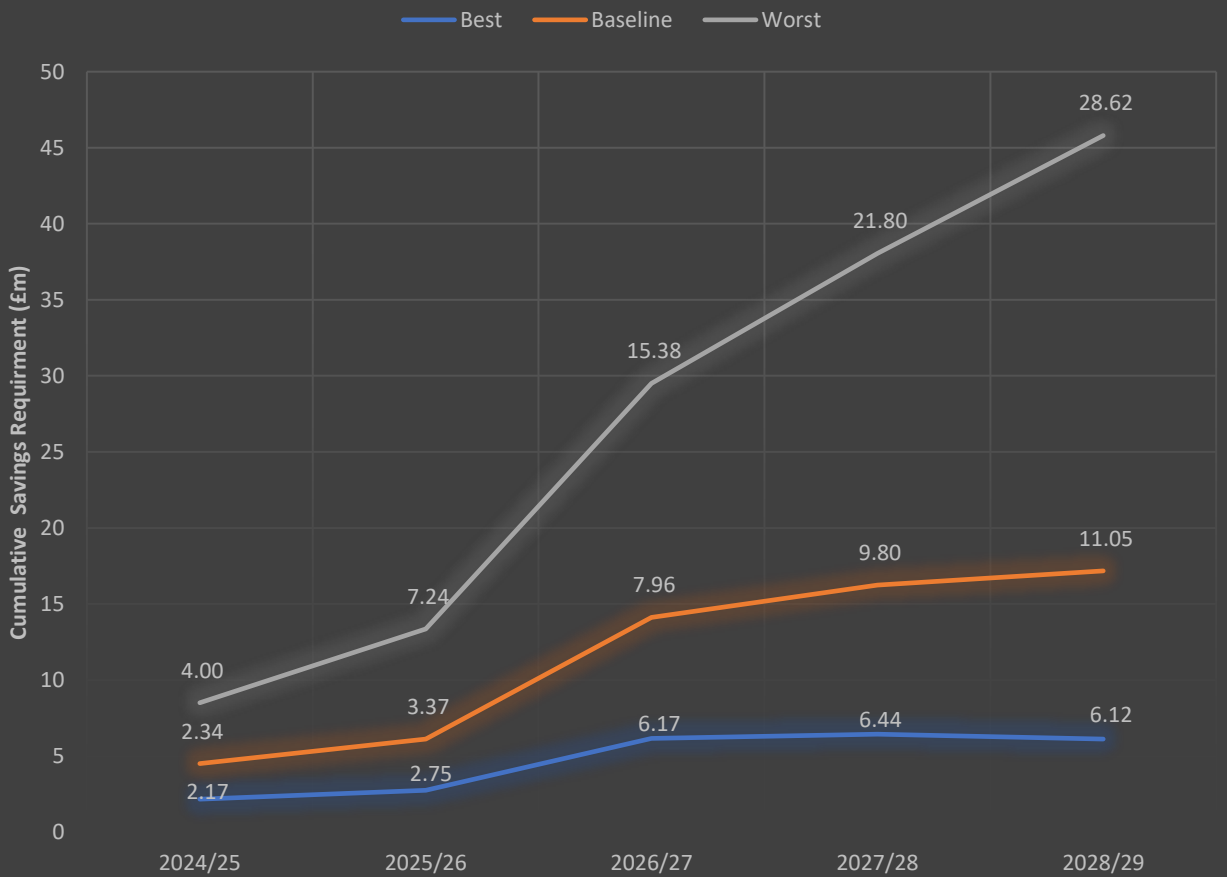
Scenarios

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



Scenario Modelling - Reasonably Possible Cumulative Savings Requirement 2024-25 to 2028-29



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 reappropriationment 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:

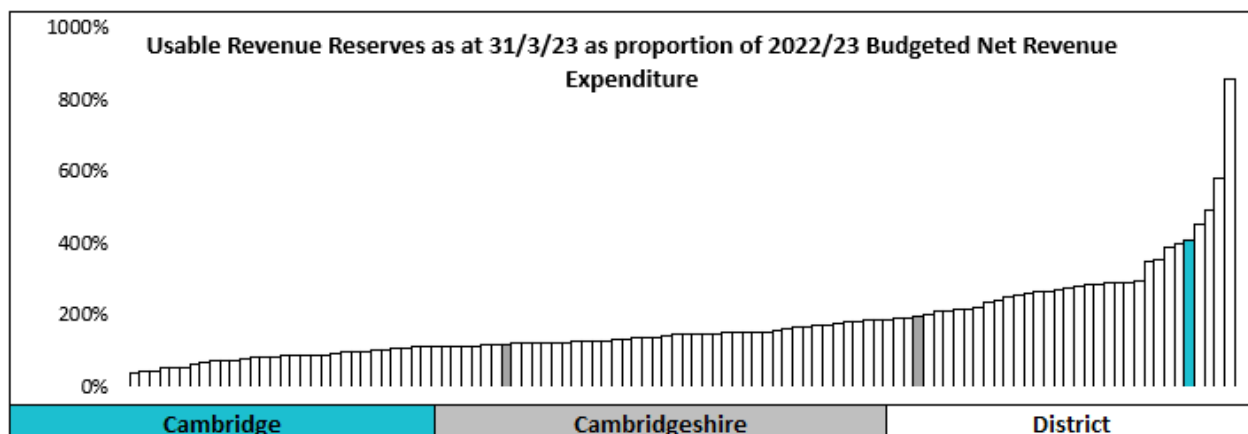
- Funds to deliver refurbishment of the Guildhall and associated decarbonisation works in line with the Office Accommodation Strategy approved at Strategy and Resources Scrutiny Committee in October 2022. Officers are currently developing a programme of works to estimate the cost of a range of schemes 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					
<i>Indicative funding for further restructuring arising from future phases of Our Cambridge</i>		1,000	1,000	-	-	-
<i>Indicative funding for the Climate Change Fund (CCF)</i>	-	750	50	50	50	50
<i>Indicative transfer to earmarked reserve for Guildhall refurbishment and decarbonisation</i>	-	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.

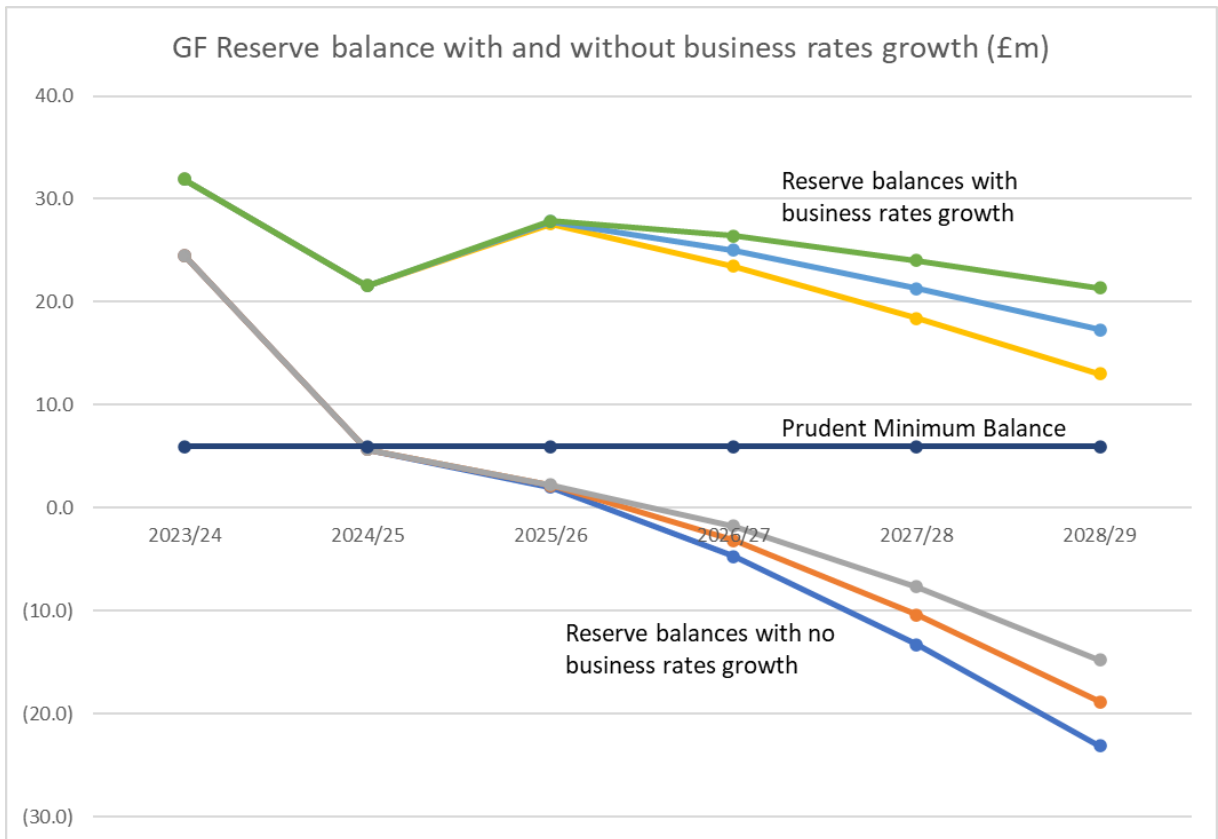
The latest forecast of GF savings that could be deliverable within the three year programme are shown below. It is assumed for planning purposes that approximately 75% of total savings will be attributable to the GF, and the remainder to the Housing Revenue Account (HRA). Savings shown for the extended 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	<i>Low</i>	34,856,820	69,714
Premises costs	<i>Medium</i>	8,441,890	37,989
Transport costs	<i>Medium</i>	649,560	3,897
Supplies and services	<i>Medium</i>	30,402,700	91,208
Grants and transfers	<i>Low</i>	27,883,740	27,884
Grant income	<i>Low</i>	41,221,590	41,222
Other income	<i>Variable</i>	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%
Legal action - counsel's fees		100,000	50%
Data Protection breach		500,000	30%
Capital project overruns		750,000	50%
Project failure / delays to savings realisation		6,000,000	33%
Cover for lower level of earmarked and specific reserves		500,000	30%
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

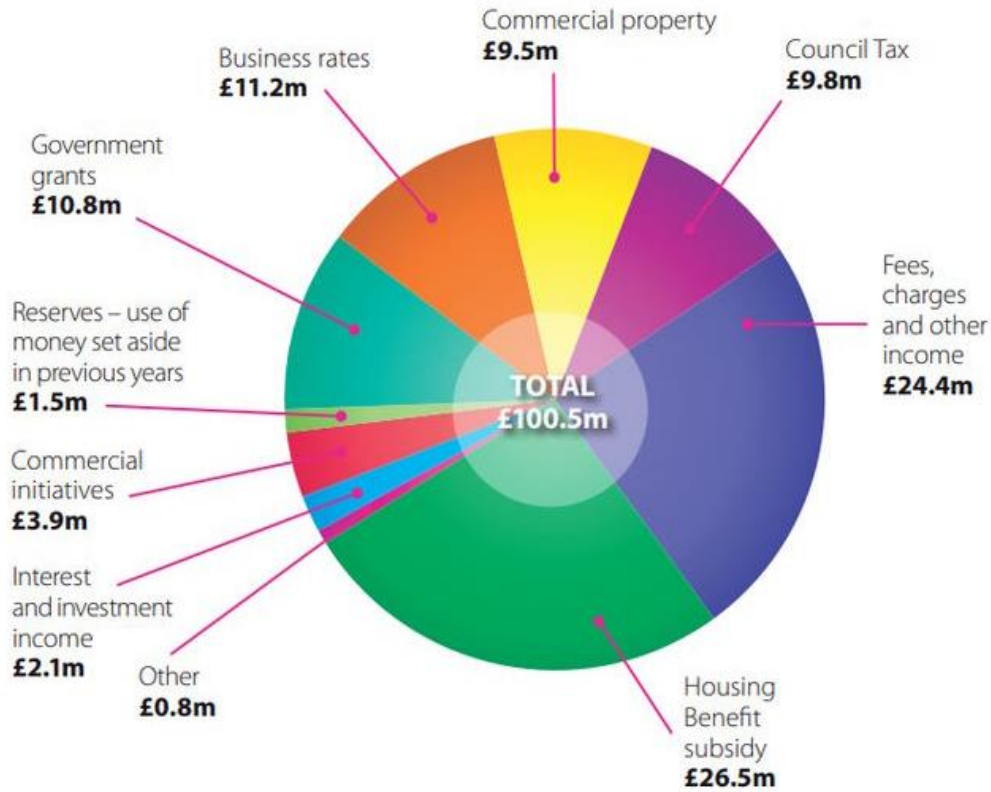
We are keen to understand residents' and businesses' views on the services we provide and on proposals we have identified that could be used to balance our budget for the next financial year (2024/25). The areas covered by council are shown here: [Ward map - Cambridge City Council](#)

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.

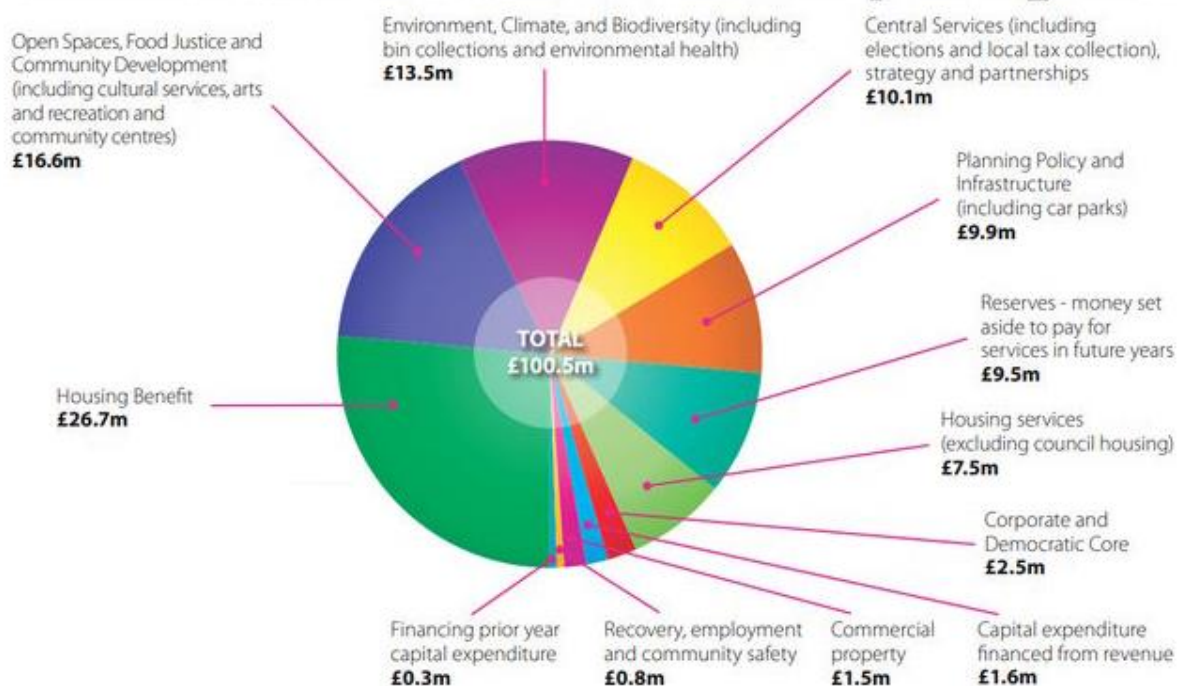
Our net spend is that part of our total spend that is not covered by the income we generate. It is about £20m per year and is funded by a share of business rates and Council Tax.

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 net 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