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Cambridge City Council

Strategy and Resources Scrutiny Committee

Date: Monday, 15 January 2024

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

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

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

Item

Strategy & Resources 15 January 2024 - Finance and Resources Portfolio: Capital Strategy 2024/25

To:
Councillor Simon Smith, Executive Councillor for Finance and Resources Portfolio

Report by:
Caroline Ryba, Chief Finance Officer
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

1.1 The council continues to develop and expand well-established, long term capital planning.

1.2 This report presents the capital strategy of the council together with a summary capital programme for the General Fund (GF) and Housing Revenue Account (HRA). The previous capital strategy was approved by Council on 23 February 2023. The strategy is focused on providing a framework for delivery of capital expenditure plans over a 10-30 year period. These plans cover spending on operational assets to support service delivery and on investments which provide an income for the council alongside meeting the council's objectives in relation to economic development and place-making, regeneration and climate change mitigation. Governance arrangements are also outlined in order to ensure the capital programme continues to deliver value for money.

1.3 The council has a substantial capital programme which is mainly guided by and supports the strategic aims of the council as outlined in the O*ne Cambridge – Fair for All* vision and defined in the *Annual Statement* as published on the council website.

1.4 The strategy has been updated to reflect:

- The implementation of a Group-based management structure (paras. 1.7-1.8)
- Establishment of the Development Agency with a remit covering commercial, as well as residential opportunities previously delivered by the Housing Development Agency (HDA) (para. 1.8)
- Approval of an updated asset management plan for the general fund (para. 5.2)
- An update on the Office Accommodation Strategy (para. 5.3)

2 Section 151 officer report

2.1 The council's Section 151 officer is required to report explicitly on the affordability and risk associated with the capital strategy.

2.2 As highlighted in the strategy the council ensures that capital projects and schemes are accompanied by detailed funding proposals. Where projects are to be funded from borrowing, either internally from cash balances or externally, a prudent Minimum Revenue Provision charge is made. The council has not borrowed externally to fund capital expenditure in the recent past, the current external borrowing representing debt incurred on the transition from the old housing subsidy system to HRA self-financing.

2.3 Where the council has expanded its commercial activities by purchasing commercial properties or by making loans to subsidiaries and joint ventures to facilitate the provision of intermediate housing or the development of sites for market and affordable housing, it ensures that the risks taken are proportionate to the size and scale of the authority. Legal advice is taken alongside the completion of appropriate due diligence and any loans are secured where appropriate. On projects undertaken by joint ventures the council monitors the expected repayment of loans and expected future surpluses carefully. The council has not borrowed externally to fund the increase in commercial activity.

2.4 External debt will be used to fund the redevelopment of the Park Street multi-storey car park and future housing developments within the HRA. The council is aware of the risks associated with borrowing to fund regeneration and will continue to seek appropriate external advice before undertaking borrowing to finance new regeneration schemes.

2.5 External borrowing may also be used to fund the remainder of the capital programme where capital receipts and cash balances are insufficient. The level of capital spending will be reviewed annually for affordability in the Medium Term Finance Strategy (MTFS), before proposals are brought forward through the budget setting process.

3 Recommendations

3.1 The Executive Councillor is asked to:

- Recommend the capital strategy to Council; and
- Note the summary capital programme

4. Implications

(a) Financial Implications

The capital strategy underpins the Medium Term Financial Strategies (MTFSs) and Budget Setting Reports (BSRs) for the General Fund (GF) and Housing Revenue Account (HRA). The financial implications of the strategy are included within those documents. The treasury management implications of the strategy are summarised within the treasury management strategy statement.

(b) Staffing Implications

The capital strategy is considered to be deliverable within current staff resources. However, this will be kept under review by management through the relevant programme boards.

(c) Equality and Poverty Implications

Decisions around individual items of capital expenditure, properties and investments will consider the equality and poverty implications as and when specific proposals are made.

(d) Net Zero Carbon, Climate Change and Environmental Implications

Decisions around individual items of capital expenditure, properties and investments will consider the environmental implications as and when specific proposals are made.

(e) Procurement Implications

There are no direct procurement implications arising from this report. Any subsequent actions will be undertaken in accordance with procurement regulations, contract procedure rules and any other related legislation.

(f) Community Safety Implications

None.

5. Consultation and communication considerations

Individual proposals arising from this strategy will be consulted on as appropriate.

6. Background papers

These background papers were used in the preparation of this report:

- GF and HRA Budget Setting Reports 2024/25

- Treasury Management Strategy Statement 2024/25

7. Appendices

The following item is included in this report:

- Capital Strategy 2024/25

8. Inspection of papers

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

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Cambridge City Council
Capital Strategy 2024/25
Contents

1. Introduction

1.1 The CIPFA Prudential Code requires that councils have a capital strategy that demonstrates that the council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The strategy should set out the long-term context in which capital expenditure and investment decisions are made and give due consideration to both risk and reward and the impact on outcomes.

1.2 As local authorities become increasingly complex and diverse it is important that those charged with governance understand the long- term context in which investment decisions are made and the financial risks to which the council is exposed.

1.3 The strategy maintains a strong and current link to the council's priorities and to other key strategy documents including the Treasury Management Strategy, General Fund (GF) and Housing Revenue Account (HRA) Medium Term Financial Strategies ('MTFS') and the Council's Vision and Annual Statement.

1.4 By its very definition a capital strategy is a document developed in the context a long-term planning horizon. The past ten years has seen the population of our city grow by 17.6%. The population will soon exceed 150,000 and is expected to continue to grow. The success of our universities mean that we welcome 15,000 new residents each year with a similar number moving out of the city.

1.5 In our city centre and on its outskirts substantial inward investment has contributed to a dynamic and vibrant local economy with specialisms in technology and biological sciences. Working with its partners across the private and public sectors, the Council is well-placed to continue benefit from this investment through local taxation and the provision of income-generating services. However, we are conscious of the expectations that accompany such investment and the effort needed to maintain economic competitiveness.

1.6 Despite the city's economic success, the benefits of economic growth and private sector investment have not been evenly distributed. Addressing inequality and poverty through investment in high-quality affordable housing and as part of initiatives such as community wealth building are key corporate priorities.

1.7 This strategy has been updated to reflect changes in the way the Council is structured which took effect in May 2023 and continue to evolve. The Council replaced a structure which combined Heads of Service with Strategic Directors and a Chief Executive with four Groups, each headed up by a Director and/or Assistant Director (collectively known as 'Group Leads') and overseen by a Chief Executive based in the Chief Executive's Group. The new arrangements are intended to foster a flatter management structure with senior staff being empowered to make decisions within their Group.

1.8 The revised arrangements enable the Council to respond to regeneration opportunities in the City in a more agile and streamlined manner. In particular, the scope of the Housing Development Agency has recently been expanded to assume a broader role as a Development Agency which enables housing and wider property issues to be considered together as part of the potential redevelopment of existing sites. A Programme Director, based in the Chief Executive's Office, will lead the Council's input into work on the Hartree site in North East Cambridge. More broadly, the Chief Executive's Office will lead the Council's engagement with central government on the 'Cambridge 2040' proposal. This proposal identified the potential of Cambridge to boost economic growth on a regional and national footing through investment in the technology and science sectors and provision of new housing in the City and on its fringes.

1.9 The local economic context in which the Council operates continues to evolve. This has a significant impact on this capital strategy. Over the medium-term the Council will invest its own resources to redevelop assets it already owns and increase the provision of housing through its Housing Revenue Account. The Council will also continue to work to facilitate investment in the City by the public and private sectors. Whatever form these investments take they will ultimately impact service provision. The Council will need to understand and forecast that impact whilst at the same time reviewing its approach to service delivery to achieve the recurrent savings of £11.1M which it need to make by 2028-29 as set out in the Medium Term Financial Strategy.

2 Objective

2.1 The objective of the capital strategy is to provide a framework for understanding the governance procedures and organisational structure relevant to understanding how the Council makes decisions relating to capital expenditure and capital resources. The strategy outlines how stewardship, value for money, prudence, sustainability and affordability will be secured. The strategy also articulates how the current arrangements have been developed to enable the organisation to achieve its corporate objectives.

3 Scope

3.1 The capital strategy specifically focusses on the key areas of:

- Capital expenditure

    - Investments for service purposes
    - Investments for commercial purposes
- Debt, borrowing and treasury management
    - Investments for treasury management purposes

It also considers:

- Other long-term liabilities; and
- Knowledge and skills.

Capital Expenditure

3.2 Capital expenditure (or investments) may be for service or commercial purposes. The CIPFA Prudential Code defines these as follows:

Investments for service purposes *(or service investments) are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. Service investments may or may not involve financial returns; however, obtaining those returns will not be the primary purpose of the investment.*

Investments for commercial purposes *(or commercial investments) are taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services. This includes non-financial assets such as commercial property, where they are held primarily for financial return. Commercial in this context refers to the purpose of the investment. Commercial investments are not taken to meet treasury management cash flow needs, and do not result from treasury risk management activity to prudently manage the risks, costs or income from existing or forecast debt or treasury investments. They are additional investments voluntarily taken primarily to generate net financial return or profit.*

3.3 Decisions regarding all types of capital investment are informed by an understanding of how the proposed investment will support the Council to achieve its corporate objectives.

3.4 Service delivery within the Council is split across a range of models including services provided exclusively by partners, shared services and services delivered in-house. The Council has a specific priority requiring it to focus its activities on ‘Modernising the council to lead a greener city that is fair for all’. The nature of the service and the model applied determines the dependency on the extent of capital investment required to provide the service. Changes in the needs and expectations of our residents and technological developments can alter the dependency on capital investment. Consequently, assumptions regarding the need and extent of future investment to sustain and enhance service delivery are subject to regular challenge and revision.

3.5 The Council embraces its ‘place-making’ responsibilities. The most specific articulation of this responsibility is reflected in its priorities of ‘Building a new generation of council and affordable homes and reducing homelessness’ and ‘Tackling poverty and inequality and helping people in the greatest need’. Taken together these objectives will often necessitate capital investment which involves acquiring, improving or creating assets. The financial and non-financial impact of such investments are appraised through the GF and HRA budget-setting process based on the type of proposal under consideration. As identified in the introduction to this strategy there is an expectation that future investment in existing property assets to modernise, develop and, in some cases, re-purpose those assets could be significant over the medium-term.

3.6 The Council acknowledges that local authorities are no longer permitted to make new investments in commercial property primarily for yield although investment in an existing portfolio is permitted. The Council retains a significant portfolio of investment properties which were funded from Council resources without the need for specific external borrowing. Existing capital plans acknowledge the need for specific and periodic investment in these assets to retain tenants and deliver against the Council’s priority to achieve net zero by 2030 and its vision to support a thriving local economy in which businesses can develop and provide local employment and training opportunities for the city’s residents. The sale of individual properties would generate one-off capital receipts that postpone the need to borrow externally to fund the Council’s overall capital programme. However, disinvestment of this nature may inhibit the achievement of the Council’s long-term vision and associated priorities.

3.7 Local authorities are permitted to treat as capital various types of expenditure which do not create or enhance Council-owned assets providing that spend creates an asset which would be classified as capital expenditure in another entity's accounts. The Council has used these powers to deliver against its priorities by establishing joint ventures, making loans available to enable other entities to undertake capital investment and providing capital grants to individuals and third parties. In the case of shared services some flexibility can involve the Council contributing to the cost of assets being constructed by third parties which the Council will benefit from. Examples include the Waterbeach Renewable Energy Network facility which South Cambridgeshire District Council is constructing using contributions from its own resources, the City Council and the Cambridgeshire and Peterborough Combined Authority.

3.8 The establishment of entities such as the Cambridge Investment Partnership, a joint venture with Hill Residential, has combined private sector expertise and commercial acumen with public sector ambition and resources. This has successfully facilitated investment in housing in the city which might not otherwise have been possible. Likewise, the Cambridge City Housing Company, a wholly-owned subsidiary, has enabled the provision of housing to meet the needs of those who would be unable to access housing provided by the private sector.

Debt, Borrowing and Treasury Management

3.9 The CIPFA Prudential Code includes the following definition:

***Investments for treasury management purposes** are those investments that arise from the organisation's cash flows or treasury risk management activity, and ultimately represent balances that need to be invested until the cash is required for use in the course of business. Treasury investments may include an allowance for a reasonable level of short-term investments to provide access to liquidity.*

3.10 The Council has both external borrowing from the Public Works Loan Board (PWLB) and 'internal' borrowing from cash balances. This borrowing is managed alongside the investment of cash balances (currently over £100m) as part of the council's treasury management function.

3.11 The Council has a cautious approach to the management of cash balances. Link Asset Services is the Council's appointed treasury management advisor. The arrangement with Link ensures that the creditworthiness of potential counterparties is closely monitored using a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poor's and relevant market data including Credit Default Swaps (CDS) and Credit Watches. More details can be found in the Council's Treasury Management Strategy Statement (TMSS) which is reviewed and approved annually.

3.12 Investments include an investment for treasury management purposes in a pooled property fund. This investment was originally undertaken to provide diversity within the portfolio mitigating interest rate risk without exposing the Council to undue risks relating to the liquidity and security of the amounts invested. In accordance with CIPFA guidance, the composition of the portfolio and the rationale supporting the use of pooled property funds is subject to regular review and scrutiny to ensure it is justified in the context of the Council's medium term and long-term financial strategy.

3.13 The council has committed to borrowing from a financial institution to fund the redevelopment of the Park Street multi-storey car park. The loan will be drawn down between April 2024 and December 2025.. The option to use similar types of financing will continue to be examined as an avenue which might be available to the Council. The learning gathered from securing funding for Park Street will assist the Council in exploring non-PWLB sources of finance for other projects.

3.14 Decisions regarding external borrowing are undertaken with reference to the Prudential Code published by CIPFA which requires that capital expenditure be 'affordable, prudent and sustainable'. In practice, the Council recognises that this means that without other sources of finance it may not be possible to achieve its corporate priorities. The impact of expected future borrowing is built into the Medium Term Financial Strategy for both the General Fund and HRA and reflected in the savings targets which need to be achieved.

3.15 The Council recognises, however, that in the current economic environment delivering capital schemes is increasingly challenging. The Council will continue to work with its partners and other local authorities to highlight the need for access to finance, including grant-funding, that will enhance the financial viability of potential future investments, particularly those linked to the net zero agenda and the construction of new affordable housing. The Council recognises also that some types of investments which deliver social value might deliver a lower financial return than other forms of capital expenditure.

4 Decision making frameworks

4.1 The Council has established arrangements for taking decisions which impact on the organisation's capital plan. The Council's constitution specifies the rules relating to council decision-making. This section summarise the key stages in decision-making according to whether the decision relates to GF service expenditure, the HRA or other non-service capital expenditure.

4.2 Before any decision is taken internal governance procedures ensure the proposed spend is thoroughly evaluated and prioritised according to the following hierarchy of objectives:

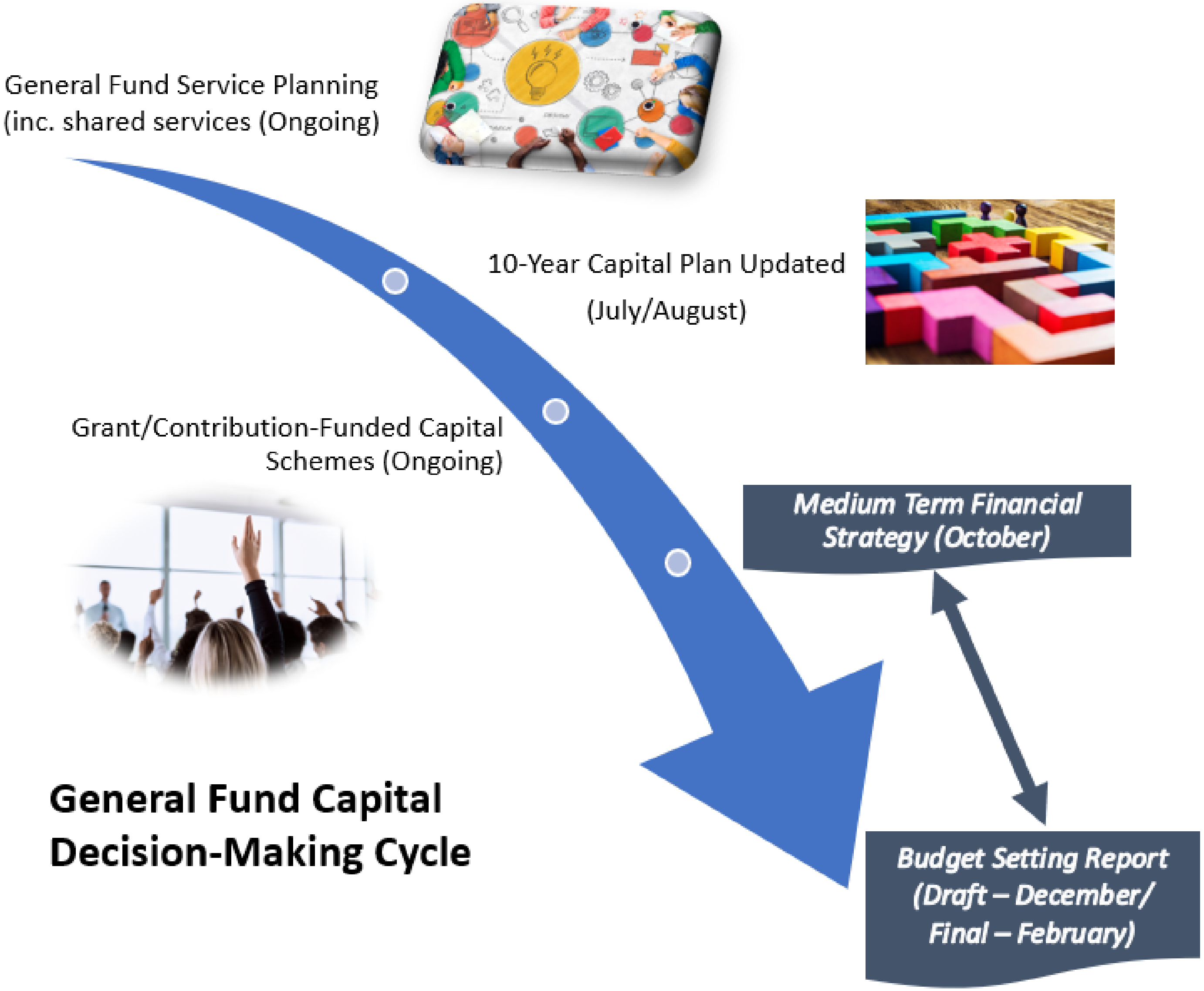
- Statutory requirements e.g. Health and Safety;
- Maintenance of service delivery capacity and capability;
- The delivery of wider policy objectives, including those related to climate change and biodiversity; and then
- Income generation to support the delivery of council objectives.

4.3 GF projects deemed to be of a higher risk are subject to review by the Change Assurance Team (known as 'CAT'). This group comprises professionals drawn from across the organisation who can consider the broader impact, risks and opportunities associated with proposals developed by Group Leads. Approval for a project can be withheld until such time that members of the CAT are satisfied that the project can realistically deliver its stated objectives within the proposed budget.

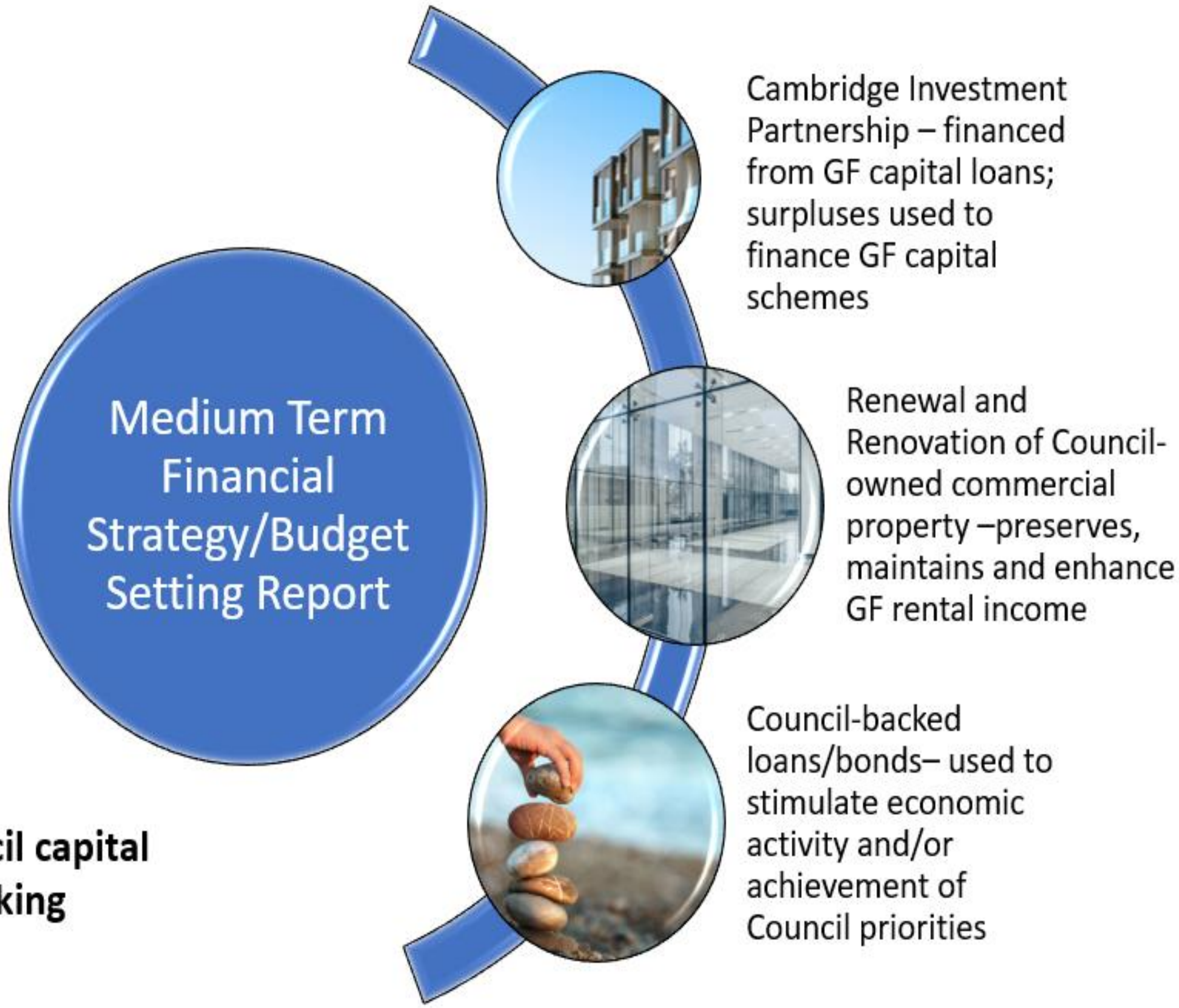
4.4 Decisions relating to the HRA are taken with reference to the HRA's budget-setting process which runs in parallel to the GF as defined in the Council's constitution as illustrated in the diagram below. Legislation prevents GF resources from being used to fund HRA activities and vice versa. Recognising the impact of HRA on the Council's overall capital strategy forms an essential part of understanding how the Council works with its partners to deliver Council priorities benefitting the City as a whole and not just current Council tenants.

4.5 The Council has sought to embrace opportunities to engage in activities outside day-to-day provision of statutory and non-statutory Council service which benefit the local authority. These have included the establishment of joint ventures with the Hill Group, funded by a combination of Council-backed loans and equity, to bring forward housing developments across the City using a combination of purchased land and sites owned by the Council. Such approaches are supported by central government which acknowledges that public-private partnerships can provide appropriate vehicles to deliver new homes. Guidance issued by HM Treasury specifically states that schemes which deliver housing are not restricted by the prohibition that would normally prevent 'debt for yield' schemes from being included in authority's capital programmes. Similarly, whilst the government no longer permits PWLB borrowing to support the acquisition of new commercial properties where those properties are bought primarily for yield, HM Treasury explicitly permits PWLB borrowing to fund expenditure to maintain and enhance commercial properties acquired before the current guidance changed. The Council has an active pipeline of projects of this nature. More details can be found in the commercial section of this strategy.

4.6 The Councill will continue to explore the use of innovative approaches to deliver capital investment recognising that its track record of working with the private sector can help leverage interest from companies interested in establishing new partnerships to the benefit the City and its residents.


General Fund Service Planning
(inc. shared services (Ongoing)
10-Year Capital Plan Updated
(July/August)
Grant/Contribution-Funded Capital
Schemes (Ongoing)
Medium Term Financial
Strategy (October)
Budget Setting Report
(Draft – December/
Final – February)
General Fund Capital
Decision-Making Cycle

Housing Revenue Account Capital Decision-Making Cycle



Other Council capital decision making

5 Asset management planning

5.1 Taking decisions about capital investment are not solely focussed on the acquisition or creation of new assets. A significant element of the Council's capital plan reflects the need for assets and their component parts to be renewed and updated to ensure they continue to provide economic benefits and service potential to the organisation.

5.2 The council's GF asset management plan was reviewed and updated in March 2023. The following actions were identified which would be taken forward over the five-year period covered by the asset management plan:

- refurbishment and remodelling of office accommodation to ensure that it is made to be and remains attractive and meets modern requirements and expectations of tenants, the public and staff;
- a planned maintenance programme based on whole building lifecycle, achieving economies by replacing components just before they would otherwise require response repairs, anticipating changes in minimum acceptable standards, and reducing future requirements for cyclical maintenance;
- planned cyclical maintenance to prevent deterioration in the physical condition of the properties;
- a responsive maintenance service so that building occupiers, stakeholders and members of the public are satisfied with condition and function of buildings;
- efficient and effective approach to empty properties to maintain property occupancy level to protect the Council's revenue;
- diary and case management of lease expiries, rent reviews and other property management issues; and
- disposal of selected property, redevelopment and reinvestment to maintain a balanced portfolio that meets the needs of the Council, reflect changing requirements and represent a sounder economic and social investment

5.3 The Council is developing its Office Accommodation Strategy alongside establishing a work programme to take forward the actions set out above. In July 2023 Members approved budget to employ additional staff to develop and oversee the implementation of a multi-year programme to invest in existing Council property, including work requirement to implement the Office Accommodation Strategy. Formal proposals relating to a number of properties, including the Guildhall, are expected to come forward for review by Members in 2024.

5.4 The HRA asset management strategy for housing stock was also reviewed and updated in 2019. The plan aims to return to a partial investment standard model rather than the basic decent homes standard, ensuring that the council invests in the current housing stock at the appropriate time and in the long term to reduce the level of spend in revenue repairs and maintenance. Since the plan was approved the Council has achieved the current decent homes standard for 99.8% of its stock as at 31 March 2023. The decent homes standard is currently being reviewed by central government. The outcome of that review will inform future iterations of HRA MTFS and the HRA asset management strategy.

5.5 In accordance with its HRA asset management strategy, the Council has been working to improve the energy efficiency of its housing stock recognising the impact of higher fuel bills on its tenants as well as the Council's commitments to achieve net zero. A pilot net zero retrofit project on 50 properties commenced earlier this year and separately a programme of work, partly funded by the Social Decarbonisation Fund, to achieve EPC C on a further 285 properties is underway. These works are helping the Council to understand the true cost of retrofitting properties so it can model how the Council might fund the cost of these works across the stock requiring this type of work.

5.6 For non-property assets the ongoing maintenance costs of retaining and/or replacing assets will be considered carefully as part of the re-modelling of service delivery across the Council. For example, the council has its own fleet garage located in Waterbeach which is responsible for the maintenance of vehicles and keeps detailed records against each asset. Annual budgets will include provision for the maintenance of assets and service managers are able to make bids and offer savings in maintenance funding as part of the annual budget-setting round.

6. Financing Capital Expenditure

6.1 Until recently the strength of the Council's GF Balance Sheet meant that the Council was able to fund capital expenditure from existing balances without needing to undertake external or internal borrowing. The Council currently has no GF external debt. The consequence of this is that compared to many comparable authorities the Council has a low capital financing requirement and the charge to the revenue account to finance capital expenditure in prior years, known as the Minimum Revenue Provision, is low and therefore does not present a significant source of pressure on the GF budget.

6.2 The GF Medium Term Financial Strategy acknowledges that future capital investment will need to be financed through borrowing, including external debt, and that the cost of financing will have a progressively more significant impact each rising from a projected £279K in 2023/24 to £5.717M by 2033/34. This increase reflects the scale of the investment which Group Leads assess as being required to deliver Council priorities. Precise costings will be developed and presented for consideration by Members in accordance with the decision-making frameworks set out earlier in this document.

6.3 Forecasts of capital expenditure, based on projects approved by Members and incorporated into the budget, anticipated projects involving the CIP and current estimates of expected capital expenditure prepared by Group Leads are set out in Appendix 1. The appendix also sets out the underlying need to borrow based on forecast capital expenditure. This is also known as the Capital Financing Requirement (CFR). Regulations state that the Council must set limits on the amount of external borrowing it undertakes. The Council must confirm that it has complied with these limits on an annual basis. Further details can be found in the TMSS and the annual Treasury Management Report. The Council's constitution requires that both these documents be approved by Full Council and subject to scrutiny by the Council's Strategy and Resources Committee prior to their approval.

Disposals

6.4 Proceeds from the sale of assets can provide an important source of funding for the capital programme. Guidance produced by CIPFA states that where assets are not held for service delivery local authorities should regularly review the rationale for holding such assets recognising that retaining such assets can implicitly bring forward the point when Council needs to borrow externally. All disposal of assets is subject to scrutiny by relevant committees and Executive Councillor approval. Detailed cases will be prepared for any asset disposals and where appropriate, independent advice taken, to ensure that best value is achieved on disposals, taking into account any strategic objectives. The council is also obliged to sell council properties to qualifying tenants under the Right to Buy legislation.

Use of capital receipts

6.5 Capital receipts may only be used for capital purposes. The council will also ensure that it observes the ring-fence between GF and HRA resources.

6.6 Most receipts from asset disposal come from the sale of council homes under the Right to Buy. The council remains subject to the agreement with the Department of Levelling-Up, Housing and Communities (DLUHC) that allows the retention of right to buy receipts, subject to a set of specific conditions. These conditions include a requirement that such receipts are spent on housing.

6.7 The receipts assumed in the HRA Self-Financing Settlement continue to be shared with DLUHC in the statutorily agreed proportions, with a proportion of the receipts from any subsequent sales kept by the authority in recognition of the debt that the authority holds in respect of the asset. The balance of capital receipts is ring-fenced for one-for-one (1-4-1) investment.

6.8 Currently, 1-4-1 receipts must be spent within a five-year timeframe to fund the delivery of new social housing. A maximum of 40% of the cost can be met from this funding stream with the balance funded from Devolution Grant, the council's own resources or borrowing. Some additional flexibility exits in respect of the construction of shared ownership property with incentives being introduced to encourage the construction of new build properties.

6.9 Where receipts are not used within the five-year timeframe, receipts must be repaid to central government with interest at 4% above the base rate.

6.10 The council aims to be around 12 months ahead of the profile for return of monies but this is critically dependent on the progress of housing developments that may be affected by factors outside the council's control. If the council is unable to use receipts within the five-year timeframe, it will either acquire existing properties on the open market or look to pass receipts on to a registered provider to deliver affordable housing in the city. All efforts will be made to ensure that no receipts are paid back to central government.

Capital receipt flexibilities

6.11 Under a direction issued by central government in February 2018 and subsequently extended, authorities can choose to use capital receipts received from 1 April 2016 to fund the revenue costs of transformation projects. Qualifying expenditure must 'generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that will reduce costs or demand for services in future years for any of the public sector delivery partners.'

6.12 The council has no plans to use this flexibility.

7 Commercial activity

7.1 The Council has invested in assets where its principal rationale for acquiring the asset was the expectation of generating a stable financial return, typically, but not exclusively, via securing an annual rental income. Such acquisitions are referred to as non-financial assets in the Council's Treasury Management Strategy Statement. The Council undertakes a review of its non-financial assets considering security, liquidity and yield, as it does for investment in financial assets.

7.2 Specifically, in relation to non-financial assets:

- **Security** – the council recognises that it will normally have an asset that can be used to recoup capital invested. Therefore, it will ensure through regular valuations at fair value, that there is sufficient value in assets and the portfolio as a whole to protect the funds invested.

- **Liquidity** – the council has a large, diversified portfolio of non-financial assets and will therefore be able to look at potential disposals across it to access funds, without having to rely on the disposal of a key asset for liquidity. The council will also maintain significant financial investments to meet its liquidity needs.

- **Yield** – Return for non-financial assets is represented by rental income less direct costs and will reviewed on a regular basis. Yield will be appropriate to the perceived level of risk for the asset in the market at that time, within any constraints imposed by policy decisions, after satisfying the requirements for security and liquidity.

7.3 The definition of commercial activity in the context of the Council is broader than the non-financial assets the Council owns. The Council recognises that it is well-placed to benefit from the provision of services on a commercial basis. This opportunity arises from, amongst other factors, Cambridge's strength economically and its popularity as a tourist destination. The Council has retained assets which enable non-discretionary services to be provided in a competitive market. The council considers commercial activity to include:

- The provision of income-generating services, such as car parking, markets, the garage facility and bereavement services, which utilise significant assets. These assets are classified as *service investments* under the Prudential Code and as operational assets for management purposes.
- Investment in commercial properties through acquisition but also through portfolio management (recycling portfolio performance through buying and selling) and regeneration or redevelopment of the existing portfolio. These assets are classified as *commercial investments* under the Prudential Code.
- Investment in other income-generating assets that support council objectives, such as housing and renewable energy generation facilities. These are classified as service investments under the Prudential Code.
- Loans to group undertakings, classified as *service investments*.

7.4 Where services are income-generating the need for capital investment will be appraised as part of the service-planning process. Capital investment in income-generating services is expected to be self-financing to the extent that planned investment will either be funded from historic surpluses returned by the service or be funded from future surpluses generated from the initial investment. The Council recognises the risk that expected surpluses may not materialise over the life of the asset so investments which cannot be funded from service reserves currently held are subject to a detailed sensitivity analysis to highlight the extent of the uncertainty and the cost which the GF may find itself having to finance.

7.5 The Council's transformation programme recognises that the Council has the resources to enter new markets and provide additional services on a commercial footing. In accordance with relevant legislation, this may require setting up arms-length corporate entities as local authorities elsewhere have done successfully. In some cases, additional capital investment may be required to enable the Council to enter those markets. Such investments will be appraised as part of the GF capital decision-making cycle explained above. Where decisions are taken to access new markets the rationale behind entering that market and the extent to which it complements and/or facilitates the achievement of Council priorities will form part of the Council's business case. The established mechanism for involving the Change Assurance Team to examine business cases deemed to be of material significance to the organisation will ensure that where necessary appropriate legal and taxation advice is obtained.

7.6 Reporting against key indicators relating to commercial activity is included in the quarterly financial management reports produced by the finance team. These indicators provide an early warning of any risk that the Council's commercial activities might not provide the expected contribution to the GF budget. The Council's risk management processes are also structured to look at particular risks relating to individual services that might reflect in lower profitability of commercial services.

Investment in commercial properties

7.7 The council has historically owned a significant investment property portfolio, including retail, office and industrial properties. The following objectives exist for the commercial property portfolio:

- Securing a financial return from the net rental income
- Diversification (geographic, property type, tenure) to mitigate stock specific risk
- Meeting wider corporate objectives such as improving environmental performance and sustainability by providing high performing property
- Delivery of services to the citizens in accordance with objectives
- Opportunity to influence through wider land ownership
- Providing opportunities for entrepreneurs and small businesses which may not always be available through the private sector

- Ensuring appropriate standards of property management are maintained including but not limited to environmental and health and safety standards and legislation
- Improving the quality of the public realm.

7.8 The GF asset management plan sets out criteria and procedures for property acquisitions, where required for effective portfolio management. Where new acquisitions are to be made, agents will be appointed to advise on and acquire suitable commercial property investments.
In order to achieve some geographical diversity, the council has invested in properties which fall outside the city boundary. The council took appropriate legal advice from counsel that these out of area purchases do not contravene the relevant legislation and the powers given to the council under the Local Government Act 2003.

7.9 The council is redeveloping an operational asset, the multi-storey car park it owns on Park Street in Cambridge. The car park will be replaced by a smaller underground car park, with an aparthotel above, achieving significant regeneration, environmental and public realm improvements in the area. Once complete, the aparthotel will form part of the council's investment portfolio in an under-represented property type, with rentals for the hotel servicing the borrowing required to undertake the development.

7.10 The council will develop commercial land and property it already owns together with evaluating the most appropriate future use of the operational and administrative buildings. The scope of the the Council's Housing Development Agency which worked alongside CIP to deliver new residential property has been expanded to incorporate commercial and residential schemes. Under the leadership of an Assistant Director a development programme is being prepared and specific proposals are expected to be prepared for discussion with Members in 2024-25. This work will run alongside the implementation of the Office Accommodation Strategy.

Monitoring portfolio performance

7.11 The portfolio is reviewed annually as a whole by classification, lot size range, bandings and average, sector mix, geography, lease type and repairing obligations, net income return, average unexpired lease term, percentage void and compared with previous years. This will identify portfolio imbalances. A new property management database has been acquired and is being implemented to support the delivery of the asset management plan and associated KPIs.

The following portfolio KPIs continue to be used

Measure	Target / Baseline	Comment	Frequency
Commercial property income to net service expenditure	<50%		Annually
Ratio of investments to the resources of the council	<30%	Fair value of investment property as a % of the council's net assets.	Annually
Ratio of external borrowing to portfolio value	N/A	Not currently relevant due to the revised PWLB lending terms – see para 3.6	Annually
% outside jurisdiction	<25%	To maintain Cambridge focus with economic benefits too but also diversity from local economy and achieve stronger yield	Annually
Net income return	>5% on current capital value	To maintain income levels	Annually

Measure	Target / Baseline	Comment	Frequency
Average unexpired lease term	>5 years	Target is income security	Annually
% investment grade property	>80%	Generally lower expenditure	Annually
% void	<£100,000 income	To maintain income levels	Quarterly
Largest lot size	<10% of portfolio	Excluding Lion Yard. To reduce specific stock risk	Annually
Sector	No more than 50% in any sector, retail to trend downwards towards 30%	To diversify sector risk	Annually

7.12 The council's sizeable property portfolio includes equity stakes in two major shopping centres, a selection of small business units aimed principally at small local and start-up companies and more than 80 shops in council estate locations which provide important local services for their communities.

7.13 The total value of investment properties at 31 March 2023 was £161.7m. The council considers that the investment property portfolio retains sufficient value (measured using the fair value model) to provide security of investment.

7.14 Based on the council's financial statements the fair value of investment properties, the yield achieved (rental income net of direct costs) and the gain or loss in fair value for properties has been as follows:

	2022/23	2021/22	2020/21	2019/20	2018/19

Rental income net of direct costs (£'000)	8,133	8,739	9,315	9,603	9,984
Fair Value at year end (£'000)	161,708	160,682	158,594	162,722	170,782
Yield	5%	5.4%	5.9%	5.9%	5.9%
Gain / (loss) in fair value in year (£'000)	1,026	2,088	(4,128)	(8,060)	(4,499)

7.15 The loss in fair value from 2019/20 reflects exposure to retail through its significant shopping centre investments as well as market uncertainty in relation to both the Brexit process and the COVID-19 pandemic. As such, some reductions are likely to be temporary, but may take some time to reverse while others represent more of a structural change as markets adjust.

7.16 The investment property portfolio is managed as a whole, including those properties which the council has held for a number of years. The more recent acquisitions are considered to have stabilised the rate of return as their acquisition was aligned with the criteria set out in 7.7 above compared to the historic portfolio.

Proportionality of commercial property holdings

7.17 Following significant activity in the commercial property market by local authorities, including district councils, concern has been expressed by DLUHC and CIPFA about the size of some property holdings. Particular concern has been raised about those councils which are externally borrowing to invest in property. Cambridge City has not used external borrowing to fund purchases but has instead used reserves and internal borrowing.

7.18 CIPFA released guidance on prudential property investment in 2019. This considers the concept of 'proportionality' when considering the size and scale of new property investments, whether they are consistent with the authority's corporate and financial strategies and if they expose the authority to unacceptable levels of risk.

7.19 The council is aware of the range of risks associated with investment in commercial property and works to ensure appropriate due diligence and prudence. These risks include the reliance on income from commercial properties to fund council services. It has also sought to provide greater diversification of risk through its more recent portfolio acquisitions in terms of property type, location, management costs and covenant strength.

7.20 The use of investment property income to support the council's activities has been established over many years and over several economic cycles. Reflecting this experience, the council considers 50% to be the prudent maximum level of this indicator.

7.21 The financial statements at 31 March 2023 show that the net cost of services (net of service-related income) chargeable to the GF was £27.8m (21/22 £26.7m). Net income from investment properties was 27.54% (2021/22 30.9%) of this figure.

7.22 The HRA holds a small number of investment properties, mainly retail units linked to council housing, for example shops with flats above. These properties are valued at £6.922 million at 31 March 2023 and earn rental income of around £473k per annum.

8 Other long-term liabilities

8.1 The council will take on liabilities associated with the provision of operational services. Examples include financial guarantees, including those given in respect of subsidiaries or joint ventures. Where decisions are made for service purposes, these may be outside of normal commercial terms, including liquidity, security and/or yield.

8.2 Where such liabilities are taken on the council will ensure that financial risks are clearly identified and quantified along with any implied subsidy as part of the decision-making process. Consideration will also be given to the impact of IFRS 16 (the new accounting standard for all leases effective from 2024/25) in respect of new lease agreements which the Council may enter into.

9 Knowledge and skills

S151 Officer

9.1 The council's S151 officer is required to report explicitly on the affordability and risk associated with the capital strategy. The S151 officer is an experienced CCAB qualified accountant with statutory responsibilities for the proper administration of the council's financial affairs and for advising the council on budgetary matters. As such the S151 officer oversees the council's capital expenditure and investment activities and ensures that professional advice is obtained where the council does not have the necessary skills in house.

Treasury management

9.2 Treasury management activity is undertaken by an accountant and assistant accountant in the council's technical and financial accounting team. They are managed by a CCAB qualified accountant.

9.3 The team has many years of treasury management experience and has demonstrated that it has the skills to opt-up to professional status under the MiFID II reforms.

9.4 The CIPFA Code requires the responsible officer to ensure that members and officers are adequately trained in treasury management. Training is arranged as required and is regularly reviewed.

Property assets

9.5 The council's investment property is managed by its property services team, an experienced team of 8 staff. The team includes 6 chartered surveyors each with over 25 years of property experience in both the private and public sector. This extensive experience includes dealing with a mix of property types and professional work including professional services, landlord and tenant, statutory valuations, acquisitions and disposals, commercial and residential property management. They have extensive knowledge of the Cambridge property market with most of the team having worked in and around Cambridge for the past 10 years or so, some much longer.

9.6 Property services also works with external agents where specialist expertise is required to deal with particular properties or resource is not available to deal with matters in a timely way. Examples of where external advice is used include agency, valuation, building surveying and planning work. The council also has internal building surveying resource in its estates and facilities team to advise on construction, repair and maintenance, and statutory compliance matters across its investment properties. Estates and facilities commission and manage repairs and maintenance as well as capital investment programmes, either directly or through framework contracts.

9.7 The council's asset valuations for its financial statements are prepared by external agents with an agreed rolling programme of valuations for the whole council property portfolio. All material investment properties are valued on an annual basis.

External advice

9.8 In addition to the use of external agents in the purchase of investment properties the council makes use of other external advice as necessary for capital and treasury activity. This includes getting appropriate legal and other professional advice on more complex projects and capital transactions and the appointment of treasury management advisors.

Appendix A

Estimated Capital Programme, Capital Financing Requirement and Reserves - 2023-24 to 2032-33

£'000	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
General Fund Capital Expenditure	64,947	86,477	51,999	20,822	18,602	8,416	6,973	9,351	8,283	7,838
Housing Revenue Account Capital Expenditure	94,568	89,127	100,161	84,262	81,725	112,497	92,190	53,211	28,475	39,410
Capital Financing Requirement	320,962	450,693	543,327	568,447	624,949	692,406	755,773	784,131	786,618	797,235
General Fund Projected Year End Reserves (without Business Rates Growth)	24,517	7,767	6,717	6,667	6,617	6,567	6,517	6,467	6,417	6,367
HRA Projected Year End Reserves	7,321	8,550	8,907	8,210	8,471	8,740	8,356	8,210	8,310	8,544
Total Reserves	**31,838**	**16,317**	**15,624**	**14,877**	**15,088**	**15,307**	**14,873**	**14,677**	**14,727**	**14,911**

The Capital Financing Requirement shows the Council's underlying need to borrow including £213,752k for Council Dwellings under self-financing.

The General Fund Capital Programme shown above reflects estimates used to produce the latest Medium Term Financial Strategy including schemes not yet formally approved as part of the budget-setting process.

Item

ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT REPORT 2024/25 TO 2027/28

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

Strategy & Resources Scrutiny Committee 15th January 2024

Report by:
Caroline Ryba – Chief Finance Officer

Tel: 01223 458134 Email: caroline.ryba@cambridge.gov.uk

Wards affected:
All Wards

Key Decision

1 Executive Summary

1.1 The Council is required to receive and approve, as a minimum, three main treasury management reports each year.

1.2 The first and most important is the Treasury Management Strategy (this report), which covers:

- capital plans (including prudential indicators);
- a Minimum Revenue Provision policy which explains how unfinanced capital expenditure will be charged to revenue over time;
- the Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and
- a Treasury Management Investment Strategy (the parameters on how investments are to be managed).

1.3 A mid-year treasury management report is produced to update Members on the progress of the capital position, amending prudential indicators as necessary, and advising if any policies require revision.

1.4 The Outturn or Annual Report compares actual performance to the estimates in the Strategy.

1.5 The statutory framework for the prudential system under which local government operates is set out in the Local Government Act 2003 and Capital Financing and Accounting Statutory Instruments. The framework incorporates four statutory codes. These are:

- the Prudential Code (2021 edition) prepared by CIPFA;
- the Treasury Management Code (2021 edition) prepared by CIPFA;
- the Statutory Guidance on Local Government Investments prepared by the Department for Levelling Up, Housing and Communities (DLUHC) (effective 1 April 2018); and
- the Statutory Guidance on Minimum Revenue Provision prepared by DLUHC (effective 1 April 2019).

1.6 The Council's S151 Officer has considered the deliverability, affordability and risk associated with the Council's capital expenditure plans and treasury management activities. The plans are affordable. Where there are risks such as the slippage of capital expenditure, or reductions in investment values or income, these have been reviewed and mitigated at an acceptable level. The Council has access to specialist advice where appropriate.

1.7 Treasury Management Reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Strategy and Resources Scrutiny Committee.

2 Recommendations

The Executive Councillor is asked to recommend to Council:-

2.1 That this report, including the estimated Prudential and Treasury Indicators for 2024/25 to 2027/28 (inclusive) as set out in Appendix C, be approved.

3 Treasury Management Activities

3.1 The Council is required to have regard to the relevant CIPFA and DLUHC Guidance when carrying out its treasury management activities (see paragraph 1.5). The Council is required to set prudential and treasury indicators, including an authorised limit for borrowing, for a minimum of a three-year period and should ensure that its capital plans are affordable, prudent and sustainable.

3.2 The Prudential Code states that, where appropriate, the S151 Officer should have access to specialised advice to enable them to reach their conclusions in respect of affordability and risk. As such, the Council has retained Link Asset Services (LAS) as its specialist treasury management advisors.

3.3 LAS's specialist services include the provision of advice to the Council on developments and best practice in treasury management, the creditworthiness of potential counterparties, deposit and borrowing interest rates, and the performance and outlook of the wider economy.

3.4 The Council recognises that its non-treasury investments mean that it may need to consult with specialists in other areas, particularly commercial property. Arrangements are in place to ensure that the S151 officer and relevant senior managers can access appropriate expertise in respect of the Council's commercial activities.

4 Borrowing Policy Statement

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

4.2 At present the only debt held by the authority relates to twenty loans from the Public Works Loan Board (PWLB) for self-financing of the Housing Revenue Account (HRA). These loans were taken out in 2012 and total £213,572,000.

4.3 The Council has agreed further external borrowing of £85 million to fund the Park Street redevelopment project. This is in the form of an annuity loan and will be received in three tranches with the first being drawn down in 2024.

4.4 More generally, as explained elsewhere in this document and in the Council's Capital Strategy, the current General Fund capital programme establishes that external borrowing is likely to be required in the medium-term. Similarly, to deliver the Council's stated commitments to construct new homes the HRA will need to take on additional borrowing.

4.5 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

4.6 The government recently announced the extension of an arrangement whereby a concessionary PWLB loan rate is available to authorities wishing to take out borrowing for the purpose of financing capital expenditure in their HRA. This arrangement is now in place until June 2025 and enables the Council to borrow at 0.4% lower than would be the case for PWLB borrowing to fund General Fund capital expenditure. As the deadline for the end of the concessionary rate approaches, work will need to be undertaken to identify the extent to which external borrowing should be undertaken. At the present time, even after factoring in the concessionary rate, PWLB rates are significantly higher than they are expected to be in 12-18 months' time.

5 Minimum Revenue Provision (MRP) Policy Statement

5.1 Minimum Revenue Provision (MRP) is the revenue charge that the Council is required to make for the repayment of debt, as measured by the underlying need to borrow, rather than actual debt. The underlying debt is needed to finance capital expenditure which has not been fully financed by revenue or capital resources. As capital expenditure is generally expenditure on assets which have a life expectancy of over one year, it is prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure.

5.2 The Local Authorities (Capital Finance and Accounting) regulations require local authorities to calculate for the financial year an amount of MRP which is considered to be 'prudent'.

5.3 There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

5.4 The Housing Revenue Account share of the CFR is not subject to an MRP charge.

5.5 There is no requirement to make an MRP charge on an asset until the financial year after that asset becomes operational.

5.6 The Government issues statutory guidance on the calculation of MRP. The Council is required to have regard to the guidance based on the underlying principle that the provision should be linked to the life of the assets for which the borrowing is required.

5.7 However, the guidance is clear that differing approaches can be considered as long as the resulting provision is prudent.

5.8 In general, the council will make a minimum revenue provision based on the equal installment method, amortising expenditure equally over the estimated useful life of the asset for which the borrowing is required. However, no provision will be made in respect of expenditure on specific projects where the Chief Financial Officer determines that capital receipts will be generated by the project to repay the debt. Specifically, in respect of the current capital programme:

- The Council has made a loan to a company (which is classed as capital expenditure) to enable it to let intermediate rent properties. This will be financed from internal borrowing. As this loan is to a wholly owned subsidiary company and is secured on assets no MRP will be set aside. However, to ensure that this policy is prudent, the Council will review this loan annually and if the loan is renegotiated. Where there is evidence which suggests that the full amount of the loan may not be repaid or is not secured on assets of appropriate value, it will be necessary to reassess the need to commence MRP to recover the impaired amounts from revenue.

- The Council continues to make capital contributions and loans to the Cambridge Investment Partnership (CIP) – a joint venture and deadlock partnership in which the Council has a 50% stake – to facilitate the development of new housing within the city. These payments are classed as capital expenditure. As the payments are appropriately covered by assets in the CIP and as there are detailed plans to demonstrate that all investment in the CIP will be recovered in less than five years with a significant surplus, no MRP will be set aside. However, to ensure that this policy is prudent, the Council will review the position regularly. Where there is evidence which suggests that the finance provided may not be repaid, it will be necessary to reassess the need to commence MRP to recover the impaired amounts from revenue.

- The Council has borrowed via the money markets to fund the redevelopment of the Park Street site. The borrowing comprises three annuity loans. These loans require the Council to make a fixed cash repayment every six months comprising interest and repayment of principal over the life of the loans. Over the life of each loan the interest portion of the repayment reduces as the balance outstanding reduces. As permitted by the relevant statutory guidance, the Council has determined that the annuity method is an appropriate approach to provide MRP for Park Street. A hybrid interest rate based on the rates for the agreed loans will be used to calculate MRP.

- No MRP will be required on bond investments which are treated as capital expenditure under regulation where those bonds are appropriately secured. This security will be reviewed at least annually.

5.9 In the circumstances outlined above when a capital receipt is received in the form of a loan or bond repayment this will be applied in the year of receipt to the CFR thereby reducing the CFR and extinguishing the unfinanced spend incurred in previous financial years.

5.10 The Council agreed to finance an element of the capital cost of a new community centre at Clay Farm from internal borrowing. Using the asset life method MRP would normally be made over an asset life of 40 years. However, the element of capital cost funded from internal borrowing will effectively be repaid over a shorter period from receipts of rental income from the tenant and subsidy from the site developer. The current estimate is that this repayment will take approximately 12 years. The Council has decided to make MRP on this accelerated basis in respect of this asset.

5.11 The Council is required to report whether it has made any voluntary payments over and above that required to comply with its Minimum Revenue Provision policy. The Council can confirm that it made a voluntary overpayment of MRP of £9,545K in the 2019/20 financial year.

6 The Council's Capital Expenditure and Financing 2023/24 to 2027/28

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 Estimates of capital expenditure forms one of the required prudential indicators. The table below shows the proposed capital expenditure reflecting the content of the draft budget setting report which is currently being finalised for approval at full Council in February 2024.

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
General Fund Capital Expenditure	**64,094**	**85,082**	**17,169**	**1,724**	**700**
Financed from:					
Capital Receipts	(7,935)	(9,770)	(3,448)	(1,664)	(700)
Other Contributions and Balances	(13,978)	(9,231)	(221)	(60)	0
General Fund Prudential Borrowing	(42,181)	(66,081)	(13,500)	0	0
HRA Capital Expenditure	**94,568**	**89,127**	**100,161**	**84,262**	**81,725**
Financed from:					
Capital Receipts	(5,091)	(5,279)	(5,154)	(4,398)	(4,041)
Other Contributions and Balances	(64,732)	(30,834)	(31,371)	(34,990)	(29,862)
HRA Prudential Borrowing	(24,745)	(53,014)	(63,636)	(44,874)	(47,822)
Total Capital Expenditure Financed from Prudential Borrowing	**66,926**	**119,095**	**77,136**	**44,874**	**47,822**

7 The Council's Prudential and Treasury Management Indicators

7.1 The table below shows the Capital Financing Requirement (CFR), which is the underlying need to incur borrowing for a capital purpose. It also shows the indicative debt position over the period. This is termed the Operational Boundary which the Council would not normally expect to exceed. Actual debt levels may be lower due to the use of surplus cash balances, timing of capital expenditure and the availability of capital receipts and other sources of non-debt finance. Regulations require that the Council's external debt level cannot exceed the Authorised Limit set out below.

Capital Financing Requirement & Cumulative External Borrowing	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**	**2026/27 Estimate £'000**	**2027/28 Estimate £'000**
General Fund Capital Financing Requirement (31 March)	81,240	147,014	158,888	129,321	127,846
HRA Capital Financing Requirement (31 March)	239,721	292,735	356,371	401,245	449,067
Total Capital Financing Requirement (CFR)	**320,961**	**439,749**	**515,259**	**530,566**	**576,913**
Movement in the CFR	**51,012**	**118,788**	**75,510**	**15,307**	**46,347**
Estimated External Gross Debt/Borrowing (Including HRA Reform)	238,317	322,778	453,080	507,096	563,398
Authorised Limit for External Debt	550,000	550,000	600,000	600,000	625,000
Authorised Limit for other long-term liabilities	2,000	2,000	2,000	2,000	2,000
Operational Boundary for External Debt	332,461	451,249	526,759	542,066	588,413
Operational Boundary for other long-term liabilities	1,500	1,500	1,500	1,500	1,500

7.2 With effect from 1 April 2024, local authorites are required to implement a new accounting standard known as IFRS 16. This standard requires that assets previously recognised as operating leases will, in many cases, need to be accounted for on the balance sheet. Authorities will need to recognise an asset corresponding to their ‘right to use’ assets held under operating leases and a liability corresponding to the payments due under the relevant leases to secure use of the leased assets. The authority does not expect its CFR to be significantly impacted by the implementation of IFRS 16 but this will be kept under review and updates will be brought to this committee during 2024-25.

7.3 Two additional indicators are reported in Appendix C in accordance with updates to the Prudential Code effective from 1 April 2023. The Council is now required to disclose its actual and estimated net income from commercial and service investments as a proportion of its net revenue stream. This indicator is important in the context of understanding the contribution commercial income makes to the Council’s net budget recognising that the Council has a significant portfolio of investment properties. The Council’s Capital Strategy defines the activities which the Council classifies as being commercial in nature. This includes car parking and bereavement services, as well as loans the Council has made to connected entities within the Council Group.

7.4 This indicator needs to be understood with reference to the environment in which these commercial activities operate. The loans made by the Council will typically be project-specific and therefore will not return a constant level of income. The performance of services provided in a competitive marketplace will be subject to variation linked to factors particular to that market. By necessity the budget-setting process evaluates the impact of the current economic conditions on the performance of its commercial activities. Consequently, year-on-year changes in relation to an indicator should not, in isolation, be treated as a cause for concern providing the change is consistent with the Council’s budget estimates and therefore managed appropriately in the context of medium-term financial planning.

7.5 The other additional mandatory indicator, which was first reported as part of the mid-year Treasury report in September 2022, is known as the Liability Benchmark. This indicator is presented in graph form with separate graphs being produced for the General Fund and the HRA. The format used shows the relationship between the following key elements over the life of the Council’s debt portfolio:

a) Existing loan debt outstanding: the Authority's existing loans, including the borrowing for the Park Street project which has been agreed in advance, that are still outstanding in future years.

b) CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing, as set out above in this document, and planned MRP.

c) Borrowing Requirement: this will show separately for the HRA and the GF the additional amount which needs to be borrowed externally to deliver the Council's current capital programme. All borrowing is undertaken in the name of the Council but the GF and HRA need to account separately for the interest payable associated with borrowing undertaken to fund either the GF or HRA capital plan.

d) Liability benchmark: this reflects the total amount of borrowing required after taking account of the Council's liquidity needs.

e) Investment benchmark: this reflects the amount the Council should invest based on projected cash balances after reflecting the current GF capital programme and borrowing already agreed. An investment benchmark exists where borrowing exceeds balances required to fund the capital programme. The investment benchmark is expressed as a negative. The amount the Council has available to invest will reduce as the borrowing agreed is used to fund new schemes identified in future capital plans approved as part of the budget setting process. This will be reflected in updates to the liability benchmark presented in future iterations of this document.

7.6 It is important to note that the liability benchmark is based on the approved capital programme and therefore excludes anticipated capital expenditure based on schemes expected to come forward over the life of the current MTFS. The effect of this is to show a peak in the Council's General Fund CFR in March 2026 by which time the Council is expected to have significant unfinanced expenditure within its CFR. This principally relates to CIP projects and the project at Park Street. The CFR will continue to reduce as the Council repays the Park Street borrowing and when loans from the Council to CIP are repaid. There will, however, be other capital schemes which come forward for approval in the coming years.

7.7 The liability benchmark is intended to be a live indicator which informs the Council’s decisions about timing and duration of borrowing hence it informs the borrowing strategy set out in Section 4 above. The current liability benchmark indicates that there may be some capacity for the General Fund to provide short-term borrowing to the HRA to meets its borrowing requirement for finite periods. This will be kept under review.

8 Investment Strategy

8.1 DLUHC and CIPFA define ‘investments’ as including both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

8.2 The Authority’s investment policy has regard to the following: -

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

8.3 The Authority’s investment priorities will be security first, portfolio liquidity second and then yield (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority’s risk appetite.

8.4 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as other pooled funds which may meet the authority’s needs.

8.5 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

a. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk.

The key ratings used to monitor counterparties are the short-term and long-term ratings.

b. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

c. Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

d. This Authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix A under the categories of ‘specified’ and ‘non-specified’ investments.

e. Specified investments are those with a high level of credit quality and subject to a maturity limit of less than one year.

f. Non-specified investments are those which could have less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

g. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table set out in Appendix A.

h. Transaction limits are set for each type of investment in Appendix A.

i. This Authority will set a limit for its investments which are invested for longer than 365 days.

j. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

k. This Authority has engaged external consultants, (LAS), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.

l. All investments will be denominated in sterling.

8.6 Information regarding the performance of the Council's investment will be provided to senior management team as part of the quarterly budget monitoring process and to the Strategy and Resources Scrutiny Committee as part of mid-year and outturn reporting. Benchmark information is also collected and used for comparison purposes.

9 Financial Asset Counterparties

9.1 The full listing of approved counterparties is presented at Appendix A, showing the category under which each counterparty has been approved, the appropriate deposit limit, and current duration limit.

9.2 There is no or very low risk to the capital invested (other than the risk of failure of the financial institution) for fixed term deposits and constant net asset value money market funds.

9.3 The Council continually reviews its investment policy. The current economic climate has created considerable uncertainty. This has impacted asset pricing. The Council holds investments in commercial property, both directly owned and through the CCLA Local Authorities' Property Fund, and has investments in short-dated bond funds. The pricing of both asset types has been particularly impacted. Further volatility in capital values is anticipated over the economic cycle.

9.4 The Council will continue to monitor the total return generated by its investment in funds, all of which are actively managed by professional fund managers. In this context, it is important to recognise that the income distributions the Council receives will not necessarily be subject to the same volatility as capital values. The Council recognises the need for it to be able to continue to justify retaining these assets. This is important as one of the consequences of doing so is to bring forward the date when the Council will need to borrow to fund its capital programme.

9.5 The Council has made a loan of £7.5 million to Cambridge City Council Housing Company, a wholly owned subsidiary. This loan earns 2.02% and is secured on the properties owned by the company. The loan is kept under review and the loan facility is periodically renewed.

9.6 The Council has continued to make loans available to Cambridge Investment Partnership, a joint venture – see paragraph 5.8 for further details.

9.7 The Council invests in local business bonds issued by Allia Limited. The bonds are secured on the Allia Future Business Centre. The authorised counterparty limit for such investments as set out at Appendix A is £5 million in respect of long-term (5 year) bonds. In December 2023, a £2.2M bond was repaid.

9.8 The Council recognises that there is continuing debate about how best to capture information about the environmental, social and governance (often known as 'ESG') implications of investing decisions taken by the Council. Longer-term investments can sometimes be more readily assessed in terms of their ESG impact particularly where funds invested have a clear and demonstrable benefit on the environment and society, e.g., investments in sustainable development, decarbonisation and green technologies. More generally, our treasury management advisors have indicated that there is still a lack of consensus in the industry about what would be the most effective methodology to provide relevant, consistent and objective information to investors about potential counterparties. Information about investments currently held was provided as part of the mid-year report earlier this year. Further information will be provided when this is available.

10 Interest Rates & Interest Received

10.1 In support of effective forecasting the Council needs to be aware of the potential influence of interest rates on its treasury management. The Council is provided with regular interest rate forecasts by its treasury advisors, and the latest forecast is presented at Appendix B.

10.2 Total interest and dividends of £4.307m (on our traditional treasury investments, i.e. excluding the investments referred to in para 9.3 and 9.4 and loans made to the connected entities) are due or have been received in respect of the Council's deposits up to 30 November 2023 (for this financial year) at an average rate of 4.14% (the equivalent rate for the eight months to 30 November 2022 was 1.32%).

10.3 The Bank of England base rate is now generally understood to have peaked at 5.25%. The Council continues to benefit from what is a higher interest rate environment than has been the case in recent years. The MTFS reflects expected investment rate income in future years. This is expected to reduce from that observed in 2023/24 as existing cash balances are used to fund capital expenditure and the base rate begins to reduce. The first forecast reduction in base rate is currently expected to take place in Autumn 2024 but may happen sooner depending on economic conditions, particularly economic output.

11 Implications

(a) Financial Implications
The prudential and treasury indicators have been amended to take account of known financial activities.

(b) Staffing Implications
None.

(c) Equality and Poverty Implications
No negative impacts identified.

(d) Net Zero Carbon, Climate Change and Environmental Implications
See paragraph 9.8 for relevant commentary

(e) Procurement Implications
None.

(f) Community Safety Implications
No community safety implications.

12 Consultation and communication considerations

None required.

13 Background papers

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

14 Appendices

Appendix A – The Council’s current Counterparty list
Appendix B – Link’s opinion on UK Forecast Interest Rates

Appendix C – Prudential and Treasury Management Indicators
Appendix D – Glossary of Terms and Abbreviations

15 Inspection of papers

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

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Appendix A

Treasury Management Annual Investment Strategy

The full listing of approved counterparties is shown below, showing the category under which the counterparty has been approved, the appropriate deposit limit and current duration limits.

Current Counterparty List

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

Name	Council's Current Deposit Period	Category	Limit (£)
Specified Investments: -			
All UK Local Authorities	N/A	Local Authority	20m
All UK Passenger Transport Authorities	N/A	Passenger Transport Authority	20m
All UK Police Authorities	N/A	Police Authority	20m

Name	Council's Current Deposit Period	Category	Limit (£)
All UK Fire Authorities	N/A	Fire Authority	20m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/S1)	Over 3 months and up to 1 year	Financial Instrument	10m (per single counterparty)
Enhanced Money Market Funds (not below AAf) - VNAV	Over 3 months and up to 1 year	Financial Instrument	5m (per fund)
Money Market Funds (AAAf) – CNAV, VNAV & LVNAV	Liquid Rolling Balance	Financial Instrument	15m (per fund) With no maximum limit overall
UK Government Treasury Bills	Up to 6 months	Financial Instrument	15m
Members of a Banking Group	Using Link's Credit Criteria	UK Banks and UK Nationalised Banks	40m
Non-Specified Investments: -			
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	Up to 35m (in total)
Cambridge City Council Housing (CCHC) Working Capital Loan *	Up to 1 year	Loan	200,000
Cherry Hinton Community Benefit Society	Up to 1 year	Loan	50,000
CCHC Investment *	Rolling Balance	Loan (Asset Security)	7,500,000
Cambridge Investment Partnership (Mill Road)*	Rolling Balance	Loan (Asset Security)	17,800,000
Cambridge Investment Partnership (Cromwell Road)*	Rolling Balance	Loan (Asset Security)	48,300,000
Cambridge Investment Partnership (Orchard Park L2)*	Rolling Balance	Loan (Asset Security)	11,529,000
Cambridge Investment Partnership	Rolling Balance	Loan (Asset Security)	33,940,000

Name	Council's Current Deposit Period	Category	Limit (£)
CCLA Local Authorities' Property Fund	Minimum of 5 years	Pooled UK Property Fund	Up to 15m
Certificates of Deposit (with UK Banking Institutions)	Liquid Rolling Balance	Financial Instrument	See limits above
Certificates of Deposit (with UK Building Societies)	Liquid Rolling Balance	Financial Instrument	See limits above
Certificates of Deposit (with Foreign Banking Institutions)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/S1)	Over 1 year and up to 5 years	Financial Instrument	10m (per single counterparty)
Enhanced Money Market Funds (not below AAf) - VNAV	Over 1 year and up to 5 years	Financial Instrument	5m (per fund)
Commercial Property Investments funded from cash balances	Over 1 year	Commercial Property	25m (in total)
Municipal Bonds Agency	N/A	Pooled Financial Instrument Facility	50,000
Secured Local Bond – Allia Limited	N/A	Local Business Bond	Up to 5m in total
Supranational Bonds – AAA	Using Link's Credit Criteria	Multi-lateral Development Bank Bond	15m
UK Government Gilts	Over 1 year & up to 30 Years	Financial Instrument	15m

Note: In addition to the limits above, the total non-specified items over 1 year **(excluding balances with related parties*)** will not exceed £50m.

Link Asset Service’s Opinion on Forecast UK Interest Rates

Introduction

The paragraphs that follow reflect the views of the Council’s treasury management advisors (Link Asset Services) on UK Interest Rates as currently predicted.

Interest rates

- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).

- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that “further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures”, citing the rise in global bond yields and the upside risks to inflation from “energy prices given events in the Middle East”. So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be “sufficiently restrictive for sufficiently long” and that the “MPC’s projections indicate that monetary policy is likely to need to be restrictive for an extended period of time”. Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

Link Group Interest Rate View 07.11.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

* The PWLB rates quoted are the discounted ‘certainty rates’ which are available to the Council as a qualifying local authority.

APPENDIX C

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

Estimates	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
PRUDENTIAL INDICATORS					
Capital expenditure					
- GF	64,094	85,082	17,169	1,724	700
- HRA	94,568	89,127	100,161	84,262	81,725
Total	**140,662**	**174,209**	**117,330**	**85,986**	**82,425**
Capital Financing Requirement (CFR) as at 31 March					
- GF	81,240	147,014	158,888	129,321	127,846
- HRA	239,721	292,735	356,371	401,245	449,067
Total	**320,961**	**439,749**	**515,259**	**530,566**	**576,913**
Change in the CFR	**51,012**	**118,788**	**75,510**	**15,307**	**46,347**

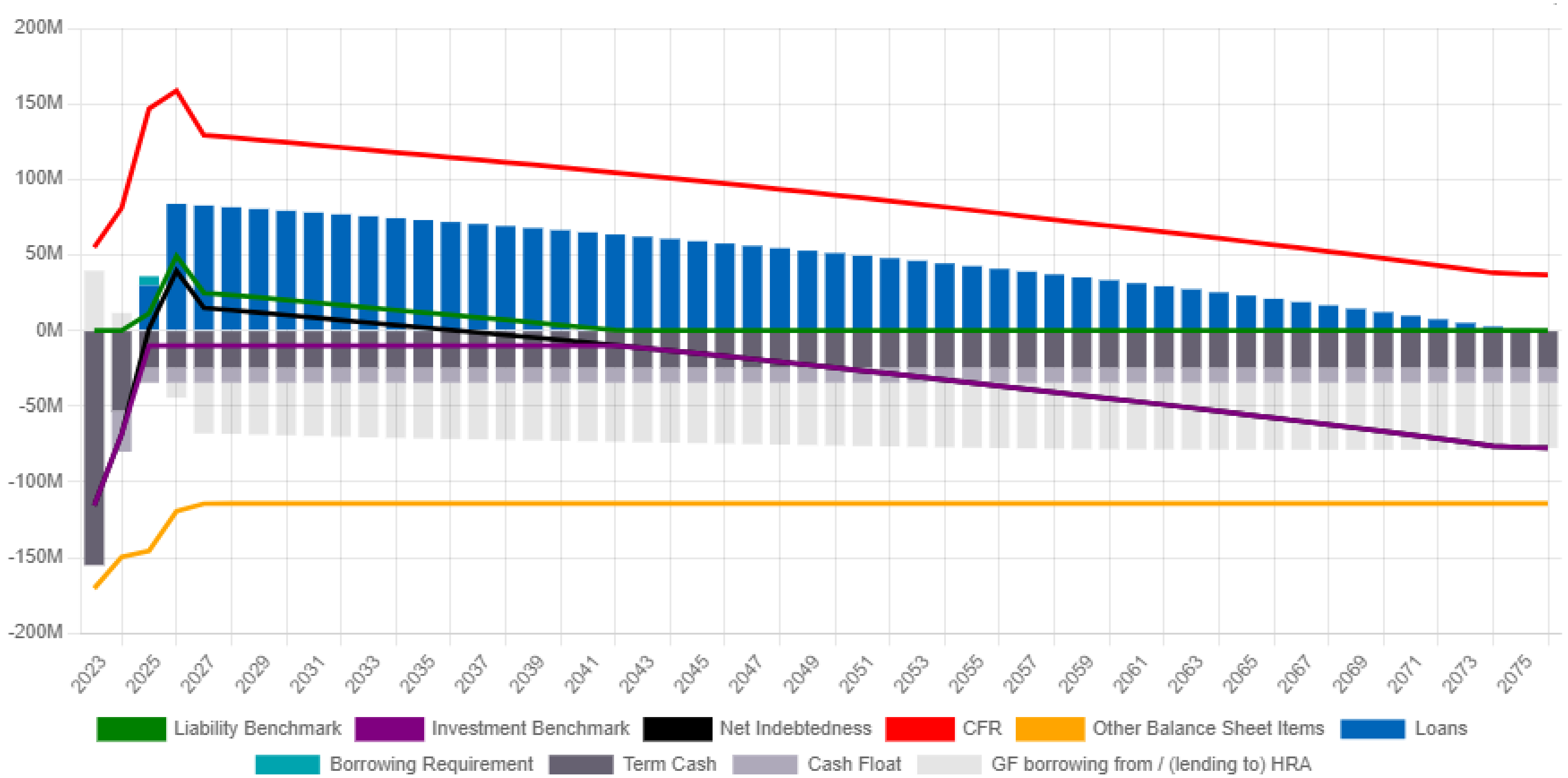
The above table reflect capital expenditure in the capital plan which is being prepared for approval as part of the budget-setting report and highlights the expected impact of that expenditure on the council's Capital Financing Requirement.

Estimates	2023/24	2024/25	2025/26	2026/27	2027/28
Deposits at 31 March (Average Annualised Balances) (£'000)	126,495	82,706	69,976	53,689	52,929
External Gross Debt (based on current capital plan) (£'000)	238,317	322,778	453,080	507,096	563,398
Prudential Indicators					
Ratio of financing costs to net revenue stream					
-GF (%)	1.16	2.97	10.68	21.54	25.76
-HRA (%)	16.55	19.39	23.51	26.18	27.43
Ratio of net financing costs to net revenue stream					
-GF (%)	(11.97)	(4.61)	6.67	17.90	22.34
-HRA (%)	12.31	16.92	21.91	24.97	26.31
Net income from commercial and service investments to net revenue stream					
-GF (£'000)	11,078	11,679	11,588	11,400	10,842
-HRA (£'000)	493	413	413	413	413
% of net revenue stream					
-GF (%)	41.82	40.93	38.27	54.29	48.46
-HRA (%)	0.97	0.74	0.71	0.71	0.67

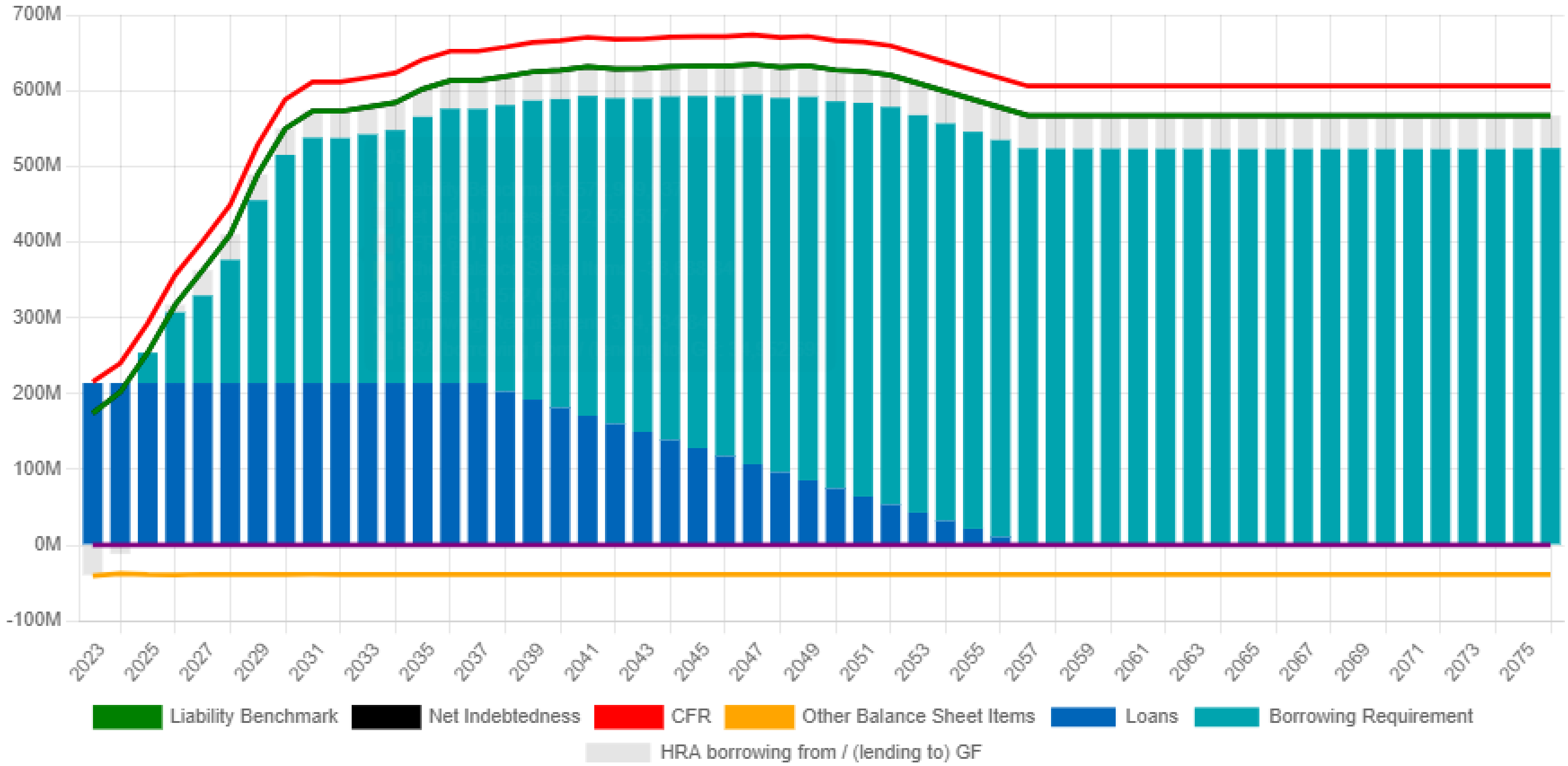
The prudential indicator percentages set out in the above table reflects the treasury management implications of the projected capital expenditure, funding sources, financing costs and investment income set out in the council's current Medium Term Financial Strategy (MTFS). The use of the MTFS is considered 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.

Estimates	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2026/27 £'000
Treasury Indicators					
Authorised Limit					
for borrowing	550,000	550,000	600,000	600,000	625,000
for other long-term liabilities	2,000	2,000	2,000	2,000	2,000
Total	**552,000**	**552,000**	**602,000**	**602,000**	**627,000**
Operational boundary					
for borrowing	**332,461**	**451,249**	**526,759**	**542,066**	**588,413**
for other long-term liabilities	1,500	1,500	1,500	1,500	1,500
Total	**333,961**	**452,749**	**528,259**	**543,566**	**589,913**
Upper limit for total principal sums deposited for over 364 days & up to 5 years	50,000	30,000	20,000	20,000	20,000
Analysis of exposure to fixed and variable interest rates					
Net interest on fixed rate borrowing/deposits	5,065	9,613	14,465	17,970	20,072
Net interest on variable rate borrowing/deposits	(2,258)	(1,773)	(1,290)	(1,058)	(1,045)
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit		
10 years and above		100%	0%		

General Fund Liability Benchmark



HRA Liability Benchmark



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 and Communities (formerly the Ministry for Housing, Communities and 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

Term	Definition
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)
HRA	Housing Revenue Account - a ‘ring-fenced’ account for local authority housing 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 apply to all UK Banks from 1 January 2019, requiring them to split their business into ‘core’ retail and investment units known as Ring and Non Ring Fenced Banks
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 and other prescribed bodies may borrow at favourable interest rates

Term	Definition
Quantitative Easing (QE)	A financial mechanism whereby the Central Bank creates money to buy bonds from financial institutions, which reduces interest rates, leaving businesses and individuals to borrow more. This is intended to lead to an increase in spending, creating more jobs and boosting the economy
Ring Fenced Bank (RFB)	Government & Bank of England rules apply to all UK Banks from 1 January 2019, requiring them to split their business into ‘core’ retail and investment units known as Ring and Non Ring Fenced Banks
Security	A measure of the creditworthiness of a counterparty
Specified Investments	Those investments identified as offering high security and liquidity. They are also Sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum ‘high’ credit rating criteria where applicable
Supranational Bonds	Multilateral 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)	MMF 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

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Item

Strategy & Resources Scrutiny Committee 15 January 2024: General Fund (GF) budget proposals 2024/25 and update to the budget setting context

To:
Councillor Simon Smith, Executive Councillor for Finance and Resources Portfolio

Report by:
Caroline Ryba, Chief Finance Officer
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

1.1 This report updates the financial context for budget setting and presents GF budget proposals and allocations of general reserves for scrutiny (**Appendix 1**).

1.2 Following scrutiny and the completion of the budget consultation, the GF budget setting report (BSR) will be produced for consideration by The Executive on 5 February 2024 and recommendation to Full Council for 15 February 2024.

2. Recommendations

The Executive Councillor is asked to:

2.1 Approve the GF revenue and capital proposals as presented in Appendices B(a), B(b), and C, pages 16 to 23, of the attached report, for inclusion in the GF BSR.

2.2 Note the impact of the revenue proposals on the five year savings requirement identified in the GF Medium Term Financial Strategy (MTFS), section 3 page 9.

2.3 To approve for inclusion in the GF BSR:

- the creation of the Civic Quarter Development Reserve with the remit set out in section 5, pages 11 and 12,
- the allocation of £20m of general reserves to this new reserve,
- the allocation of £750k of general reserves to the Climate Change Fund, as set out in section 5, page 11.

3. Background

3.1 As a result of the ongoing review of the budget setting process, it was agreed that revenue and capital proposals should be presented for scrutiny in January 2024. These proposals are presented in **Appendix 1 -** Budget proposals and context 2024/25, along with updates to the financial context for budget setting, including the provisional local government finance settlement announced on 18 December 2023.

3.2 An online budget consultation, Project • Budget 2024 to 2025 (citizenlab.co), is open for comments from Tuesday 21 November 2023 to Sunday 14 January 2024. Following completion of the consultation, scrutiny of budget proposals, and consideration of the outcomes of these, a final GF BSR will be compiled for discussion and approval. This BSR will include the final local government finance settlement, if available, business rates estimates and the formal council tax setting proposal.

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 An online budget consultation, as indicated above, is being undertaken.

6. Background papers

6.1 Background papers used in the preparation of this report:

- MTFS working papers on the 2024/25 files

7. Appendices

The following items are included with this report:

- **Appendix 1** – Budget proposals and context 2024/25

8. Inspection of papers

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

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Version 1.0
Strategy and Resources Scrutiny Committee
15 January 2024

Budget proposals and context 2024/25

January 2024

2024/25

Cambridge City Council

CAMBRIDGE CITY COUNCIL

Contents

Appendices

Section 1
Introduction

Purpose

The General Fund Medium Term Financial Strategy (GF MTFS) was approved in November 2023, and set out the financial strategy for the council in light of local context and external factors and the outlook for public sector funding. It reviewed key assumptions and risks, confirming the framework for detailed budget work for 2024/25 and beyond. This report, which should be read in conjunction with the MTFS (MTFS: (cambridge.gov.uk), builds on the MTFS, setting out budget proposals for scrutiny and updating the context for budget setting where necessary.

The MTFS identified a total net savings requirement of around £11.1m for the 5-year period. Alternative scenarios were modelled, giving a range of savings requirements between £9.7m to £19.0m. These savings requirements stem from reductions in government funding, the additional net cost of services for every new home in the city and unavoidable cost increases and income pressures.

£000	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**Total**
Net savings requirement	2,339	1,028	4,589	1,846	1,251	**11,053**

Key member decision-making dates

Date	**Task**
15 January 2024	Strategy and Resources Scrutiny Committee considers the budget context and budget proposals (this report). draft BSR (all GF portfolios) and the outcome of the budget consultation
5 February 2024	The Executive reviews the Budget Setting Report (BSR), including the results and implications of the budget consultation, and recommends the final BSR to Council
15 February 2024	Council approves the budget and sets the council tax for 2024/25

Section 2
Update to national policy context

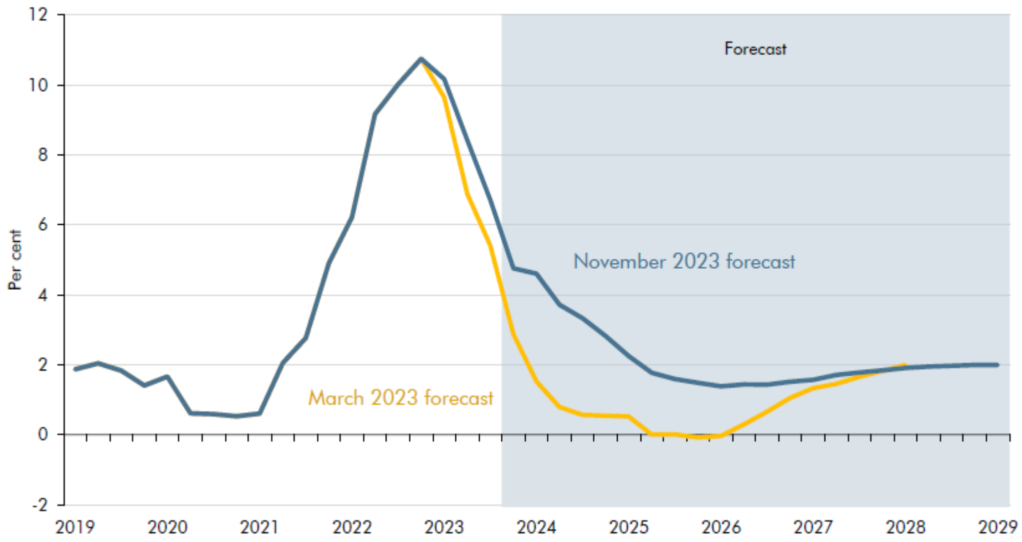
National policy framework

Economic factors

Inflation has reduced but remains a source of concern

The global economic environment continues to be finely balanced. Whilst inflation in many major economies has cooled, there is an acceptance that the causes of ongoing inflation are not imported. This is because inflation is above target despite the impact of high energy costs being absent from the index as energy costs have fallen when compared year-on-year. In the UK, inflation has fed through to domestic pricing to a greater extent than previously forecast. This has led to recognition that inflation is likely to remain above the Bank of England target of 2% for longer. Therefore, it is likely to be further into the future before central banks, including the Bank of England, can consider reductions in the base rate.

The chart below sets out changes in the OBR's projections for CPI inflation between March and November 2023:



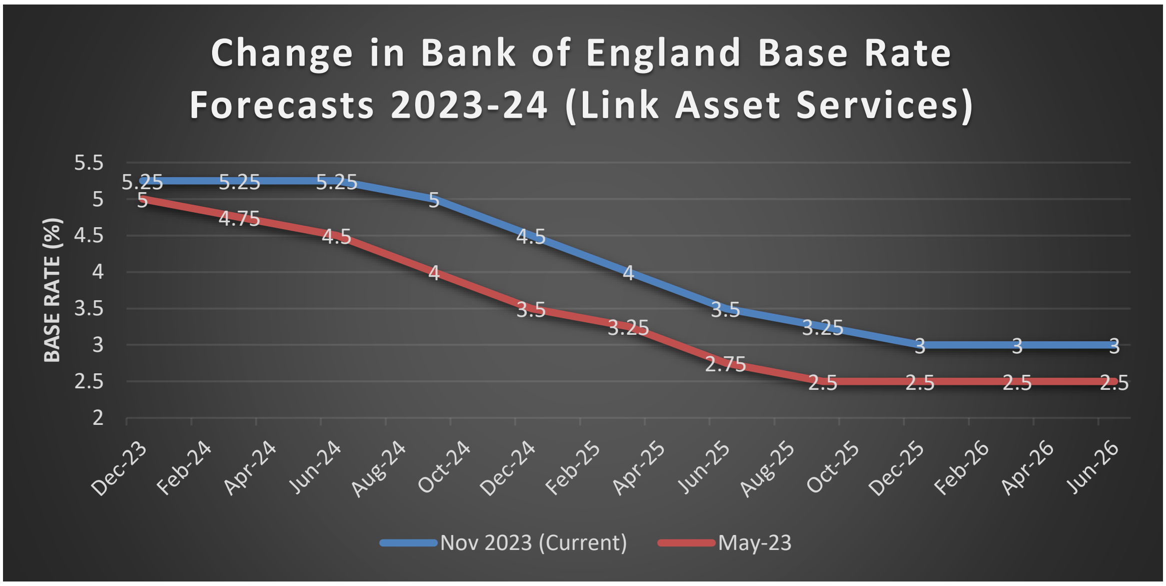
Gloomy prospects for future economic growth

The recent autumn statement saw the government confirm the progress it had made towards achieving its three economies priorities of halving inflation, growing the economy and reducing debt. Whilst the first priority has now been achieved, the statement gave an update on the measures being undertaken to achieve the other two priorities.

Fears of a recession have eased, and real GDP is now 2% above its pre-pandemic level. However, the OBR has concluded that, even after fiscal policy intervention to reduce the tax burden on individuals and businesses, real GDP is only expected to grow modestly over the forecast period with real GDP growth slowing from 4.3% in 2022 to 0.6% in 2023 and 0.7% in 2024. Cumulatively over the forecast period to 2027, the OBR has established growth is likely to be 2.4% lower than had been assumed in March 2023. As explained further below difficult choices will be required to reduce government debt.

Easing of interest rates still some way off

Earlier in the year it had been assumed that the Bank of England may need to increase interest rates to 5.5% or even 6%. The current rate of 5.25% is now understood to represent a peak but there is a degree of consensus amongst commentators that rates will remain at their elevated level for longer. This is reflected in the graph below highlighting differences between the current forecast from our Treasury Management advisors and their forecast from six months earlier.



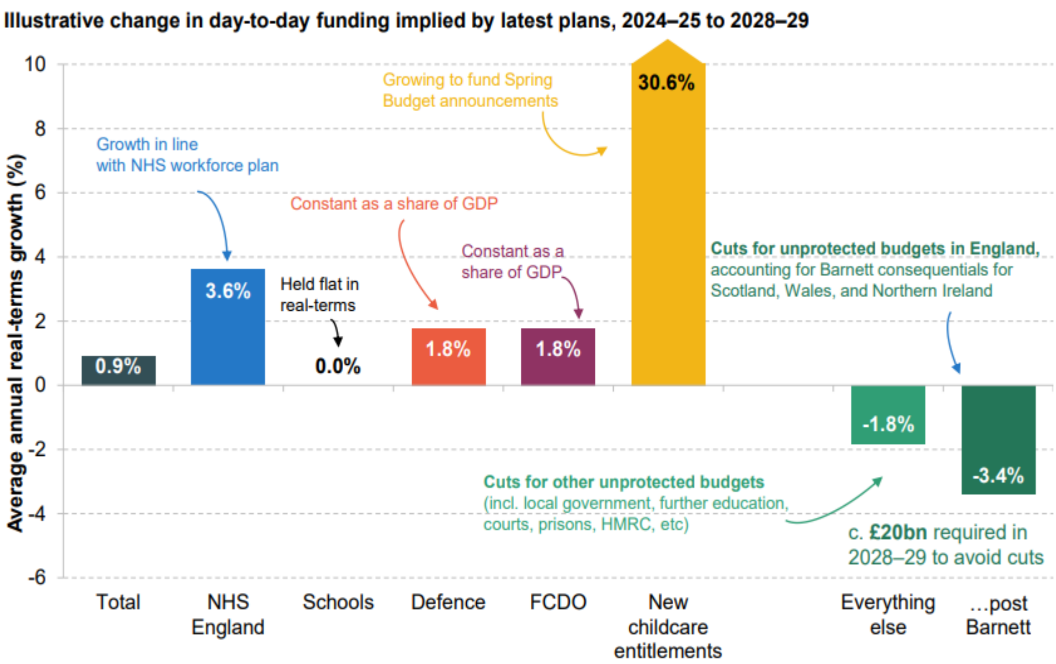
The uncertainty over interest rates feeds into other sectors of the economy. In particular, the rate for gilts is impacted by forecaster's assessment of the prospects for interest rates. Yields on 10-year government gilts (the government's source of borrowing) recently rose to 4.5%, a 15 year high. This translates through to the cost of PWLB borrowing. Since the General Fund does not have an immediate need to undertake new borrowing this does not have an immediate impact but if rates do not fall when expected the financial gap win the MTFS will be higher than that previously forecast.

Difficult choices ahead to maintain fiscal responsibility

As part of its autumn statement the government emphasized that the economy was in a stronger position than had been expected in March. This was due to a fall in borrowing in the current year which contributed to an expectation that borrowing in 2023-24 would be £15.8 billion (13.6%) lower than anticipated at the start of the year. This was largely due to increased tax receipts arising from the persistent domestic inflation referenced above and only a marginal forecast increase in government spending.

The government announced reductions in taxation which are forecast to cost around £21.5 billion whilst, in the OBR's assessment, only boosting economic output by 0.3% by 2027/28. This has led many commentators to speculate on the impact of the OBR's revised projections for the financing of public services recognising the fiscal impact of earlier announcements and the historic approach to protecting spending in education and the NHS.

The chart below from the Institute of Fiscal Studies provides a stark illustration of the potential long-term impact for local government acknowledging that any cash increases in the settlement are likely to be eaten away by persistent inflation with the need to fund already-announced policy measures and fund protected services contributing to a real-terms fall in the funding for unprotected services (including local government) totaling 3.4% over the four years to 2028-29.

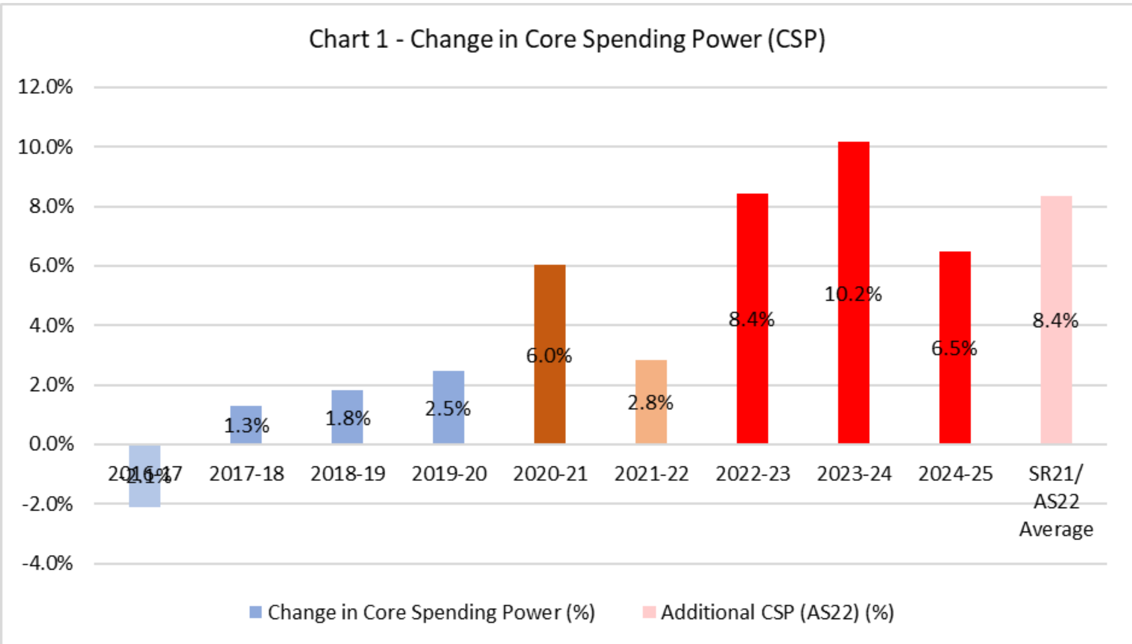


Modelling in the Council's MTFS did not assume that funding for local government would keep up with inflation. The assessment that the settlement from 2026-27 will remain flat in cash terms remains in this budget. The risk to the Council is that persistent inflation, coupled with higher borrowing costs to finance capital expenditure, will push expenditure higher than forecast and that since no additional funding is available to compensate, the financial gap between expenditure and available resources will increase.

2024/25 Provisional local government finance settlement

The 2023/24 local government finance settlement set out clear expectations that the 2024/25 settlement would follow similar lines. The government confirmed this approach in the local government finance policy statement published on 5 December 2023, which set out the principles for the local government finance settlement. The one-year provisional settlement was announced on 18 December 2023, with the final settlement expected in February 2024.

As shown in the chart below, the settlement continues the series of real terms increases in core spending power (CSP) for the local authority sector that started in 2020/21. However, CSP increases are expected to be lower from 2025/26 onwards, and reliant on council tax rises rather than grant increases.



The table below compares the CSP in the provisional settlement with the previous year and funding assumptions included in the MTFS.

Core Spending Power (CSP) - £m	2023/24 Final finance settlement	MTFS 2023	2024/25 Provisional finance settlement	2024/25 % change from 2023/24
Settlement Funding Assessment (SFA), including Revenue Support Grant (RSG)	4.591	4.601	4.853	5.71%
Core funding grants, including funding guarantee	4.634	5.097	3.201	-30.92%
New Homes Bonus (NHB)	0.053	0.053	1.733	3169.81%
Council Tax [1]	9.712	10.306	10.173	4.75%
	18.990	**20.057**	**19.960**	**4.53%**

[1] – settlement figures based on government projections

The provisional settlement provides £0.097m less funding than assumed in the MTFS. Whilst the overall change from 2023/24 is comparable to other district councils, the breakdown of our funding reflects a significant switch between NHB and the funding guarantee.

The NHB increase is driven by a significant increase in new properties and a reduction in empty properties, with a compensating decrease in the funding guarantee. As in previous years, this NHB allocation will not give rise to future legacy payments. 10% of the NHB of £1.733m will be set aside as a contribution to the Greater Cambridge Partnership investment and delivery fund, in line with the current agreement with partners. Yet again, no replacement for NHB has been announced, giving rise to the possibility that it may continue for 2025/26, as there will be little time to replace it following the expected general election.

A funding guarantee of £2.341m (2023/24 £3.713m) is included. Significantly, the guarantee represents funding that can be considered to be at risk going forwards. The inclusion of this guarantee continues to stabilise the council’s funding for 2024/25 but draws attention to the high level of uncertainty inherent in the funding systems at present.

The settlement confirmed that the council tax referendum limit for district councils will remain at the 2.99% or £5 on the Band D property, whichever is higher.

Section 3
General Fund revenue proposals and impact on savings requirements

Budget proposals

The impact of revenue proposals for additional expenditure, changes in income and savings is shown below in aggregate, by portfolio in Appendix B(a) and in detail by type of proposal in Appendices B(b) – (c).

Performance against savings target

For the purposes of the table below, it has been assumed that where there are savings to be found they will be achieved in the year as recurring savings and will not therefore roll forward to later years.

MTFS 2023 identified a budget gap of £2.3m for 2024/25. In 2024/25 the net impact of budget proposals listed in this report is a net saving of £176k. It is proposed that £1.5m of business rates growth is applied on a recurring basis to reduce the budget gap and the remainder of the gap is funded by a contribution from reserves. Previously all business rates growth has been taken to reserves on the basis that the level of this income is uncertain and will be reduced substantially when business rates are reset. However, modelling suggests that at least £1.5m will be available immediately after the reset and that amount will increase each year until the next reset. Therefore, the risk is considered to be manageable, with any shortfall fundable from accumulated reserves.

Savings requirements - £000	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Net savings requirement – new each year (MTFS 2023)	**2,339**	**1,028**	**4,589**	**1,846**	**1,251**	**11,053**
Net savings requirement – cumulative (MTFS 2023)	**2,339**	**3,367**	**7,956**	**9,802**	**11,053**	
Reduced income	762	650	650	650	650	
Bids	543	350	350	350	350	
Savings	(1,172)	(972)	(972)	(972)	(972)	
Increased income	(309)	(359)	(229)	(229)	(229)	
Net bids and savings	**(176)**	**(331)**	**(201)**	**(201)**	**(201)**	
Provisional settlement changes from MTFS	97					
Use of business rates growth to fund services	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	
Technical adjustments	(130)	(130)	(130)	(130)	(130)	
Contribution from reserves	(636)					
Total funding and assumption changes	**(2,169**)	**(1,630)**	**(1,630)**	**(1,630)**	**(1,630)**	
Change to indicative cost of capital financing strategy	6	57	137	207	260	
Total changes to savings requirements	**(2,339)**	**(1,904)**	**(1,694)**	**(1,624)**	**(1,571)**	
Revised net savings requirement - cumulative	**0**	**1,463**	**6,262**	**8,178**	**9,482**	**9,482**

Section 4
General Fund capital proposals and funding

Capital proposals

A total of £1.670m of capital proposals for 2024/25 are listed in Appendix C, with a further £35k per year for the three years from 2025/26 to 2027/28.

Development of the Civic Quarter

£1.00m is requested to procure design and consultancy services to deliver RIBA stage 2 designs for the Guildhall, as described in the report to be brought to Strategy and Resources Scrutiny Committee on 29 January 2024. This scheme is to be funded with £1.00m from the Civic Quarter Development Reserve (see Section 5). Future proposals for the Market Square and Corn Exchange will be brought forward over the course of the financial year.

Other proposals

The remaining proposals consist of a range of schemes to support service delivery, which will be funded from existing capital resources.

Section 5
Reserves

Contributions to earmarked reserves

As indicated in the MTFS the following contributions to earmarked reserves are recommended.

Climate Change Fund £750k

A contribution of £750k from the general reserve is proposed to deliver the council's climate change objectives described in the Asset Management Plan as approved at Strategy and Resources Scrutiny Committee in March 2023, and in the District Heat Network report to committee in June 2023. The Climate Change Fund exists as an earmarked reserve to provide for works to achieve the Council's Climate Change Strategy and has an established approvals process. This funding will allow, subject to approval, spend as and when projects come to a state of readiness, and for the council to meet requirements of external funders for match funding, if and when funding schemes are announced, which can be with little notice and short timescales.

Civic Quarter Development Reserve £20m

A new earmarked reserve is proposed, with the remit to provide funding for work required to design and develop a new civic quarter in the centre of Cambridge, comprising the Guildhall, Market Square and Corn Exchange. Initially the reserve will be funded by a transfer of £20m from the general reserve. The level of this reserve will be subject to review as the underlying schemes are developed, and with reference to the level of general reserves, which will be dependent on future requirements to balance annual budgets and the achievement of business rates growth.

Remit for the Civic Quarter Development Reserve

The reserve will be classified as a major policy-led reserve.

Purpose

The reserve has been established to set aside funds for the development of the Civic Quarter comprising the Guildhall, Market Square and Corn Exchange.

Use of the Reserve

As the reserve has been set up to fund major redevelopment and regeneration projects, allocations from the reserve will require discussion at Strategy and Resources Scrutiny Committee and approval by the Executive Councillor for Finance and Resources.

Allocations can be used to fund both capital and revenue costs, with the accounting treatment of costs determined in line with the relevant Codes of Practice.

Management and control

The revenue and capital budgets funded from this reserve will be managed and reported in line with current financial management practices.

The reserve will be reviewed annually, with additional contributions or write-backs to general reserves approved through the council's budget setting processes.

Impact on GF reserves

The impact of proposals in this report on GF general reserves are shown in the table below. For comparison, the MTFS set the prudent minimum balance (PMB) for general reserves at £5.934m and the target balance at £6.854m.

It should be noted that if business rates growth is lower than forecast there is a risk that the balance on the reserve falls below the PMB. If this were to happen, it would be necessary to identify amounts within earmarked reserve balances, including the Civic Quarter Development Reserve, that could be returned to the general reserve to restore it to the target level.

GF reserve £’000s	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Balance at 1 April (b/fwd)	**(28,061)**	**(24,517)**	**(2,143)**	**(1,093)**	**(1,043)**	**(993)**
Approved use of reserves	3,544					
Contribution to balance 2024/25 budget		636				
Transfer to Civic Quarter Development Reserve		20,000				
Transfer to Climate Change Fund (CCF)		750				
Indicative funding for further restructuring arising from future phases of Our Cambridge		*1,000*	*1,000*			
Indicative funding for the Climate Change Fund (CCF)			*50*	*50*	*50*	*50*
Balance at 31 March before business rates growth (c/fwd)	**(24,517)**	**(2,131)**	**(1,081)**	**(1,031)**	**(981)**	**(931)**
Business rates growth – indicative growth element (at risk)	(7,400)	(8,478)	(9,736)	(2,594)	(3,488)	(4,421)
Use of business rates growth to fund services	1,500	1,500	1,500	1,500	1,500	1,500
Balance at 31 March including business rates growth	**(30,417)**	**(15,009)**	**(22,195)**	**(23,239)**	**(25,177)**	**(28,048)**

Appendix A

Bids and Savings by Portfolio

Climate Action and Environment

£		2024/25	2025/26	2026/27	2027/28	2028/29
Revenue Bids						
B5225	Waste Combined Proposal	234,000	234,000	234,000	234,000	234,000
Capital Bids						
CAP5210	Refuse Collection Vehicles - Growth	220,000	0	0	0	0

Community Wealth Building and Community Safety

£		2024/25	2025/26	2026/27	2027/28	2028/29
Savings						
S5227	Realignment of CCTV base budget	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)

Finance, Resources and Transformation Portfolio

£		2024/25	2025/26	2026/27	2027/28	2028/29
Reduced Income						
RI5156	Reductions in Income Relating to Housing Benefit	87,000	0	0	0	0
Revenue Bids						
B5155	Discretionary Housing Payments Funding Shortfall	50,000	0	0	0	0
Savings						
S5205	Central Provision Review	(370,000)	(370,000)	(370,000)	(370,000)	(370,000)
Increased Income						
II5154	Increased Commercial Property income from financial year 2024/25 onwards.	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
II5161	Guildhall - Income from letting of Ground Floor	(40,000)	(80,000)	0	0	0
II5162	Guildhall - Income from letting of Fourth Floor	(40,000)	(50,000)	0	0	0
II5220	Additional income for increased HRA use of Mandela House	(93,410)	(93,410)	(93,410)	(93,410)	(93,410)
Capital Bids						
CAP5197	The Public Switch Telephone Network (PSTN) Switch Off	30,000	0	0	0	0
CAP5243	Development of the Civic Quarter	1,000,000	0	0	0	0

Housing and Homelessness

£		2024/25	2025/26	2026/27	2027/28	2028/29
Revenue Bids						
B5178	Increased budget for Bed and Breakfast	67,570	0	0	0	0
B5230	Building retrofit installation, capacity building and feasibility study.	25,000	0	0	0	0

The Leader

£		2024/25	2025/26	2026/27	2027/28	2028/29
Revenue Bids						
B5228	Contribution Towards the administration costs of the Innovate Cambridge programme	50,000	0	0	0	0

Open Spaces and City Services

£		2024/25	2025/26	2026/27	2027/28	2028/29
Reduced Income						
RI5223	Reduced Income - City Services	675,000	650,000	650,000	650,000	650,000
Savings						
S5224	Savings - City Services	(644,220)	(443,560)	(443,560)	(443,560)	(443,560)
Increased Income						
II5222	City Services Increased Income	(36,000)	(36,000)	(36,000)	(36,000)	(36,000)
Capital Bids						
CAP5175	Fire management compliance at the Grand Arcade Multi Storey Car Park	180,000	0	0	0	0
CAP5201	New Equipment to Support Zero Herbicides Policy	180,000	0	0	0	0
CAP5229	Skating and street sport facilities, match funding	25,000	0	0	0	0

Planning, Building Control and Infrastructure

£		2024/25	2025/26	2026/27	2027/28	2028/29
Revenue Bids						
B5219	Shared Planning Service - Budgeted Contribution Alignment	116,000	116,000	116,000	116,000	116,000
Savings						
S5242	Removal of Bus Subsidy Budget	(102,600)	(102,600)	(102,600)	(102,600)	(102,600)
Capital Bids						
CAP5164	Minor Highways Improvements	35,000	35,000	35,000	35,000	0

Appendix B (a)

2024/25 Budget – Pressures & Bids

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact

Reduced Income

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
RI5156	**Reductions in Income Relating to Housing Benefit**	87,000	0	0	0	0	Nil	High Positive Impact

The continued rollout of Universal Credit has reached the Managed Migration phase with small cohorts being moved from legacy benefits to Universal Credit during 2023/2024. This managed migration will increase during 2024/2025 with greater numbers moving over. This will mean that the DWP will be reducing the Housing Benefit Admin Support Grant to reflect lower caseloads. It is estimated that the Admin Support Grant may reduce from £279,076 in 2023/2024 to £237,076 in 2024/2025. Additionally, with reducing housing benefit payments, the income derived from recovery of housing benefit overpayments will reduce as there will be fewer debts being created. It is anticipated that this could see the current income of £225,000 reducing to £180,000. The total impact of the Universal Credit managed migration is therefore £87,000. Split between 1800-511083 £45k & 1802-50103 £42k.

Naomi Armstrong

Finance, Resources and Transformation Portfolio

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
RI5223	**Reduced Income - City Services**	675,000	650,000	650,000	650,000	650,000	Nil	No Impact

In recent years significant changes have occurred across the funeral industry and the market space rental income. The rapid growth of national direct cremations and the establishment of new crematoria in Cam Valley and Huntingdon have had a direct impact on the city crematorium's revenue. The proposed reduction in income budget provides a stretched but realistically achievable target while ensuring that the service still contributes positively to the general fund. The income budget for markets assumes full occupancy. This has never been achieved with the highest occupancy rate being pre-pandemic at 96%. Occupancy is currently tracking between 10%/15% under and therefore a £125,000 reduction is proposed. The proposed reduction in the market income budget provides a stretched but realistically achievable target while ensuring that the service still contributes positively to the general fund.

James Elms

Open Spaces and City Services

	2024/25	2025/26	2026/27	2027/28	2028/29
Total Reduced Income	762,000	650,000	650,000	650,000	650,000

2024/25 Budget – Pressures & Bids

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact

Revenue Bids

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
B5155	**Discretionary Housing Payments Funding Shortfall**	50,000	0	0	0	0	Nil	High Positive Impact

Discretionary Housing Payments are a crucial tool to support households who experience a shortfall between housing benefit or Universal Credit and their eligible rent. Funding levels from government have remained the same for 2 years at £138,217 per year and spend during 2022/2023 was £158,737. Cambridge City Council has always spent all of its government allocation; supporting claimants impacted by welfare reforms and has previously relied on additional homelessness prevention funding set up several years ago plus bids over the past few years to top up awards. Government funding for Discretionary Housing Payments is not made until close to the start of each financial year.

Naomi Armstrong

Finance, Resources and Transformation Portfolio

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
B5178	**Increased budget for Bed and Breakfast**	67,570	0	0	0	0	Nil	Low Positive Impact

Bed and Breakfast costs have significantly exceeded the budget for the last few years. Housing pressures on the city remain acute, and whilst we continue to seek settled housing for homeless people as quickly as possible, there is a need to increase the budget in order to provide emergency housing.

Simon Hunt

Housing and Homelessness

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
B5219	**Shared Planning Service - Budgeted Contribution Alignment**	116,000	116,000	116,000	116,000	116,000	Nil	No Impact

This bid manages the pressure arising from pay increments, post regrading and pay inflation, where pressures arise from differences between SCDC budgeted employee costs and inflation assumptions used within the City's MTFS. The overall pressure for the whole service totals £750k of which £253k has been found from secured external funding. The remaining pressure has been split between SCDC and the City on a 62/38 ratio. In addition, there is a small shortfall of £16k arising from one off previously approved bids by the City which have been incorporated into the shared service base budget. Following the Autumn Statement, which announced funding to support the government's "Cambridge 2040" initiative, the service now expects to achieve an increase in net income of £240k, with £90k of this being attributable to the city council. These amounts reflect current understanding of the requirements of Cambridge 2040 and will be subject to review in future years. Overall, the net increase required to align the council's budgeted contribution to the shared service is £116k.

Stephen Kelly

Planning, Building Control and Infrastructure

2024/25 Budget – Pressures & Bids

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
B5225	**Waste Combined Proposal**	234,000	234,000	234,000	234,000	234,000	Nil	No Impact

Greater Cambridge Shared Waste (GCSW) requests the City to award a net £234k ongoing BSR Bid starting from the 2024-2025 Financial Year. The net bid is related to a combination of new 5 FTE posts (£131k), pressure arising from pay increments and pay inflation (£123k), funding to continue for the small electronic and electrical waste recycling scheme after start-up funding has ended (£20k), and additional surplus from commercial waste service (-£40k). All the above figures are 50% of the total budgeted costs and surpluses for the City. GCSW require 3 FTE additional Refuse Crews (for one vehicle) to manage the pressure from property growth. 1 FTE additional Refuse Team Manager will ensure staff welfare and supervision are kept at the expected standards in line with the Councils' values and visions. 1 FTE Waste Service Planning Officer post will address an ongoing lack of officer capacity to fully address housing growth. The post will also enable a new revenue stream to be generated by GCSW via the Planning application advice process. Adding proposed posts to the establishment will reduce agency costs, and drive continuous growth, service improvements and customer service.

Bode Esan

Climate Action and Environment

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
B5228	**Contribution Towards the administration costs of the Innovate Cambridge programme**	50,000	0	0	0	0	Nil	No Impact

The City Council has been closely involved with the development of Innovate Cambridge - a cross sector partnership with key businesses, researchers, investors, and the Universities. Following the successful conference at the Guildhall on 11 Oct, Innovate Cambridge is raising c.£6m budget over the next 3 years to co-ordinate a programme of local activity, which could involve the City Council; 1) improve governance of the Cambridge innovation cluster to sustain its international competitiveness 2) deliver projects with local partners to improve environmental and climate actions, promote workforce diversity and inclusion, and community projects 3) follow through on the innovation partnership with Manchester and develop new partnerships. Both Universities and large businesses have offered contributions to fund the programme.

Robert Pollock

The Leader

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
B5230	**Building retrofit installation, capacity building and feasibility study.**	25,000	0	0	0	0	Nil	No Impact

The Council is engaged in projects to retrofit buildings for improved energy efficiency (council homes, administrative buildings, commercial properties and grant funded private sector homes). The current market conditions are not enabling the scale of retrofit delivery required, nor under the current conditions is the supply side market growing. We seek funding to undertake a detailed market assessment enabling wider considerations around developing operational capability to support growth of retrofit delivery in the Cambridge area.

Jo Dicks

Housing and Homelessness

Total Revenue Bids	542,570	350,000	350,000	350,000	350,000
Pressures & Bids Total:	**1,304,570**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**

Appendix B (b)

2024/25 Budget – Savings

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact

Savings

S5205	**Central Provision Review**	(370,000)	(370,000)	(370,000)	(370,000)	(370,000)	Nil	No Impact

This cost centre is used primarily for adjustments to budgets during budget setting and in-year. As a result, budgets on this code will vary from year to year. This saving relates to budget that is no longer necessary to be allocated. — Karen Whyatt

Finance & Resources

S5224	**Savings - City Services**	(644,220)	(443,560)	(443,560)	(443,560)	(443,560)	Nil	No Impact

Several cost-saving opportunities have been identified based on historical underspending in budgets (£135k), ICT hardware budget that is not required in 24-25 (£20k), the removal (£129k) and freezing for one year (£181k) of vacant positions, and the implementation of a new City Services Management structure (£180k). — James Elms

Open Spaces and City Services

S5227	**Realignment of CCTV base budget**	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	Nil	No Impact

To align the shared service contribution budget for CCTV, following a reallocation of costs between partners. Levels of service delivery are not impacted. — James Elms

Community Wealth Building and Community Safety

S5242	**Removal of Bus Subsidy Budget**	(102,600)	(102,600)	(102,600)	(102,600)	(102,600)	Nil	No Impact

Removal of bus subsidy budget, following agreement with the Cambridgeshire and Peterborough Combined Authority (CPCA) to take over responsibility for funding these bus routes within the City. This saving is contingent on CPCA approval through their budget setting process in January 2024. — Sharon Line

Planning, Building Control and Infrastructure

Total Savings	(1,171,820)	(971,160)	(971,160)	(971,160)	(971,160)

2024/25 Budget – Savings

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact

Increased Income

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
II5154	**Increased Commercial Property income from financial year 2024/25 onwards.**	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	Nil	No Impact

Forecast additional net income from the 2024/25 financial year onwards reflecting expected rent reviews, lease renewals and lettings on the existing commercial property portfolio. — Philip Doggett

Finance, Resources and Transformation Portfolio

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
II5161	**Guildhall - Income from letting of Ground Floor**	(40,000)	(80,000)	0	0	0	Nil	No Impact

Increase in net income from the amount previously forecast due to longer letting period to 31/3/2026. — Will Barfield

Finance, Resources and Transformation Portfolio

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
II5162	**Guildhall - Income from letting of Fourth Floor**	(40,000)	(50,000)	0	0	0	Nil	No Impact

Increase in net income due to new letting of the fourth floor of The Guildhall to 31/3/2026. — Will Barfield

Finance, Resources and Transformation Portfolio

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
II5220	**Additional income for increased HRA use of Mandela House**	(93,410)	(93,410)	(93,410)	(93,410)	(93,410)	Nil	No Impact

Following the cessation of the use of 171 Arbury Road by the Council there is an increased use of GF accommodation by HRA funded staff. This proposal reflects the increased income to the GF for the use of that accomodation. [Linked with HRA II5171] — Dave Prinsep

Finance, Resources and Transformation Portfolio

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
II5222	**City Services Increased Income**	(36,000)	(36,000)	(36,000)	(36,000)	(36,000)	Nil	No Impact

A review of income budgets has identified several opportunities for income growth. These include Streets and Open Spaces car parking revenue, the introduction of new allotment plots in growth sites, an adjustment of lettings and events fees and charges to align with market rates and the exploration of new opportunities for event income. — James Elms

Open Spaces and City Services

Appendix B (b)

2024/25 Budget – Savings

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
Total Increased Income		(309,410)	(359,410)	(229,410)	(229,410)	(229,410)		
Savings Total:		**(1,481,230)**	**(1,330,570)**	**(1,200,570)**	**(1,200,570)**	**(1,200,570)**		

2024/25 Budget – Capital Proposals

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact

Capital Bids

CAP5164	**Minor Highways Improvements**	35,000	35,000	35,000	35,000	0	Nil	No Impact

City Council contribution towards the County Council annual programme of Local Highways Improvements. Over the last five years the Council has contributed just under 20% towards the costs of improvements in the city, with the remainder funded by the County Council. This programme funds minor to medium sized improvements to the Cambridge highway network, including junction and path improvements, crossings, speed limits and parking and other traffic restrictions – with schemes prioritised on the basis of their contributions towards road safety, community benefit, addressing ongoing difficulties including maintenance and added value.

John Richards

Planning, Building Control and Infrastructure

CAP5175	**Fire management compliance at the Grand Arcade Multi Storey Car Park**	180,000	0	0	0	0	Nil	No Impact

Addressing Health and safety and fire safety assessment recommendations at the Grand Arcade car park.

Sean Cleary

Open Spaces and City Services

CAP5197	**The Public Switch Telephone Network (PSTN) Switch Off**	30,000	0	0	0	0	Nil	No Impact

The Public Switch Telephone Network (PSTN) will close in December 2025. By then, every phone line in the UK will have moved to a fully digital network that uses Internet Protocol (IP) across a fibre-based service. These changes mean we need to upgrade existing PSTN lines for alarms, lifts, telephones, monitoring equipment and relevant broadband lines.

Michelle Lord

Finance, Resources and Transformation Portfolio

CAP5201	**New Equipment to Support Zero Herbicides Policy**	180,000	0	0	0	0	Positive/Low Impact	No Impact

Additional street sweeping and cleaning machinery to support deep cleaning and weed removal. Following herbicide free trials, the use of specialist street cleansing mechanical equipment is deemed to be the most effective and sustainable weed control method available to remove the need to use herbicides on highway verges, roads, and pavements. This equipment is also expected to reduce the risk of repetitive strain injury to operatives and to provide opportunities for income generation.

Don Blair

Open Spaces and City Services

2024/25 Budget – Capital Proposals

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
CAP5210	**Refuse Collection Vehicles - Growth**	220,000	0	0	0	0	Positive/Medium Impact	No Impact

Two additional vehicles are required due to growth of 15000 properties in the GCSWS area and the changes to collection rounds. Cost £440k for the two vehicles to be split 50/50 between the City and SCDC. Both vehicles will run on Hydrotreated Vegetable Oil (HVO) because currently no appropriate charging station is available for the electric vehicle. Using HVO fuel will ensure we meet the Council's objectives of reducing CO2.Greater Cambridge Shared Waste Services communicated this plan with the City's Strategy and Resources Scrutiny Committee in July 2023 that this investment is necessary for route optimisation and the future of waste collections.

Bode Esan

Climate Action and Environment

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
CAP5229	**Skating and street sport facilities, match funding**	25,000	0	0	0	0	Nil	No Impact

A match funding contribution to financially support (in part) and therefore enable the development and delivery of skating and street sport facilities in the city also capable of attracting other finance sourced through other means such as grants, sponsorship, and crowd funding.

Alistair Wilson

Open Spaces and City Services

Reference	Item Description	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	Climate Rating	Poverty Ratings & Contact
CAP5243	**Development of the Civic Quarter**	1,000,000	0	0	0	0	Nil	No Impact

£1.00m is requested to procure design and consultancy services to deliver RIBA stage 2 designs for the Guildhall, as described in the report to Strategy and Resources Committee on 15 January 2024 (presented alongside this report on budget proposals). This scheme is to be funded with £1.00m from the Civic Quarter Development Reserve (see Section 5).

Ben Binns

Finance, Resources and Transformation Portfolio

Total Capital Bids	1,670,000	35,000	35,000	35,000	0
Capital Total:	**1,670,000**	**35,000**	**35,000**	**35,000**	**0**

Cambridge City Council Equality Impact Assessment (EqIA)

This tool helps the Council ensure that we fulfil legal obligations of the Public Sector Equality Duty to have due regard to the need to –

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Guidance on how to complete this tool can be found on the Cambridge City Council intranet. For specific questions on the tool email Helen Crowther, Equality and Anti-Poverty Officer at equalities@cambridge.gov.uk or phone 01223 457046.

Once you have drafted the EqIA please send this to equalities@cambridge.gov.uk for checking. For advice on consulting on equality impacts, please contact Graham Saint, Strategy Officer, (graham.saint@cambridge.gov.uk or 01223 457044).

1. Title of strategy, policy, plan, project, contract or major change to your service
General Fund Budget 2024/25 proposals

2. Webpage link to full details of the strategy, policy, plan, project, contract or major change to your service (if available)
https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=159&MId=4426&Ver=4

3. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?
This Equality Impact Assessment (EqIA) assesses the equality impacts of the General Fund element of the City Council's budget. An EqIA is undertaken on the budget proposals each year to enable the City Council to set a balanced budget for 2024/25 that reflects the Council's vision and takes into account councillors' priorities in its proposals for achieving the savings required. This EqIA has been completed for budget proposals that are likely to result in significant service changes or have a directly identifiable equality impact. For some proposals there are minimal or neutral impacts and therefore they have not been included in this document.

This approach is intended to ensure that in making decisions on the Budget, the Council is discharging its Public Sector Equality Duty under the Equality Act 2010. The 2024/25 budget proposals that are considered as part of this impact assessment are: Revenue bids: • B5155 Discretionary Housing Payments Funding Shortfall • B5225 Waste Combined Proposal • B5228 Contribution Towards the administration costs of the Innovate Cambridge Programme Capital bids: • CAP5175 Fire management compliance at the Grand Arcade Multi Storey Car Park • CAP5201 New Equipment to Support Zero Herbicides Policy[1] • CAP5229 Skating and street sport facilities, match funding

4. Responsible service
The Finance service manages the budget process, but a range of Council Services are responsible for the individual bid proposals included in this EqIA.

5. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? **(Please tick all that apply)**	☒ Residents ☒ Visitors ☒ Staff
Please state any specific client group or groups (e.g. City Council tenants, tourists, people who work in the city but do not live here): **N/a**	

6. What type of strategy, policy, plan, project, contract or major change to your service is this?	Each of the proposals identified will change the level of service to be delivered.

[1] Note that an equality impact assessment was undertaken on the Herbicide Reduction Plan and extension itself. This is available upon request by emailing equalities@cambridge.gov.uk.

7. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service? (Please tick)	☒ Yes ☐ No
If 'Yes' please provide details below: This is an assessment of the Council's budget proposals and therefore covers all our services. The budget also affects some of the Council's partnership working.	

8. Has the report on your strategy, policy, plan, project, contract or major change to your service gone to Committee? If so, which one?
Strategy and Resources Scrutiny Committee 15th January 2024.

9. What research methods/ evidence have you used in order to identify equality impacts of your strategy, policy, plan, project, contract or major change to your service?
This information is based on feedback from Council Officers that lead on the individual Budget proposals and any EqIAs they have produced.

10. Potential impacts For each category below, please explain if the strategy, policy, plan, project, contract or major change to your service could have a positive/ negative impact or no impact. Where an impact has been identified, please explain what it is. Consider impacts on service users, visitors and staff members separately.

(a) Age - Please also consider any safeguarding issues for children and adults at risk

CAP5175 Fire management compliance at the Grand Arcade Multi Storey Car Park

This budget bid covers recommended works from health and safety and fire safety assessments that have been undertaken. These recommendations are to install manual fire call points (the break glass units), alarm sounders or high visibility flashing beacons. They are also to replace the Grand Arcade Annex CO & NO2 detectors. If the detectors are not replaced, smoke and emissions cannot be detected meaning the fan system will not operate correctly, resulting in bad air quality, health hazard and fire risk to staff and customers. These detectors are also linked to the fire management system which currently cannot detect smoke or uplift in C02 emissions within the lower car park. Children and older people may especially be at risk of poor health associated with high car exhaust emissions and smoke, which replacement of faulty detectors can help mitigate.

CAP5201 New Equipment to Support Zero Herbicides Policy

The additional street sweeping and cleaning machinery requested through this budget bid will automate a process that is currently manual and has links to Hand Arm Vibration Syndrome over time. This will have a positive impact for our workforce as the automated process will prevent people developing this syndrome over time as the council's workforce gets older.

CAP5229 Skating and street sport facilities, match funding

This budget bid is to agree funding allocation to improve the skate and street sports that will be match funded by Cam Skate. Cam Skate and the City Council will be developing plans for new products at which point equality impacts will be assessed in greater detail. The improved new product will be mostly used by children and young people. In developing the product, consideration may be given to designing the space so children can use it, as well as young people who without this consideration would likely to be the highest users.

(b) Disability

B5155 Discretionary Housing Payments Funding Shortfall

Discretionary Housing Payments (DHPs) support households who experience a shortfall between Housing Benefit or Universal Credit and their eligible rent. Cambridge City Council has always spent all of its government allocation supporting claimants impacted by welfare reforms. It has previously relied on additional homelessness prevention funding set up several years ago plus bids over the past few years to top up awards, which this budget bid is for.

DHP assessment considers increased costs that many disabled individuals or households face. For instance, national research by Scope (2023)[2] indicates that disabled people face extra costs of £975 per month on average. On average, the extra cost of disability is equivalent to 63% of household income after housing costs. Disability benefits are therefore intended offset against these increased costs but in a snapshot of DHP applications from August 2023, a total of 23 of 33 applications were made by people not in work due to disability (70%).

[2] https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag-2023/

Disabled households are sometimes affected by Local Housing Allowance and Spare Room Subsidy restrictions as there is a lack of available accommodation to suit disability needs. Disabled households often need larger properties to accommodate wheelchairs or additional rooms for medical supplies or treatments. The easement that allows for an additional bedroom for an overnight carer does not help in these situations. DHPs often support these claimants for long periods of time due to lack of suitable available accommodation.

B5225 Waste Combined Proposal

There are many elements to this budget bid but part of it is to fund another Refuse Team Manager so there will be five instead of four Refuse Team Managers as is currently the case. The five roles would be identical and an additional manager will enable the Service to better distribute the staffing numbers out so each team manager is responsible for 32 direct report as opposed to the current 40 direct reports. The additional post will support the wellbeing of the team managers by reducing the work pressure from supporting a large number of direct reports; this will ultimately ensure that the direct reports have the support, guidance and staff health and wellbeing needs required to carry out their duties.

CAP5175 Fire management compliance at the Grand Arcade Multi Storey Car Park

This budget bid covers recommended works from health and safety and fire safety assessments that have been undertaken. All car park users are potentially at risk of ill-health and disability if the recommendations to improve fire safety are not carried out. Moreover, high levels of car exhaust emissions and smoke can exacerbate long term health issues, which the CO & NO2 detectors could help prevent. The new fire system together with installation of both audible and visual alarms would raise awareness during fire emergencies to all customers, including those with sight or hearing impairments. Disabled customer with blue badges, including the council’s Shopmobility customers, would be at particular risk if this work is not carried out due to their reduced mobility to evacuate the building if not given sufficient warnings around fire safety.

CAP5201 New Equipment to Support Zero Herbicides Policy

The additional street sweeping and cleaning machinery requested through this budget bid will help with weed removal from streets and open spaces. On streets this will have a positive impact for accessibility, especially for people using wheelchairs or mobility scooters and who have mobility and/or sight impairments. Moreover, as mentioned, machinery requested through this bid will automate a process that is currently manual and has links to Hand Arm Vibration Syndrome over time.

CAP5229 Skating and street sport facilities, match funding

This budget bid is to agree funding allocation to improve the skate ramp and street sports that will be match funded by Cam Skate. Cam Skate and the City Council will be developing plans for new products and assessing equality impacts in greater detail as part of this. At this point, reasonable adjustments can be considered to support people with some disabilities to use the space. Improving the skate and streets sports offer is hoped to lead to greater usage of the skate area, which could have a positive impact on mental health as exercise improves mental wellbeing.

(c) Gender reassignment

No equality impacts have been identified specific to this protected characteristic.

(d) Marriage and civil partnership

No equality impacts have been identified specific to this protected characteristic.

(e) Pregnancy and maternity

B5155 Discretionary Housing Payments Funding Shortfall

This budget bid is to make up the shortfall between government funding for Discretionary Housing Payments (DHPs) and local need for DHPs. Pregnancy and maternity are an expensive time for households, and although generally additional personal allowances in Housing Benefit and Universal Credit are not given during pregnancy, they may be if the mother is unable to work during pregnancy. Expectant families are also sometimes affected by Local Housing Allowance and Spare Room Subsidy restrictions until the child or children are born, and DHPs can support households at this time.

CAP5201 New Equipment to Support Zero Herbicides Policy

The additional street sweeping and cleaning machinery requested through this budget bid will help with weed removal from streets and open spaces. On streets this will have a positive impact for accessibility, especially for people using prams and buggies.

(f) Race – Note that the protected characteristic 'race' refers to a group of people defined by their race, colour, and nationality (including citizenship) ethnic or national origins.

B5155 Discretionary Housing Payments Funding Shortfall

This budget bid is to make up the shortfall between government funding for Discretionary Housing Payments (DHPs) and local need for DHPs. Entitlement to DHP does not make reference to race so we cannot identify if there are more applications from some ethnic groups over others. However, it might be the case that there are proportionally higher numbers of claims for DHPs from some ethnic minority groups than others. For instance, UK statistics find that Bangladeshi and Pakistani families have experienced much greater rates of poverty than all other ethnic groups and this has been the case for 20 years[3]. Qualitative research undertaken on needs of ethnic minority people in the city in

[3] https://www.jrf.org.uk/data

2021[4], and recent feedback from Cambridge Ethnic Community Forum on needs of clients they support indicate that Bangladeshi people, Black people (especially African people), and Arab people are the most likely to experience poverty in Cambridge itself.

CAP5175 Fire management compliance at the Grand Arcade Multi Storey Car Park

This budget bid covers recommended works from health and safety and fire safety assessments that have been undertaken. For people for whom English is a second language standard fire alert signage would be installed that would also incorporate instructions in pictures. Moreover, the new fire system with installation of both audible and visual alarms would raise awareness during fire emergencies to all customers, as the alarm and flashing lights can be considered a universal warning.

(g) Religion or belief

No equality impacts have been identified specific to this protected characteristic.

(h) Sex

B5155 Discretionary Housing Payments Funding Shortfall

This budget bid is to make up the shortfall between government funding for Discretionary Housing Payments (DHPs) and local need for DHPs. Single parents may have an increased likelihood of needing DHPs due to being on low incomes in the first place, and women are generally more likely to be single parents (84%)[5]. Locally, when looking at Council Tax Reduction (which will cover both housing benefit and Universal Credit claims) of the 7,133 Council Tax claims as at October 2023, 1,698 single parent households, 1,603 are women. This represents 94% female single parent households on Council Tax Reduction.

CAP5229 Skating and street sport facilities, match funding

This budget bid is to agree funding allocation to improve the skate and streets sports) that will be match funded by Cam Skate. Cam Skate and the City Council will be developing plans for new products at which point equality impacts will be assessed in greater detail. According to Skateboard GB, only 15% of skaters are female which means that this budget bid could have a disproportionate positive impact for boys[6].

[4] https://democracy.cambridge.gov.uk/documents/s63633/CECF%20needs%20assessment%20background%20report.pdf

[5] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2022

[6] https://www.bbc.co.uk/news/uk-england-bristol-58101520

CAP5243 Development of the Civic Quarter

An Equality Impact Assessment on this budget item will be taken to the Strategy and Resources Committee on 29th January.

(i) Sexual orientation

No equality impacts have been identified specific to this protected characteristic.

(j) Other factors that may lead to inequality – in particular, please consider the impact of any changes on:

- **Low-income groups or those experiencing the impacts of poverty**
- **Groups who have more than on protected characteristic that taken together create overlapping and interdependent systems of discrimination or disadvantage. (Here you are being asked to consider intersectionality, and for more information see: https://media.ed.ac.uk/media/1_l59kt25q).**

B5155 Discretionary Housing Payments Funding Shortfall

This budget bid is to make up the shortfall between government funding for Discretionary Housing Payments (DHPs) and local need for DHPs. It is important that families on a low income, who are often less able to budget, are clear about the support they will receive. Low-income households often do not have sufficient savings to allow them to choose good quality accommodation as large deposits and rent in advance are often required.

Moreover, relating to intersectionality, older people more likely to have long-term health conditions or disabilities so face the extra living costs relating to having a disability. National research by Scope (2023) indicates that disabled people face extra costs of £975 per month on average. As mentioned above, DHP assessment considers increased costs that many disabled individuals or households face.

CAP5229 Skating and street sport facilities, match funding

This budget bid is to agree funding allocation to improve the skate and streets sports) that will be match funded by Cam Skate. The spaces will be free to use, so improving the offer could have a positive impact for children and young people from low-income households and/or experiencing poverty.

11. Action plan – New equality impacts will be identified in different stages throughout the planning and implementation stages of changes to your strategy, policy, plan, project, contract or major change to your service. How will you monitor these going forward? Also, how will you ensure that any potential negative impacts of the changes will be mitigated? (Please include dates where possible for when you will update this EqIA accordingly.)
Some BSR proposals might have equality impacts, which cannot be identified based on current information held. This means that further equality impact assessments on these might need to be undertaken at a later stage.

12. Do you have any additional comments?
B5178 Increased budget for Bed and Breakfast Equality impact assessments are undertaken to inform the decision-making process but it is a statutory duty to provide temporary accommodation for the council so budget must be found for this – it is not at the council's discretion. Therefore, equality impacts have not been assessed for the bid of increased budget for Bed and Breakfast. **B5228 Contribution Towards the administration costs of the Innovate Cambridge Programme** This budget bid is for the City Council to contribute £50,000 towards the £6 million that Innovate Cambridge are raising towards a cross sector partnership over the next three years with key businesses, researchers, investors, and the local universities. The programme of work of Innovate Cambridge will include but not be limited to delivering projects with businesses to improve workforce diversity and inclusion, and other projects to demonstrate to local communities how businesses are giving back, which also might have positive implications for promoting equality, diversity, and inclusion.

13. Sign off
Name and job title of lead officer for this equality impact assessment: Helen Crowther, Equality and Anti-Poverty Officer (Chief Executive's Office) Names and job titles of other assessment team members and people consulted: Alistair Wilson (Strategic Delivery Manager for City Services), Bode Esan (Head of Climate, Environment and Waste), David Kidston (Strategy & Partnerships Manager), Dominic Burrows (Project Manager Transformation Team), James Elms (Director of City Services Group), Julie Jackson (Commercial and Projects Officer in Parking), Naomi Armstrong (Benefits Manager), Simon Hunt (Housing Advice Operations Manager), Stephen Kelly (Joint Director of Planning & Economic Development). Date of EqIA sign off: 21st December 2023 Date of next review of the equalities impact assessment: An EqIA is undertaken on budget proposals annually Date to be published on Cambridge City Council website: 3rd January 2023

All EqIAs need to be sent to Helen Crowther, Equality and Anti-Poverty Officer at helen.crowther@cambridge.gov.uk.