



# Public Document Pack

## Cambridge City Council

### THE EXECUTIVE

**To:** Councillors Reid (Chair), Smart (Vice-Chair), Bick, Cantrill, McGovern, Swanson and Ward

*Despatched: Friday, 2 September 2011*

**Date:** Monday, 12 September 2011

**Time:** 6.00 pm

**Venue:** Committee Room 1 & 2 - Guildhall

**Contact:** Glenn Burgess

**Direct Dial:** 01223 457169

### AGENDA

**1 APOLOGIES FOR ABSENCE**

**2 MINUTES OF THE MEETING HELD ON 20 JANUARY 2011** *(Pages 1 - 8)*

**3 PUBLIC QUESTIONS**

**4 MEDIUM TERM FINANCIAL STRATEGY 2011** *(Pages 9 - 172)*

## Information for the Public

**QR Codes**  
(for use with Smart  
Phones)

**Location** The meeting is in the Guildhall on the Market Square (CB2 3QJ).

Between 9 a.m. and 5 p.m. the building is accessible via Peas Hill, Guildhall Street and the Market Square entrances.

After 5 p.m. access is via the Peas Hill entrance.

All the meeting rooms (Committee Room 1, Committee 2 and the Council Chamber) are on the first floor, and are accessible via lifts or stairs.



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- For questions and/or statements regarding items on the published agenda, the deadline is the start of the meeting.
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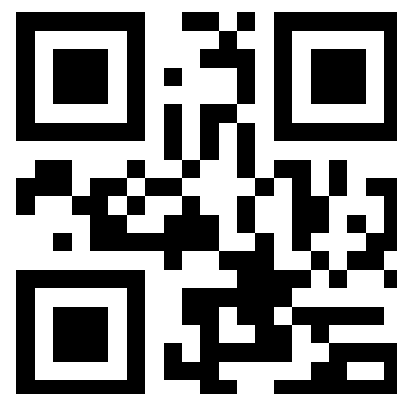
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## THE EXECUTIVE

20 January 2011

6.00 - 6.35 pm

**Present:** Councillors Reid (Chair), Smart (Vice-Chair), Blair, Cantrill, McGovern and Pitt

### Officers Present

Chief Executive – Antoinette Jackson  
Director of Resources – David Horspool  
Director of Environment – Simon Payne  
Director of Customer and Community Services – Liz Bisset  
Principal Accountant Services – Chris Humphris  
Committee Manager – Martin Whelan

### Councillors in attendance

Cllrs Herbert, Wright and Pogonowski

|   |
|---|
| <b>FOR THE INFORMATION OF THE COUNCIL</b> |
|---|

#### **11/1/EX     Apologies**

Apologies were received from Cllr Bick.

#### **11/2/EX     Declaration of Interest**

There were no declarations of interest.

#### **11/3/EX     Minutes**

The minutes of the meeting held on 24<sup>th</sup> September 2010 were approved as a true and accurate record.

#### **11/4/EX     Revenue and Capital Budgets – 2010/11 (Revised), 2011/12 (Proposed) and 2012/13 (Forecast)**

The Executive received a report from the Director of Resources regarding the Revenue and Capital Budgets – 2010/11 (Revised), 2011/12 (Proposed) and 2012/13 (Forecast). The Director of Resources outlined the role of the meeting within the wider budget-setting context.

The Director of Resources summarised the content of the report and noted that there were a number of minor changes covering

- Committee Priorities for Capital and Priority Policy Fund Spending
- Retiming of capital item CB2719

The Executive received questions from representatives of the Labour and Green Groups.

- i) Councillor Herbert asked the Executive Councillor for Environmental and Waste Services how much was allocated for the Silver Street Toilets works. The Executive Councillor advised that the majority of the capital budget was allocated to the project. The Executive Councillor also highlighted the ongoing programme of improvements, but noted that serious issues with the nighttime economy complicated the situation. It was also noted that a separate budget existed for ongoing repairs.
- ii) Councillor Herbert asked the Executive Councillor for Climate Change and Growth regarding the viability of the Environmental Improvement Programme and Cycleways Improvement Programme in light of the proposed budget reductions. The Executive Councillor advised that alternative additional funding sources were also being considered. The Executive Councillor confirmed that the criteria would not significantly change, and that work was ongoing to ensure that the County Council met its obligations rather than relying on the City Council to cover the funding gap. In relation to the Cycleways Programme, the Executive Councillor advised that at present the majority of the funding was being used to top up existing projects, and that alternative funding was being sought to enhance the project. The Leader and Executive Councillor cautioned against subdividing funding pots to a Ward level, as it was the intention for them to be spent across the Area Committee area.
- iii) Councillor Pogonowski questioned whether savings would be achieved by the route optimisation project, if the project had a medium risk of not delivering. The Executive Councillor for Environmental and Waste Services challenged the assertion and outlined the benefits of the scheme.

- iv) Councillor Herbert sought clarification from the Executive Councillor for Housing regarding the removal of specific budget provision for traveller sites. The Executive Councillor for Housing advised that the specific budget related to the operation of a site. It was noted that efforts were ongoing to secure a site and once one had been secured a budget bid for operating it would then be forthcoming.
- v) Councillor asked the Executive Councillor for Customer Services and Resources what provision had been made to respond to changes in the benefit system. The Executive Councillor outlined the ongoing work including reconfiguration of staff resources to manage the implications of the changes.

## Record of Decision

The Executive resolved unanimously (6 votes to 0) to;  
The Leader resolved to,

### Please note

All page references relate to the budget setting report as amended by the Executive report, which can be found at

<http://www.cambridge.gov.uk/democracy/mgConvert2PDF.aspx?ID=2227&T=9>

<http://www.cambridge.gov.uk/democracy/mgConvert2PDF.aspx?ID=3618>

## Revenue Budgets and Cash Limit / Savings Target:

### Budget 2010/11:

- a) Approve the overall revised budget for 2010/11, as shown in Section 3 (page 25) and Appendix W (page 299) for General Fund Services.

### Budget 2011/12:

- b) Agree recommendations for submission to the Executive in respect of :
  - Bids to be funded from External or Earmarked Funds [Appendix C, page 123, refers]
  - Revenue Savings and Bids [Appendix E, page 126 refers]
  - Priority Policy Fund (PPF) Bids [Appendix I, page 171 refers] – based on the position as outlined in Section 10 (page 57), as amended to include

the proposed priorities for Priority Policy Fund (PPF) Bids - see attached replacement **Appendix I** [page 171 refers].

c) Recommend to Council the Council Tax base, as set out in Appendix G (page 160), and the level of Council Tax for 2010/11, based on a 99% collection rate [Section 8, page 47 refers].

d) Recommend to Council to approve:

(i) the Prudential Indicators as set out in Appendix M(a), Annex 1 (page 191) and to note that the "Authorised Limit" determined for 2011/12 will be the statutory limit determined under section 3 of the Local Government Act 2003 [Section 14, page 85 refers].

(ii) to delegate to the Director of Resources, within the borrowing totals for any financial year within (i) above, to effect movement between the separately agreed figures for 'borrowing' and 'other long term liabilities'.

(iii) the Treasury Management and Annual Investment Strategy set out in Appendix M(b) (page 196).

(iv) amendments to the Council's Approved Lending List, shown in Appendix M(c) (page 217)

e) Delegate to the Director of Resources authority to finalise changes relating to the corporate and departmental restructuring and the reallocation of support service and central costs, in accordance with the CIPFA Best Value Accounting Code of Practice and the Service Reporting Code of Practice for Local Authorities (SeRCOP) which applies from 1 April 2011 i.e. for 2011/12 budgets. [para 6.23, page 43 refers].

**Capital: [Part D, page 71 refers]**

**Capital Plan: [section 13, page 77]**

f) Agree the inclusion in the Capital Plan of capital schemes approved by the Leader in out of cycle decisions:

- (i) Lammas Land Play Area
- (ii) Vie Play Area
- (iii) Vie Public Open Space
- (iv) Replacement of Market Sheets
- (v) Chip & Pin Upgrade in Car Parks



(vi) Route Optimisation Software  
[para 4.5, table 8, page 30 refers].

g) Agree the transfer of £25,000 funding from City Centre Management Capital Programme to the City Centre Management revenue budget approved by the Executive Councillor for Customer Services and Resources as an out of cycle decision.

h) Approve the following project appraisals, that have been referred by Executive Councillors:

**From the Executive Councillor for Customer Services and Resources:**

- (i) Procurement of Electric Van for Courier Service
- (ii) Northgate e-Benefits, Self-Serve and Mobile Working Module
- (iii) Vehicle Replacements 2011/12
- (iv) Redevelopment of the Visit Cambridge website and the development of a fully integrated Destination Management System

**From the Executive Councillor for Climate Change and Growth:**

- (i) Tins Path cycleway improvements
- (ii) Essential Repairs to Grafton West Multi-Storey Car Park Boundary Wall
- (iii) Change to the capital bid C2719 Grand Arcade Car Park – Replacement of existing Pay on Foot Equipment included in Appendix Q (page 259), which should be programmed for 2012/13, rather than 2011/12.

**From the Executive Councillor for Arts and Recreation:**

- (i) Corn Exchange winches

**From the Executive Councillor for Community Development & Health:**

- (i) Replacement of CCTV Communications Equipment
- j) Agree recommendations to the Executive in respect of the bids outlined in Appendix T (page 290) for approval to include in the Capital Plan, or put on the Hold List.

**From the Executive Councillor for Housing:**

(i) Approve the use of £331,000 of Developer's Contributions, identified for investment in affordable housing, towards the cost of the redevelopment of Seymour Court, with the balance of funding to be met through Homes and Communities Agency grant (if available), housing capital balances and an element of prudential borrowing if required (although it is not anticipated that this will be required).

(ii) Approve a Housing Capital Allowance for 2011/12 of £13,930,000.

k) Agree to a one-year reduction of £220,000 in the revenue funding to support Capital in 2012/13 [para 16.44, page 98 refers].

l) Agree the Capital Plan, as shown in Appendix N (page 219) for the General Fund (which will be updated to incorporate rephrasing, new bids and the above recommendations) and Appendix S (page 288) for the Housing Capital Investment Programme.

m) Note the impact of revenue and capital budget approvals and approve the resulting level of reserves to be used to:

(i) support the 2010/11 budget

(ii) support the 2011/12 and future years budgets. [Section 17, page 99 refers]

#### **Other:**

**n) From the Executive Councillor for Climate Change and Growth:**

i) Approve the transfer of the Sustainable City grants budget from 2011/12 onwards from the Environment to the Customer and Community Services department (see report on Environment Scrutiny Committee agenda).

ii) Approve the transfer of the funding for the Cambridgeshire and Peterborough Biodiversity Partnership and the Cambridgeshire Travel for Work Partnership from 2011/12 onwards from the Environment to the Chief Executives department (see report on Environment Scrutiny Committee agenda).

#### **Executive Councillor for Housing**

o) Housing Revenue Account [Part C, Section 11, page 65 refers] To note that the Budget-Setting Report circulated for consideration by this committee and the Executive included the financial implications based on the Draft Housing Revenue Account Subsidy Determination, issued on 5th November

2010. Following issue and receipt of the Final Housing Revenue Account Subsidy Determination on 10th January 2011, the resulting changes need to be considered and incorporated.

To further note that the Housing Management Board considered and approved an amended version of the HRA Budget Report on 11th January 2011, which incorporated the changes required. Community Services considered an amended Housing Capital Investment Plan on 13<sup>th</sup> January 2011.

The meeting ended at 6.35 pm

**CHAIR**

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To:  
The Executive

Leader:  
Councillor Sian Reid  
Director of Resources

Report by:

Relevant scrutiny committee:

The Executive

12 September 2011

### **MEDIUM TERM STRATEGY 2011**

#### **Key Decision**

### **1. Executive summary**

- 1.1 This report presents and recommends the budget strategy for the 2012/13 budget cycle and specific implications, as outlined in the Medium Term Strategy (MTS) document, which is to be agreed.
- 1.2 The recommended budget strategy is based on detailed financial modelling and projections of the Council's expenditure and resources, in the light of local policies and priorities and national policy and economic context. Service managers have identified financial and budget issues and pressures and this information has been used to inform the MTS.

### **2. Recommendations**

The Executive is asked to recommended to Council :

#### **Revenue – General Fund**

- 2.1 To agree that New Homes Bonus uncommitted funding is held in an earmarked reserve (rather than added to general reserves) with a view to considering appropriate application at a later date [Section 5, pages 75 and 76 refer].
- 2.2 To agree the budget strategy, process and timetable for the 2012/13 budget cycle as outlined in Section 8 [pages 99 to 114 refer] and Appendix A of the MTS document.
- 2.2 To agree the revised General Fund revenue, funding and reserves projections as shown in Appendix E, and the associated decisions in section 8 [pages 99 to 114 refer], of the MTS document.
- 2.3 To authorise the Director of Finance to calculate and communicate final cash limits or savings targets based on the decisions taken in this report, based on the method shown in Appendix I.

## **Revenue - HRA**

- 2.4 To express support for the HRA budget process and strategy as outlined in Section 8 [pages 107 to 111 refers] and Appendix F.

## **Capital**

- 2.5 To agree inclusion in the Capital & Revenue Projects Plan of new items identified below, to note additional funding for revised schemes approved by Executive Councillors, and to approve the rescheduling of works based on the latest timetables, namely:

- (a) SC515 Replacement CCTV Cameras - a bid of £70,000 funded from R&R
- (b) PR001 Housing Capital Investment Programme - increase the funding in 2012/13 by £200,000
- (c) PR020 ICT Infrastructure Programme - reschedule the programme extending the programme to 2015/16 and reduce the R&R funding by £217,000
- (d) PR023 Admin Buildings Asset Replacement Programme - reschedule the programme and extend the programme to 2015/16 funded by additional £74,000 R&R
- (e) PR024 Commercial Properties Asset Replacement Programme - reschedule the programme and extend the programme to 2015/16 funded by additional £240,000 R&R
- (f) Community Development Grants Programme – approve a new capital programme, with the following remit, to improve a range of facilities across the East Area - £800k funded from s106

*The policy of allocating S106 contributions for the provision and improvement of community facilities has been in place for a number of years. The allocation of off-site contributions by area provides a reasonable response to the challenge of providing and enhancing facilities as close as possible to the location of the development.*

*Investing capital in existing facilities, many owned or managed by other providers, has proved to be the most effective strategy as several partners have been able to use the availability of Council funding to attract other external funding. This approach also enables the Council to provide and enhance local community facilities whilst incurring no, or minimal, on-going revenue costs.*

- 2.6 To agree the revised Capital & Revenue Projects Plan, the Hold list and the Funding as shown in Appendix H of the MTS document.

## **Treasury Management**

- 2.7 To approve the changes to the Council's Counterparty List and lending limits. [Appendix J refers].
- 2.8 To approve the changes to the Treasury Management Strategy Statement and changes to the Council's Prudential and Treasury Management indicators [Section 7, pages 94 to 95 refer].

### **3. Background**

#### **Medium Term Strategy**

- 3.1 The purpose of this report is to outline the overall financial position of the Council and to consider the prospects for the 2012/13 budget process within the context of projections over the medium-term. The detailed analysis undertaken to fulfil this is presented in the Medium Term Strategy (MTS) document.
- 3.2 The document includes an overview of the Housing Revenue as well as considering the General Fund, and outlines the position with regard to the Council's Capital & Revenue Projects Plan.
- 3.3 Revenue forecasts are presented for the 5 year projection period through to the year 2015/16, demonstrating the sustainability of the Council's financial planning with reference to the level of reserves held throughout this period. Underpinning this is a full 25 financial model, and associated risk analysis.
- 3.4 The report considers the effects of external factors affecting budget preparation, including the overall economic climate, and external funding levels which can reasonably be expected; as well as the existing commitments of the Council.
- 3.5 It also includes highlights areas of uncertainty together with sensitivity analysis of key functions and a high-level risk analysis.
- 3.6 Included are recommendations for approval of specific revenue and capital costs as identified.
- 3.7 The analysis leads to a proposed integrated financial strategy for the 2012/13 process.

### **4. Implications**

- 4.1 These are incorporated in the document and will be taken account of in the budget reports to all Executive Councillors / Scrutiny Committees.

### **5. Background papers**

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

Budget Working Papers on the 2011/12 and 2012/13 files

### **6. Appendices**

MTS 2011/12 to 2015/16 Document

## 7. Inspection of papers

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

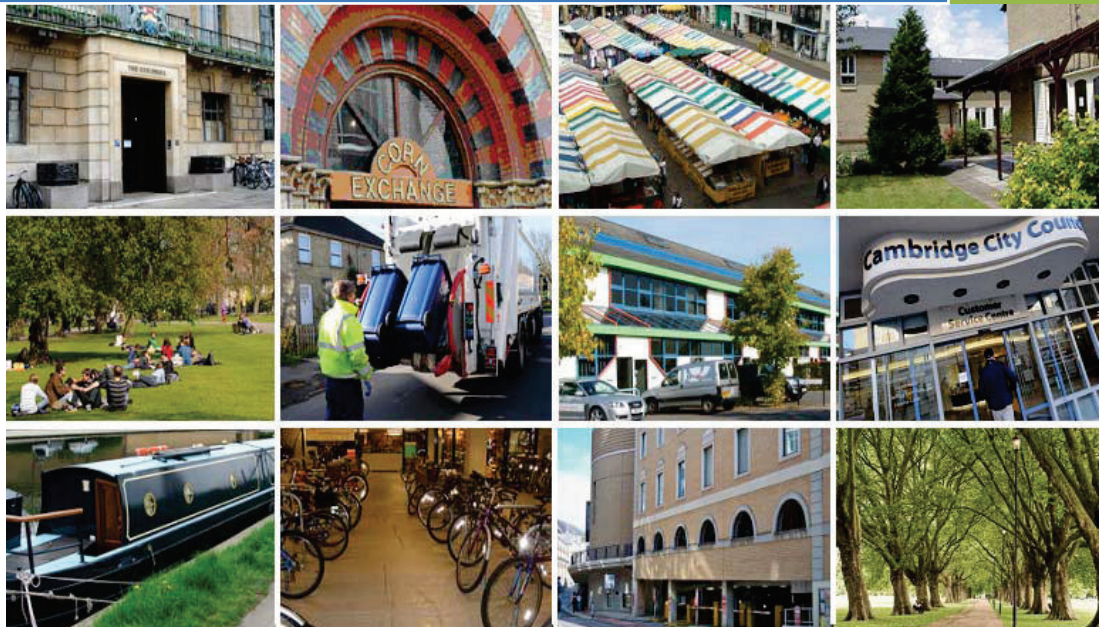
Author's Name: David Horspool  
Author's Phone Number: 01223 – 4581313  
Author's Email: David.Horspool@Cambridge.gov.uk

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Covering Report Exec 12 Sept 2011 FINAL.doc



Version 2  
The Executive

# Medium Term Strategy



September  
2011

2011/12 to 2015/16

Cambridge City Council



# Version Control

|         | Version | for :                              | Anticipated Content                             |
|---------|---------|------------------------------------|---|
|         | 1       | Draft                              | Draft content for consultation                  |
| Current | 2       | The Executive<br>12 September 2011 | MTS and 2011/12 budget process proposals        |
|         | 3       | Council Meeting<br>20 October 2011 | The Executive's recommended budget strategy     |
|         | 4       | FINAL                              | Final version for publication following Council |

# Cambridge City Council

## Medium Term Financial Strategy

### 2011/12 to 2015/16

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# Section 1

## Introduction

### Purpose

The development of the Medium Term Strategy (MTS) forms a key part of the Council's annual planning and decision-making process. The purpose of the document is to set out the Council's vision for the city and the priority actions, which the Council has approved as part of the Annual Statement process, towards achieving this vision.

In the context of the vision for the city, local priorities and the wider national picture, the document then outlines the Council's overall financial position and recommends a financial strategy for the medium term and detailed proposals for the development of revenue and capital budgets for 2012/13.

This is a key part of ensuring an effective process moving from:



The Council has a long-standing commitment to strong medium-term financial planning which serves to ensure that the financial consequences of its actions are sustainable.

A key feature of the development of the MTS is the incorporation of risk assessment and management. These elements serve to support the identification of the affordability and sustainability of the Council's plans over the medium and longer-term.

The financial modelling undertaken for the MTS is based on the following periods:

| For the ...             | Period    | Purpose / Use                                       |
|-------------------------|-----------|---|
| MTS & budget            | 5 years   | Detailed budget & Council Tax setting               |
| Longer-term projections | 25+ years | Demonstrate long-term effects & thus sustainability |

The 5-year forecast period includes a review of the current year budget position, a detailed projection for the following year and forward projections for the following three years, to demonstrate the full-year effects of spending proposals and decisions.

The full 25-year model for the General Fund and 30 year business model for the HRA are not shown within the MTS, but are fundamental in determining the long-term sustainability of the financial planning; particularly in terms of the effects of changes in demographics and Government funding.

## Scope

The MTS is designed to provide an integrated view of the whole of the Council's finances and outlook. It covers both revenue and capital spending by the Council, highlighting the inter-relationships between the two, and the resultant implications. It also considers all of the financial accounts, or funds, operated by the Council. These are principally the General Fund, within which the majority of the Council's services are funded and the Housing Revenue Account, which relates specifically to the provision and management of council dwellings.

## Process

In bringing together all of the information required to develop an appropriate financial strategy it is essential that effective consultation with all key stakeholders is undertaken.

A key part of the budget process is the identification of :

- Items which, for exceptional reasons, require immediate action or approval (which may include net changes to existing budgets).



- Items which provide context for decisions on the strategy or process, which may influence:
  - o Any 'unavoidable' items of expenditure or new income opportunities, such as specific grants.
  - o The level at which any Priority Policy Fund (PPF) is set.
  - o The level at which the overall General Fund cash limit is set.
  - o The level of the council's savings targets.
  - o The level of uncommitted capital funding required.

The work on the 2011 MTS takes as its starting point the key medium and long-term parameters identified and agreed as part of the 2010 MTS and February 2011 Budget-Setting Report. These are:

- A base position of the 2011/12 budget inflated to 2012/13 prices and adjusted for known / approved changes.

**for the General Fund :**

- An annual priority policy fund of £500,000.
- Revenue contributions to capital spending of £1.38m in 2012/13 and future years.
- The Council Tax freeze in 2011/12 followed by increases of 2% per annum, in line with the Government target level for inflation.
- A reduction in formula grant of 31% over a four-year period starting from 2011/12.
- A minimum working balance for reserves of £1.5m, with a medium-term target level of £5m.

**for the HRA :**

- Rent increases in line with government rent guidelines.
- A priority policy fund of £75,000 per annum.
- Revenue contributions to capital spending of £2.7m in 2012/13 and £3.1m in 2013/14.
- Reduction requirements, to meet revenue targets and create policy space, of 3.1% from 2012/13 onwards.
- A minimum working balance for reserves of £1m, with a medium-term target level of £3m.

All of the items identified in consultation with service managers and Members, will be considered and the implications incorporated, as appropriate, as part of the construction of the 2011 MTS.

## Timetable

The financial planning and budget preparation timetable is shown in detail in Appendix A. The key member decision-making dates are as follows:

| Date         | Task   |
|--------------|--|
| <b>2011</b>  |  |
| September 12 | The Executive recommends MTS to Council  |
| October 20   | Council considers Medium Term Strategy 2011/12 to 2015/16                                |
| <b>2012</b>  |  |
| January 16   | Strategy & Resources Scrutiny Committee considers Budget-Setting Report                  |
| January 19   | The Executive recommends Budget Setting Report (BSR) to Council                          |
| February 3   | Special Strategy & Resources Scrutiny Committee considers any budget amendment proposals |
| February 23  | Council sets Council Tax   |

# Section 2

## Local Policy Context and Priorities

The local policy context and priorities for the Council are agreed in May each year through the adoption by Council of an Annual Statement. The Annual Statement approved in May 2011 (and reproduced in full below), confirmed a 'Vision for the City' and agreed how the Council would work towards meeting the vision during 2011/12 and beyond.

## Annual Statement 2011-2012

### Our Vision

The Council has a clear vision for the future of our city, a vision which we share with Cambridge citizens and with partner organisations.

#### **Cambridge – where people matter**

- A city which is diverse and tolerant, values activities which bring people together and where everyone feels they have a stake in the community.
- A city whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives.
- A city where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all.

#### **Cambridge – a good place to live, learn and work**

- A city which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities.
- A city which draws inspiration from its iconic historic centre and achieves a sense of place in all of its parts with generous urban open spaces and well-designed buildings.
- A city with a thriving knowledge-based economy that benefits the whole community and builds on its reputation as a global hub of ideas and learning.
- A city where getting around is primarily by public transport, bike and on foot.

### **Cambridge – caring for the planet**

- A city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution Working towards this vision.

## **1 ) Investing in Cambridge**

For the first time this year we have expressed our 2011/12 strategy and programmes in seven portfolio plans. These plans are a clear expression of our strategic priorities and set out the steps we are taking this year towards meeting our vision.

They also express how we are investing in the future of Cambridge. We have put together a programme of investment across the city so that we can continue to build its future.

These new programmes include:

- Celebrating the 2012 Olympics in Cambridge
- Investing in new community facilities
- Funding Citizens Advice Bureau (CAB) touch-screens
- Providing more weekend cover by city rangers
- Planting trees
- Installing new play equipment
- Refurbishing Silver Street toilets
- Giving Parkside Pool new changing rooms
- Investing in the crematorium
- Improving the market
- Expanding our car club
- Extending recycling to include house-to-house battery collection
- Cutting our carbon footprint
- Investing in photovoltaic panels
- Building council housing for older people
- Growing new neighbourhoods

## **2 ) Changing the way we work**

### **Working to save money**

In Cambridge we started a programme of corporate restructure and a programme of savings reviews in 2009. As a result, we were able to find £2m of savings in this financial year.

We now have £3.6m of savings to find over the period 2012 to 2015 and we have already started to identify where we can work purposefully towards this goal, in preparation for our next round of financial planning.

Our priority is to protect our services and in particular we will prioritise services for vulnerable people, protect every day services we all use, and make sure we do well what we have only one chance to get right.

### **Transforming how we work**

To achieve the above, on fewer resources than we have previously had, we need to transform how we work.

We will review our services to ensure that they are designed with our customers' wishes and needs in mind and also offer value for money. The establishment of the Customer Service Centre and the Homelink service are excellent examples of this.

Each service in the Council must search for new ways of doing things, alone or with partners, and look for more ways in which money can be saved and resources can be released. We achieved this with our joint working with other authorities on new neighbourhoods and are actively exploring the potential to make better use of Council property with our public sector partners.

We must be increasingly innovative and flexible so we can maximise the value for money which we offer and remove unnecessary bureaucracy. For example, we restructured the independent living service so we could compete competitively for Supporting People contracts.

We will improve what we do by learning from our own and others' experiences. For example, we are restructuring Streets and Open Spaces to create a project delivery team dedicated to bringing forward environmental projects more quickly.

We will continue to explore a variety of models for each service including sharing services with other councils, such as our recently established internal audit shared service and the new Home Aid arrangements. We will continue to decide on a case-by-case basis whether services are best offered in-house or by others, as we did with preventative maintenance services.

We need to be one council. We need increasingly to integrate our work as a council and ensure that all services are working together towards our common goals in a common culture. Good examples of this include staff working across services on local community safety issues and individual heads of service taking lead roles for each area committee.

### **Working closer to residents, and closely with partners**

We are developing a code for consultation and community engagement for all the Council to improve the way in which we learn from users of our services and the expertise that exists in Cambridge.

We are working on more effective engagement with residents and partners at a neighbourhood level, building on the work of the area committees. The North Area Committee pilot is spearheading new community planning and involvement, and across the city more decisions will be devolved to area committees so that they are made with enhanced resident and ward councillor input.

We are seeking to maximise partner engagement with area committees to make them more meaningful to our communities and to deliver an integrated approach to the problems of local communities, and we will play our part in new strategic joint working such as the Local Enterprise Partnership and strategic planning.

## **3 ) Translating our values into action**

Openness and transparency – in the interests of public scrutiny and engagement, we will work further towards opening up how the Council and its partners work. We will publish data, such as developer contributions, and encourage our partners such as the LEP to work openly.

Environment – we will continue to place care for the environment at the heart of every operation in the council, resourced through the Climate Change Fund, and will work towards low carbon living and working in the city.

Equalities – we will continue to find new ways in which we can identify and satisfy the needs of the more disadvantaged or minority members of our community and we will continue to promote a fair and equal culture within the council. We have continued to protect grants to community groups and provide extensive outreach work through our community development service.

Speaking up for Cambridge – we will speak up for what is right for this city at all levels of government, as we have done in challenging government lack of financial support on concessionary fares, and in advocating the case for a new station at Chesterton.

The Council will find new and better ways to serve and work closely with our residents, for the benefit of Cambridge and its people.

## Public Consultation

For a number of years the Council's budget process has included consultation with citizens of Cambridge to find out what they think spending and savings priorities should be for the coming budget year/s.

### **2010 Survey Results**

A survey asking residents to prioritise Council services in terms of their importance was published in the autumn 2010 edition of Cambridge Matters, the Council's magazine for residents, and on the Council's website. Residents were asked to undertake this exercise in the context of reductions in the government grant to the Council and that the need to deliver services more efficiently. In total 449 households responded to the questionnaire.

In broad terms the results reflected those from previous similar surveys. Respondents placed greatest importance on our core services: collecting waste and recycling (68%), cleaning the streets (51%) and maintaining our parks and open spaces (43%). They also placed high importance on working with the police to tackle crime and anti-social behaviour (52%). Least importance was placed on the Council continuing to manage ticketed and free events for residents and visitors (less than 10%).

## 2011 Citizens Survey

In 2011, consultation on spending and savings priorities will be carried out through the inclusion of relevant questions in the bi-annual Citizens Survey. Questionnaires will be sent to a sample of 3000 Cambridge residents during September and October 2011 and the results will be available in November 2011. These views will help inform members in the consideration of spending options and in making decisions on the detailed final budget to be set in February 2012.

# Partnership Working

Working in partnership can bring significant additional benefits to the people who live, work and study in our area, especially when partners pool resources and skills to achieve a common aim. The City Council has agreed a set of principles to guide our partnership working.

We will work in partnership when:

- It helps us achieve our Vision Statements
- It helps deliver the Sustainable Community Strategy
- We have a legal duty to do so
- It saves us money
- It reduces our risk (e.g. to the council's reputation)

## Partnership working in Cambridgeshire

The way that partnership working in Cambridgeshire is structured has undergone a significant review. The end of Local Area Agreements, the National Indicator Set, and central Government's move to greater localism gave partners an opportunity to reduce the bureaucracy and overhead costs of partnership working and free up valuable member and officer time to focus on improving services. The new approach rationalised the number of countywide partnerships that were under the umbrella of Cambridgeshire Together from five to the following three: the Health and Wellbeing Board, Children's Trust and Local Enterprise Partnership.



## **Health and Wellbeing Board**

Cambridgeshire's Community Wellbeing Board was established to improve the health and wellbeing of Cambridgeshire's residents and to improve the outcomes for adults with health and care needs.

The key priority for the Board is to respond to the Draft Health and Social Care Bill. Cambridgeshire is an early implementer of the proposals and partners aim to establish a Shadow Health and Wellbeing Board during autumn of 2011, with the final Board going live in 2013. Public health responsibilities will be transferred to local government and joint-commissioning arrangements put in place.

## **Children's Trust**

The Cambridgeshire Children's Trust brings together co-operative arrangements and partnerships between organisations with a role in improving outcomes for children and young people. Whilst it is no longer a requirement to have a Children's Trust, partners wish to continue to support this approach, because they recognise the continuing and increasing need to work together to make best use of the total resources available.

The Board has developed a new, more strategic plan setting out the key priorities of the Trust, which will inform all partners providing or commissioning services for children and young people in Cambridgeshire. The priorities for the Trust are to respond to the changes to health commissioning, the further development of Academies and the wish to ensure decisions are made as locally as possible.

Greater responsibility will be given to the local Children's Trust Area Partnerships, including the one that covers Cambridge and South Cambridgeshire, to shape and secure effective local delivery. Area Partnership commissioning plans are expected to be in place by September 2011.

## **The Greater Cambridge Greater Peterborough Local Enterprise Partnership**

The Greater Cambridge Greater Peterborough Local Enterprise Partnership was established to bring businesses and the public sector together foster economic growth in the local area. It is based on the economic areas of Greater Cambridge and Greater Peterborough.

The mission of the LEP is to “lead our area’s growth to 100,000 significant businesses and create 160,000 new jobs by 2025 in an internationally renowned low carbon, knowledge-based economy”. Following consultation with local businesses, the LEP Board agreed the following areas of focus in April 2011:

- Skills and employment
- Strategic economic vision, infrastructure, housing and planning
- Economic development and support for high growth business
- Funding, including EU funding, regional growth funding and private sector funding

The LEP has been awarded £220,500 by the Government from the Start Up Fund to allow it to quickly put a core operational capacity in place, before becoming ultimately self-sustaining. The LEP has also submitted bids to a number of funds to support projects it has identified as being a priority. Now the LEP has the funding it will start to develop a delivery structure, which may include local partnerships with a locality focus to help inform its plans.

## **Making Cambridgeshire Count**

‘Making Cambridgeshire Count’ was an initiative that began in September 2009 and was designed to transform partnership working and public services across Cambridgeshire. While the broader initiative has been disbanded as part of a wider review of partnerships, a number of innovative projects developed through the initiative are being taken forward. For example:

- The ongoing ‘Making Assets Count’ project is developing a partnership approach to the management of public assets across the County. The aim of the project is to reduce operating costs and increase income-generating opportunities, consolidate the estate, and improve and integrate services. The entire public estate in Cambridgeshire has been mapped and a single Asset Management Strategy for the county has been developed.
- The Cambridgeshire Inequalities Charter aims to ensure that the local authorities in the county and their partners take a holistic approach to equalities, including shifting resources, better joined up working and working with communities to ensure that services are shaped around their needs. The Council has formally adopted the charter and begun to embed its principles in everything that we do.
- A Joint Strategic Needs Assessment has been produced identifying the future health, care and well-being needs of Gypsy and Travellers across the County and the sub-regional Gypsy and Traveller Accommodation Needs Assessment is being updated. A

countywide strategy has been developed to identify how the local authorities and other partners within Cambridgeshire and beyond can work together to meet the needs of these groups.

## **Cambridge and South Cambridgeshire Local Strategic Partnership**

The Local Strategic Partnership (LSP) is a body that brings together senior representatives from public, voluntary, community and private sector organisations in the area to help coordinate our work and tackle some of the difficult problems we face. In April 2010 the city merged its LSP with that of South Cambridgeshire District Council.

The LSP is preparing a new Sustainable Community Strategy (SCS) for 2011-2014 to cover Cambridge and South Cambridgeshire. The strategy will be used to guide partnership working in the future and provides an overview of activity in the areas. The SCS identifies four priority areas, which individual agencies and partnerships working in the districts will need to reflect in their own improvement plans. The priority issues are:

- Engaging communities to create better outcomes
- Reducing inequalities
- Improving our environment and being at the forefront of low carbon living
- Providing sustainable communities that meet local need and are places people want to live in.

## **Cambridge Community Safety Partnership**

The Community Safety Partnership is a statutory partnership established to reduce crime and disorder. The mission of the Cambridge Community Safety Partnership is to:

- Reduce levels of crime and antisocial behaviour
- Increase people's sense of community safety
- Effectively tackle alcohol and drug misuse across Cambridge

A Community Safety Plan 2011-14 has been drawn up and covers the period 1 April 2011 to 31 March 2014. As with the previous plan, it will be revised every year to ensure the priorities detailed remain relevant. The priorities in the Community Safety Plan 2011-14 focus on reducing:

- Alcohol-related violent crime in the city centre

- Repeat incidents of antisocial behaviour
- Repeat victims of domestic violence

In addition, for 2011-12, there will be a priority focussing on reducing re-offending, whilst the new Integrated Offender Management scheme in Cambridgeshire beds in.

### **Housing Revenue Account Partnership Working**

The Council is currently working in partnership with South Cambridgeshire District Council to ensure that both authorities are well prepared for the implementation of self-financing for the Housing Revenue Account from April 2012.

## **Demographic Factors**

### **General**

Demographic factors are central to the Council's financial strategies in various ways:

- Changes in total population influences our entitlement to Government grant under the current grant distribution formula.
- Changes in the number of households have an effect on the taxbase for Council Tax purposes and thus the amount raised annually.
- The characteristics of both population and households help identify specific types and the nature of services provided by the Council.
- All of the above affect the level of demand for services.

### **Population**

Current forecasts by the County Council's Research Group (RG) indicate a forecast growth in population to 151,800 by 2031 from the mid-2010 estimate of 119,800. The estimated 2010 population from the Office of National Statistics (ONS) was 125,700, which discrepancy is explained below.

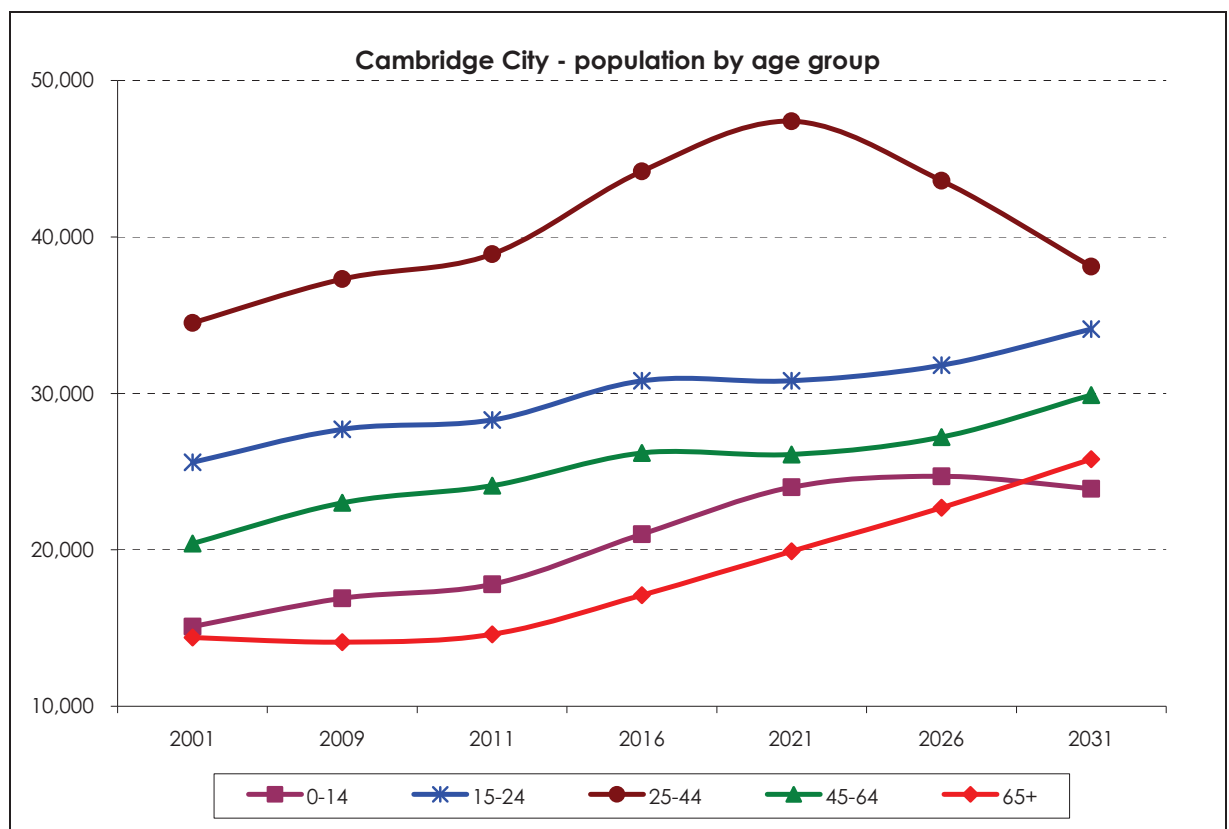
The two sets of statistical data available to the Council occasionally present differing information. RG data forecasts are policy-based and take expected levels of house building into consideration. ONS projections are trend-based, which means that past trends are assumed to continue into the future. An example of this is shown below:

### Comparison of 2031 forecasts for Cambridge City

|            | ONS     | RG      | % difference in 2031          |
|------------|---------|---------|-------------------------------|
| Population | 137,100 | 151,800 | RG projection is 11.0% higher |
| Households | 55,400  | 61,200  | RG projection is 10.5% higher |

### Changing demand for services

People today are living far longer and healthier lives than previous generations. Whilst the resultant financial strain will be mainly felt by national government, health authorities and on those local authorities with Social Services responsibilities, the move to an older society will impact both on the mix of services provided by the Council and also the overall level of funding available. Health and social care services will require further funding from the public purse with local government as one area of savings.



This ageing population trend is being made worse by the inevitable retirement of the so-called *baby boom* generation over the coming decades. The baby boomers were born during a

period of rapid population growth and social change between 1946-64, with 17m births recorded in Britain alone during this period. Those born at this time are now beginning to reach retirement age and are set to have a dramatic effect on the people, society and the economy of Britain.

### Population by age range

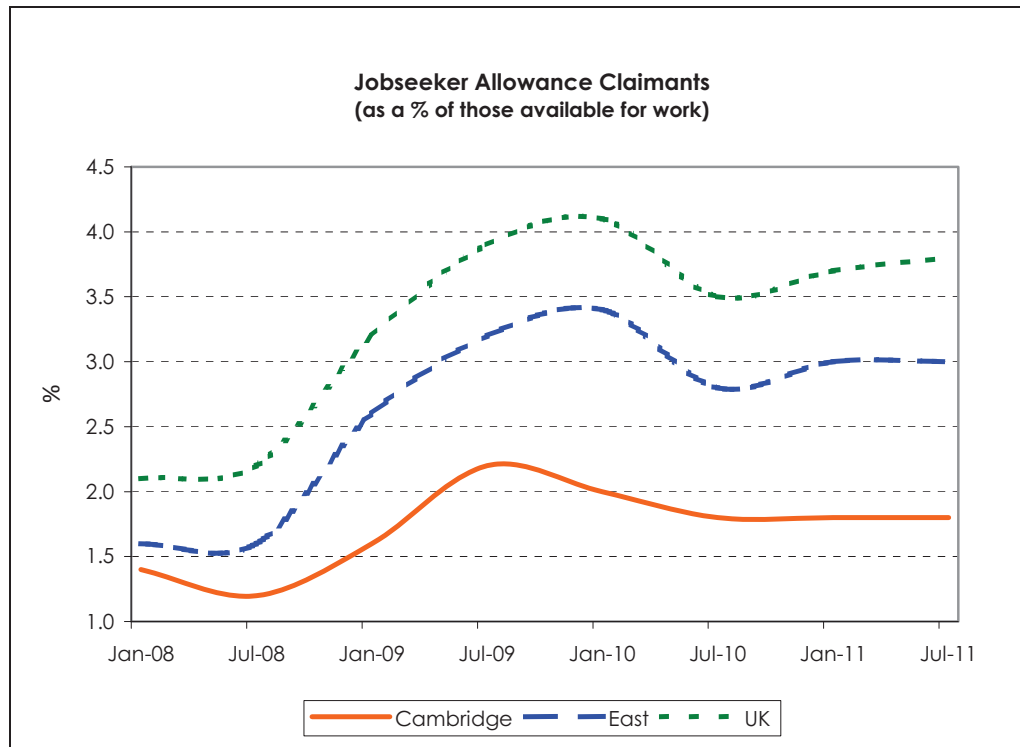
The population in the range 65 or over has been consolidated for ease of display in the graph above. A more detailed analysis is shown in the table below:

| Year | 0-14   | 15-24  | 25-44  | 45-64  | 65-74  | 75-84 | 85+   | Total   |
|------|--------|--------|--------|--------|--------|-------|-------|---------|
| 2001 | 15,100 | 25,600 | 34,500 | 20,400 | 6,900  | 5,300 | 2,200 | 110,000 |
| 2009 | 16,900 | 27,700 | 37,300 | 23,000 | 7,200  | 4,800 | 2,100 | 119,000 |
| 2011 | 17,800 | 28,300 | 38,900 | 24,100 | 7,700  | 4,800 | 2,100 | 123,700 |
| 2016 | 21,000 | 30,800 | 44,200 | 26,200 | 9,800  | 5,200 | 2,100 | 139,300 |
| 2021 | 24,000 | 30,800 | 47,400 | 26,100 | 11,300 | 6,300 | 2,300 | 148,200 |
| 2026 | 24,700 | 31,800 | 43,600 | 27,200 | 11,900 | 8,100 | 2,700 | 150,000 |
| 2031 | 23,900 | 34,100 | 38,100 | 29,900 | 12,900 | 9,300 | 3,600 | 151,800 |

## Unemployment

Whilst the Cambridge economy is traditionally strong, ongoing government spending reductions aimed at public services could see unemployment in Cambridge steadily increase over the next year. Of the total number of workers in the city, 43.5% are employed in Public Administration, Education and Health (*ONS annual business inquiry employee analysis 2008*). Links between the University, research and development and other hi-tech companies have led to the development of employment clusters where there is a transfer from academic research to commercial application. Continued encouragement of these sectors is vital to maintain the success of the city's economy and the recent announcement of further development at the Addenbrooke's site is welcome although it is likely that only a minority of those workers will live in the city itself.

The Jobseeker's Allowance (JSA) is payable to people under pensionable age who are available for, and actively seeking, work of at least 40 hours a week. JSA claimant count rate in the city had fallen from its 1993 high of 6% down to 1.4% in January 2008. At March 2009 the figure was 2.0% (1,853 claimants) rising to 2.2% (2,009) in October 2009 falling to a July 2011 figure of 1.8% (1,699)



The gap between city and UK levels had remained relatively constant in the range 0.8% to 1.2%. In May 2009 the gap increased and has remained at about 1.9%; the July 2011 figure was 2%. The gap between the city and the Eastern Region has remained relatively constant at 1.2% since January 2009.

## Mapping Disadvantage

The City Council has analysed its own administrative data, on Housing and Council Tax Benefits, on a regular basis over a number of years to help provide an overview of disadvantage across the city and where there are concentrations of disadvantage or "pockets of poverty". The resulting Mapping Poverty report shows the groups of people who both claim these benefits and live in a household in receipt of them, including families, older people and single adults. The benefits are taken as a proxy measure of low income but other data is also used in compiling the report to give a rounded picture.

The most recent published report looked at the benefit population in the city in June 2009. This was at a time when the recession was near its peak in the city. The next analysis will be looking at the benefit population as at June 2011 and it is expected that a report will be available in

late October 2011. During the intervening time there have been a number of Welfare Reforms with further major reforms to follow, which may affect the extent of claims made.

The research findings will be widely circulated, both to public agencies working in the city and to community and voluntary sector organisations, so that they can better understand different client groups and plan future services and activity. It has proven to be an invaluable piece of research in the past and is used by service managers in operational work planning and to support the budget process.

## The Growth Agenda

Over the next decade and beyond, the Council will oversee the creation of major new neighbourhoods (e.g. around 4,000 new homes on Cambridge's southern fringe and 6,000 on its north-west fringe). Progress during the last year has included detailed planning approvals for over 900 new homes, with the first of these being completed in 2011/12. The pace of development is set to continue to increase in future. The City Council is working hard to create new communities that will be environmentally sustainable and vibrant, places where people will live out of choice.

### Planning for Growth

Planning Services' extensive involvement in the planning and construction stages of the new neighbourhoods includes:

- Dealing with planning applications for major urban extensions such as North West Cambridge.
- Assessing detailed (reserved matters) applications relating to current growth sites.
- Monitoring the design coding for each growth sites.
- Discharging a large number of planning conditions.
- Discharging and monitoring planning obligations.
- Monitoring building work to make sure that developments are constructed as planned.

### Implications for Services

Other services too have already started to take on additional work arising from the construction and early occupation of some growth sites. For example:



- Monitoring the delivery of affordable housing.
- Street naming and numbering.
- Adopting community facilities, open spaces and sustainable drainage systems.
- Community development on/around growth sites and with children & young people.
- Arranging the distribution of wheelie bins to new households.
- Promoting sustainable construction and sustainable transport (e.g. cycling and walking).
- Liaising with partner organisations over the co-ordination of growth following the winding down of Cambridgeshire Horizons in September 2011.

## **Long-term Implications**

As new neighbourhoods become established, the long-term service implications for the Council will include:

- More community facilities, open spaces, sustainable drainage systems and trees to maintain.
- Increased trips into the city/local centres, particularly by public transport, bike and on foot.
- More refuse and recycling collections and more streets to clean.
- More people on lower incomes, with particular needs.
- More Council Tax and benefits accounts.
- Greater demand for sports & leisure and arts & entertainments provision.
- More planning applications and requests for building control inspections.
- More calls to environmental health about nuisance issues (e.g. noise and bonfires), private sector housing and food & business premises inspections.
- Working closely with neighbouring local authorities over service delivery arrangements for new neighbourhoods that straddle the City Council boundary.

## **Resources for Growth**

Preparations for new neighbourhoods need to be made in advance. The Council has received additional resources from the government in the form of the New Homes Bonus (NHB) scheme introduced from 2011/12, enabling the Council to make permanent a range of growth-related posts. NHB funding is set to continue and will take into account annual rises in

the number of new homes (albeit that from 2015/16 this is due to be top-sliced from national formula grant allocations).

Council Tax revenue is set to increase as new residents move into new homes. However, with multi-year Government grant settlements, which use census data as the basis for population estimates, there can be a significant time-lag (several years) before increases in resident numbers are properly reflected in Formula Grant.

In setting its budget strategy, the Council will need to take into account and provide for the additional costs relating to growth both in relation to day-to-day service provision and, in the longer term, to maintaining and replacing assets initially funded by developer contributions.

## The Cambridge Local Plan

The 2006 Local Plan sets out the current spatial strategy for the city and allocates sufficient land for development within the city including the urban extensions for the next 10 to 15 years.

The spatial strategy supports a compact, economically dynamic city with a thriving historic core surrounded by attractive and accessible green-space. A city where there is a good quality of life for all communities.

The Government has advised that local authorities should press ahead with preparing up to date development plans and get them in place as soon as practical. In March 2011, the City Council agreed a new timetable and approach to reviewing the Cambridge Local Plan. Rather than prepare three separate documents, one document will be prepared and the Community Infrastructure Levy will be prepared in parallel. The new Local Plan will cover the period to 2031 and update relevant policies and proposals. Key stages include issues and options consultation in Spring/Summer 2012, submission and examination in 2013 and adoption in 2014.

The preparation of robust and credible evidence to support emerging policies and proposal remains a vital part of the process. In addition, the introduction of the duty to cooperate will require cooperation and coordination of cross boundary issues. The City Council and South Cambridgeshire District Council, with support from the County Council on transport and service

planning issues have a good history of joint working and the continuation of this will be an integral part of the review of the Local Plan.

# Section 3

## The National Policy Context

### Public Spending & the Economy

The national economy and global economic climate continue to drive Government policy and decisions on public spending. The Local Government Finance Settlement announcement in January 2011, covering 2011/12 (final) and 2012/13 (provision), delivered a reduction in the City Council's Formula Grant of 23.1% over the two-year settlement period. Whilst the Spending Review 2010 had announced overall reductions in public spending of 28% over a four-year period 2011/12 to 2014/15, the degree of front-loading of the reduction faced by local government was far greater than initially anticipated.

#### Inflation and Growth

Continuing disappointing global economic data is undermining market and consumer confidence and the impact of weak domestic economic indicators has led the Bank of England to lower its forecasts for growth for both this year and next year. Consumer price inflation (CPI) has resumed its move towards the 5% expected peak, increasing from 4.2% to 4.4% in July 2011 whilst RPI is running at 5%.

The table below shows the movement in each of the main measures of inflation over the last 12 months:

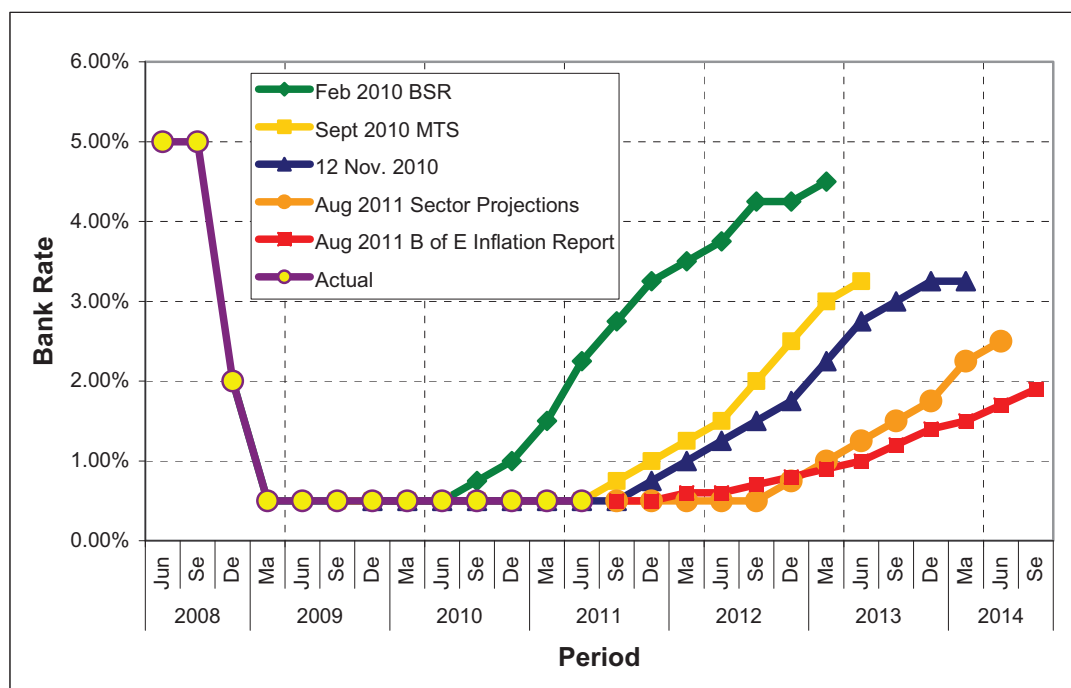
| Period         | CPI | CPIY | RPI | RPIY | RPIX |
|----------------|-----|------|-----|------|------|
| August 2010    | 3.1 | 1.5  | 4.7 | 3.4  | 4.7  |
| September 2010 | 3.0 | 1.6  | 4.6 | 3.4  | 4.6  |
| October 2010   | 3.1 | 1.5  | 4.5 | 3.2  | 4.6  |
| November 2010  | 3.2 | 1.6  | 4.7 | 3.4  | 4.7  |
| December 2010  | 3.7 | 2.0  | 4.8 | 3.5  | 4.7  |
| January 2011   | 4.0 | 2.4  | 5.1 | 3.8  | 5.1  |

| Period        | CPI | CPIY | RPI | RPIY | RPIX |
|---------------|-----|------|-----|------|------|
| February 2011 | 4.3 | 2.8  | 5.5 | 4.1  | 5.5  |
| March 2011    | 4.1 | 2.5  | 5.3 | 4.0  | 5.4  |
| April 2011    | 4.5 | 3.0  | 5.2 | 4.0  | 5.3  |
| May 2011      | 4.5 | 3.0  | 5.2 | 3.9  | 5.3  |
| June 2011     | 4.2 | 2.7  | 5.0 | 3.7  | 5.0  |
| July 2011     | 4.4 | 2.9  | 5.0 | 3.8  | 5.0  |

## Interest Rates

At its meeting in August 2011, the Bank of England's Monetary Policy Committee (MPC) were unanimous in the decision to leave interest rates unchanged. This was the first time since April that all members of the Committee had agreed, the two previous dissenters having modified their views under the weight of the weak economic data. Revised projections for interest rates from the Council's treasury management advisors now push back the first anticipated rise in base rate from quarter 2 in 2012 to quarter 4.

The graph below shows SECTOR's projections (at mid August 2011) for Bank Rate plotted against those previously reported :



This clearly shows the degree to which the recovery from the economic downturn has been delayed in comparison with previous market expectations. The degree of delay together with the lower expected final level of interest rates results in a significant budget pressure for the Council.

SECTOR have advised that as there are still significant potential risks from the Euro zone crisis in particular, extreme caution should be exercised in respect of all interest rate forecasts at the current time. The above forecasts are deemed to be relatively conservative and reflect an overall view of weak economic growth and a prolonged resolution to the Euro zone issues. SECTOR advises that authorities continue to err on the side of caution when setting investment budgets. This is reflected in the revised projections contained within the MTS.

The trends in global economies currently being experienced raise the question as to whether this is a 'balance sheet recession', as some commentators believe. In such circumstances private sector organisations will focus on 'repairing' their balance sheets principally through the repayment of debt, and will be reluctant to borrow even at historically low interest rates. Until this is achieved monetary policy is relatively ineffective, with fiscal policy becoming the effective economic tool. This would explain the limited impact of the quantitative easing measures introduced by Governments and the slower than anticipated recovery.

## The Localism Bill

### Main measures

The Coalition Government's Localism Bill is currently the subject of parliamentary debate as it passes through both the House of Commons and the House of Lords. The main measures of the Bill have been described as falling into four headings:

- New freedoms and flexibilities for local government
- New rights and powers for communities and individuals
- Reform to make the planning system more democratic and more effective, and
- Reform to ensure decisions about housing are taken locally

It is anticipated that The Bill, which will have far reaching implications for local government, will receive Royal Assent early in 2012 to enable the new self-financing arrangements for the Housing Revenue Account to be in place for 1 April 2012. The planned reform of the council housing finance system, a key component of The Localism Bill, is described below, along with other proposed changes in the section on National Housing Policy.

Other significant aspects of The Bill include:

### **General power of competence**

The Localism Bill includes a 'general power of competence' that will give local authorities the legal capacity to do anything that an individual can do that is not specifically prohibited. This power is intended to give councils more freedom to innovate and work together with others in new ways to drive down costs. The power will not remove any duties from local authorities but The Bill does give the Secretary of State power to remove unnecessary restrictions and limitations where there is a good case to do so.

### **New rights and powers for communities**

The Bill includes a number of measures in this category including the '*Community right to challenge*'. This right would allow voluntary and community groups to express an interest in taking over and running a local authority service and place an obligation for the local authority to consider and respond to such proposals.

The '*Community right to buy*' provisions will require local authorities to maintain a list of assets of community value and, should any of these come up for sale or change of ownership, community groups would be given the time to develop a bid and raise money to buy the asset.

The Bill will give local people the power to initiate '*local referendums*' on local issues that are important to them and require local authorities and other public bodies to take account of the outcomes. Local referendums will be required to be undertaken if an authority proposes to increase Council Tax above a limit set by the Secretary of State; this will give local people the power to veto tax rises.

## Reforms to the planning system

The Localism Bill contains a number of proposed significant reforms to the planning system with the stated aims of making the system clearer, more democratic and more effective. The changes include the abolition of Regional Strategies, which were first required by law in 2004. These strategies set out where new development needed to take place in each part of the country and included housing targets, set by central government. The Government believes that this centrally driven approach to development is bureaucratic and undemocratic and has the effect of making people less likely to welcome new development.

The Bill will introduce a new right for communities to draw up a 'neighbourhood development plan'. These plans provide the opportunity for neighbourhoods to relax planning controls over certain specific types of development provided that there is no conflict with the statutory local plan (which a local authority will prepare). As noted in Section 2 of the MTS, the Council is committed to swiftly reviewing the statutory local plan for the city and will encourage local communities to participate fully in the review.

Proposed reforms also include reforming the community infrastructure levy and other local finance considerations. The community infrastructure levy is a levy made on developers when they build new houses, businesses etc. to support new infrastructure such as schools, roads, and community facilities. The Localism Bill proposes changes to the levy including a requirement that some proceeds from a levy must go directly to the neighbourhoods where development takes place. The Localism Bill also raises issues in relation to material planning considerations and what matters could be taken into account (for instance financial benefits to a local authority or community).

Other changes include:

- New requirements for developers to consult local communities before submitting very large planning applications
- Strengthening planning enforcement rules
- Reforming the way local plans are made, and
- Introducing a duty to cooperate on planning matters with neighbouring local authorities or groups of authorities in the interests of all their local residents



## Reform of Housing Finance

The Bill includes approval of a major change to the financing of Local Authority Council Housing, which will see the national HRA Subsidy system being replaced with a system of self-financing, under which the authority will be required to secure and service a housing debt of an estimated £220m. The authority will in turn be able to retain all rental income to facilitate the delivery of services and servicing the debt.

There is scope for the authority to borrow an additional £10m, before it reaches the proposed 'debt cap', which could facilitate additional investment in housing services, the existing housing stock or in the provision of new affordable council homes.

## Financial implications of The Localism Bill

It can be seen from the above summaries, highlighting of the main content of the Localism Bill, that many of the proposals are 'enabling' and until enacted it is difficult to assess in many areas what the impact will be on the Council's financial and staffing resources. The requirements to respond to and support greater local involvement in the planning and provision of local services and neighbourhoods is likely to lead to pressure on existing service budgets and lead to bids for additional funding as part of the main budget setting process.

# Local Government Resource Review

## Review Phase 1

In March 2011, the Government announced Phase 1 of a review of council resources, to consider ways to establish a new system for Business Rates and Government Grant which would protect the interests of taxpayers, reward local growth and job creation and deliver a more self-sufficient income for councils.

The Terms of Reference for Phase 1 of the review set out what would be considered by ministers. They included:

- The best way to allow local authorities to retain their business rates to incentivise growth, whilst ensuring that all have adequate resources to meet the needs of their communities.

- The extent to which these proposal can set councils free from dependency on central funding, along with further financial freedoms, whilst protecting the interests of local taxpayers.
- To ensure the right safeguards are in place; including how to fund those who collect insufficient business rates and keep control of council tax levels; the position of councils that collect more than current spending levels; and ensure protections for business.
- Implications for other policies such as New Homes Bonus, Business Rate Relief and Tax Increment Financing which allows councils to borrow against future revenue.

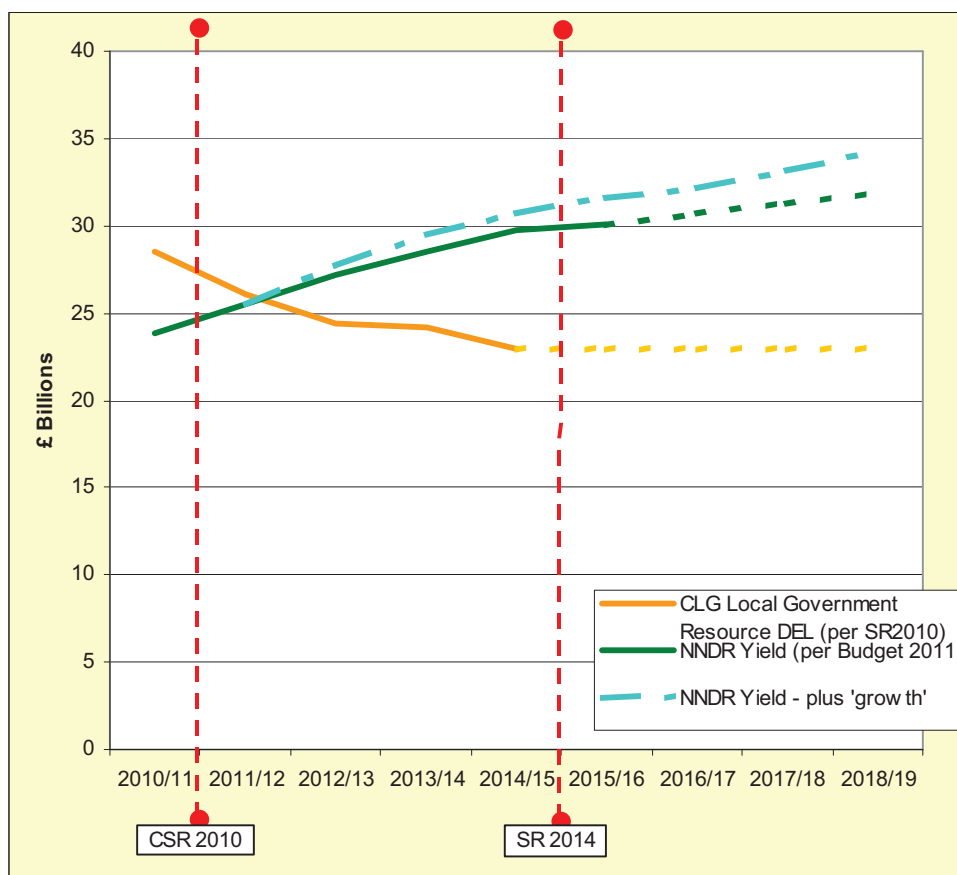
It was intended that Phase 1 would conclude by July 2011 and be followed by the necessary steps to implement the concluded reforms.

## **Consultation on Proposals for Business Rates Retention**

On 18 July 2011, the Department for Communities and Local Government published a consultation paper '*Local Government Resource Review: Proposals for Business Rates Retention*'. The paper set out proposals for a rates retention scheme to replace the current local government finance system, under which Business Rates are distributed as part of formula grant.

This reflects the fact that, as part of Spending Review 2010, forward projections for Business Rate yield indicated that it would exceed the total amount of Formula Grant (comprising Revenue Support Grant and the shares of the national business rate pool) paid out to local authorities during the SR2010 period.

This is shown in the table below, which shows national control totals for Business Rates yield and Communities and Local Government (CLG) Departmental Expenditure Limits (DEL) for Local Government.



From 2012/13 the significant reduction in Central Government funding to local authorities means that this can be met solely from the national yield from Business Rates, for this first time. The implication of this is that there is no need to use Revenue Support Grant as part of Formula Grant in the funding mechanism for local government.

The Government's proposals are based on retaining a national redistribution of Business Rate yield, effectively replicating the current Formula Grant funding position for authorities initially, but then providing for local retention of a share of the additional Business Rates that are generated from growth in the base position.

As the Business Rates yield has been included in Government spending plans for the current Spending Review period (i.e. to 2014/15) it is unlikely that significant additional funding would be available to authorities until the new Spending Review period.

This suggests that the outcome of the Local Government Resource Review and the next Spending Review will be critical in establishing a fundamental change to the way in which local authorities are financed.

NHB and the relocalisation of Business Rates are likely to be used to incentivise growth, with the later providing opportunities to promote and facilitate further growth through measures such as Tax Increment Financing.

The original consultation paper has been 'supplemented' by the publication, on 19 August, of a series of eight technical papers discussing, explaining and inviting views on how various aspects of the proposed new system would operate in practice. The papers are:

Technical Paper 1 : Establishing the baseline

Technical Paper 2 : Measuring business rates

Technical Paper 3 : Non-billing authorities

Technical Paper 4 : Business rates administration

Technical Paper 5 : Tariff top up and levy options

Technical Paper 6 : Volatility

Technical Paper 7 : Revaluation and transition

Technical paper 8 : Renewable energy

The analysis of the implications for the Council and formulation of appropriate responses to the questions posed by the various consultation papers will represent a significant piece of work and additional resources may need to be secured to support this work. The deadline for responses to the consultation is 24 October 2011. It is the Government's intention to implement the new system from April 2013.

## Review Phase 2

The terms of reference for Phase 2 of the Local Government Resource Review were published in June 2011. This stage of the review will look at extending greater financial autonomy to communities and local people through 'Community Budgets'. The review will examine how Community Budgets can be used to:

- Give communities and local people more power and control over local services and budgets

- Develop outcomes, service solutions and a single budget, or options for pooling and aligning resources, comprising all spending on public services in an area

It is planned to complete the second phase of the review by April 2013.

## Welfare Reforms

In contrast to previous spending reviews, Spending Review 2010 explicitly included welfare spending within its scope. This approach was with the stated aim of enabling the Government to take a more strategic view of the trade offs across both public services and welfare payments, shifting the balance towards the former in order to protect those services that increase social mobility and enhance long-term prosperity. As a result of the measures announced in the Spending Review and the June 2010 budget, welfare spending was forecast to fall in real terms over the following four-year period, in contrast to the 45% real increase over the previous decade.

The Spending Review confirmed the intention to phase in a Universal Credit from 2013. The Review also committed to reducing spending on Council Tax benefits by 10% and localising it from 2013/14. In addition, the Spending Review announced a wide-ranging package of other reforms to the existing welfare system with the intention of providing a fair and affordable platform for the introduction of the Universal Credit. On 17 February 2011 the Government published the Welfare Reform Bill, containing provisions for the abolition of Council Tax benefit, paving the way for new localised schemes.

The Government has now announced further details of their plans for a new system of local support for Council Tax. A consultation paper 'Localising support for council Tax in England' was published on 2 August 2011. The paper confirms plans that help with Council Tax will not become part of Universal Credit – the new benefit that amalgamates tax credits, out-of-work benefits and housing benefit – but will instead remain a local authority responsibility. The paper also confirms the need for local authorities to save 10% of current expenditure but, importantly, makes clear that pensioners and the most vulnerable will be excluded from the effect of this cut.

The planned welfare reform changes, including a localised scheme to provide support for Council Tax, will be likely to have significant financial impacts for a large number of current and future claimants within the city and to social and private sector housing providers.

## National Housing Policy

The Coalition Government announced its approach to National Housing Policy in a Consultation Paper issued in November 2010 entitled “Local Decisions : A Fairer Future for Housing”. The Housing Reforms have been further trailed in the Localism Bill and through various structural and procedural changes.

The Coalition has reduced capital funding available to build new Affordable Housing through the Homes and Communities Agency (HCA) from April 2011 to March 2015 to about 35% of that available over the previous three years. This signals a switch from a capital based funding system to a revenue based one with the introduction of Affordable Rents on the new homes set at up to 80% of local market rents, with the Housing Benefit system to bear the strain. In Cambridge, because of high local rental values the Council has been able to argue that Affordable Rents should be no more than Local Housing Allowance levels.

Coupled with the introduction of Affordable Rents is the new notion of 'flexible tenancies'. Housing associations that receive grant from the HCA are required to offer the new homes under 'flexible tenancies' which, in effect, are fixed term tenancies for at least five years (minimum two years in exceptional circumstance). The principle is that if the tenant no longer needs the home at the end of the fixed term period, the housing association can require the tenant to move so that the property can be let to a household in housing need. Housing associations who receive grant from the HCA can also re-let a number of existing homes as Affordable Rents when they become empty. Housing associations as independent sector agencies can offer flexible tenancies from April 2011. Local authorities will also be able to offer flexible tenancies under changes introduced in the Localism Bill.

Other changes in National Housing Policy are summarised below;

- Local housing authorities will be required to publish a Local Tenancy Strategy from twelve months after the enactment of the Localism Bill providing guidance to housing

providers on the inter-action between different rents; different lengths of tenancy; and meeting local need.

- Local housing authorities are to be given greater freedom to manage their waiting lists particularly in the areas of how they manage transfers and who has a local connection with the area.
- Local housing authorities will be able to discharge their homelessness duty by facilitating a move to housing in the private rented sector. This may be of marginal benefit in Cambridge because of the high demand already for privately rented housing.
- The Tenant Services Authority is to be abolished with their regulatory powers to be absorbed into the HCA.

## **HRA Self-Financing**

Changes to the financing of Local Authority Housing will be effective from April 2012, subject to parliamentary approval of the Localism Bill. The Council anticipates a requirement to borrow a minimum of £220m on 28<sup>th</sup> March 2012, with the national subsidy system being replaced with a self-financing system for the Housing Revenue Account from 1<sup>st</sup> April 2012.

In preparation for this major change in housing finance, considerable work is being undertaken to produce a new asset management strategy and business plan for operation in the new environment. The options for securing a debt of this level are being explored. With the Council considering elements of internal borrowing from the General Fund, external borrowing from the County Council, other Local Authorities, the Public Works Loans Board, the market or through issuance of bonds (either individually or as part of a club).

More detailed information in respect of the actual level of debt that the Council will be required to take on will be made available by Communities and Local Government in draft consultative form in November 2011 and in final form in January 2012.

The financial appendices presented as part of the Medium Term Strategy, are based upon continuation of the current national housing subsidy system, as the Localism Bill has not yet been passed. Detailed financial planning over a 30 year period will form part of the Business Plan for self-financing, which will be presented to members later in 2011. Due to the timescales of the self-financing process and operation of the HRA after April 2012, it may be necessary to

arrange special committee meetings in the coming months and to review governance for the Housing Revenue Account in the longer term.



# Section 4

## Services and Financial Planning

### Introduction

This section of the MTS provides an overview of the Council's services and of the key financial and budget issues facing them going forward. The Council is undergoing a period of significant change and pressure on its resources, both staffing and financial. The economic climate, reductions in public spending, the local growth agenda with related population and other demographic changes, and changes in Government policy all impact on services. It is important in its service and financial planning that the Council takes account and quantifies, so far as possible, the impact of these changes.

### Executive Portfolios

Member oversight of and strategic decision making in relation to the various services provided by the Council is undertaken by The Executive. The Executive is made up of the Leader of the Council and six Executive Councillors. Each Executive Councillor is responsible for a specific group of services, called a portfolio. The current service portfolios are as follows:

- Art, Sport and Public Places – Executive Councillor Rod Cantrill
- Community Development and Health – Executive Councillor Tim Bick
- Customer Services and Resources – Executive Councillor Neil McGovern
- Environmental and Waste Services – Executive Councillor Jean Swanson
- Housing – Executive Councillor Catherine Smart
- Planning and Sustainable Transport – Executive Councillor Tim Ward
- Strategy and Climate Change – The Council Leader Sian Reid

Day-to-day management of services and budgetary control are delegated to Directors and Heads of Service. Within the following pages of this section the Council's main service groupings are presented within their respective portfolios.

# Arts, Sport & Public Places Portfolio

## Arts & Recreation

### Service Description

The newly created Arts & Recreation service provides a wide range of activities previously in the Arts & Entertainments and Active Communities services including management of the Corn Exchange, major events, sport, leisure and the arts. The objectives of the restructure were to implement the recommendations of the Corn Exchange review, improve management structures and identify ways in which to operate the services in the most cost effective and efficient manner.

#### Key Objectives for 2011/12

The key objectives for this service are highlighted below:

- Engage and involve local communities in shaping arts & recreation activities
- Protect & enhance the environment; and tackle the causes and consequences of climate change throughout arts & recreation activity
- Enhance the city of Cambridge's reputation and identity through arts & recreation provision
- Ensure all city residents have the opportunity to access arts & recreation services
- Prepare to maximise the opportunities afforded to Cambridge residents by the London 2012 Olympics and Paralympics Games

### Budget Issues

The restructure of Arts & Recreation has delivered a saving of £350,000. This was achieved through implementation of a more streamlined staffing structure based around the establishment of four teams (cultural facilities, arts & events, business & marketing and sport & recreation) as well as adjustments to programming targets and subsidy at Cambridge Corn Exchange.

#### Cultural facilities

The high level strategy for delivery of further savings from 2014/15 will be developed to maximise revenue through the management of the Corn Exchange and Guildhall Halls, whilst continuing to pursue opportunities to reduce costs and find more efficient ways of providing

services, and reinvest in local cultural activities. A business plan will be developed in 2011/12 highlighting in detail how the strategy will be implemented and the saving achieved.

### **Sport & recreation**

The Council's leisure management contract with SLM expires in September 2013. A budget bid has been approved to fund external legal and leisure management consultancy costs to support the procurement of a new leisure management contract/approach from October 2013 onwards.

A major improvement programme at Parkside Pools is scheduled to take place in November 2011. A programme to significantly reduce utility costs/carbon footprint at leisure sites has been identified. An implementation strategy will be produced in 2011/12.

### **Arts & events**

A review of events will start in 2011/12. This will focus on the scope of the current directly delivered programme in the context of the wider programme of all events on the city's parks and open spaces. The review will consider which events the Council wishes to commission, and which it will deliver directly, and the approach it will use in doing this.

The periodic review of the 2011 Folk Festival will focus on its market position, a linked 'invest to improve' programme, and marketing strategy.

A decision has been taken to go ahead with the 2012 Folk Festival in parallel with the London 2012 Olympics. Supply contracts are secured and the Festival will embrace Olympic activity.

### **Business & marketing**

A review of the box office service is underway in line with the aspirations of the arts & recreation restructure implementation paper. This is considering closer integration with the customer service centre, introduction of new telephony to prioritise sales, and software to enable 'select-a-seat' purchasing. The service will also explore opportunities to collaborate and/or deliver services with other providers.

### **Voluntary Sector Grants**

The provision of Community Development grants to voluntary groups and organisations that want to run services and activities meeting the needs of disadvantaged residents in

Cambridge to support voluntary organisations that increase access for city residents to cultural and leisure activities that improve their health, well being, confidence and skills.

This service is administered by the Community Development service.

## **Streets & Open Spaces - Open Space Management**

### **Service Description**

The team provides strategic, development and management functions to support the city's streetscape and open spaces. In addition, the Service manages a diverse range of related activity, such as residential moorings, events on open spaces, grazing rights, tree maintenance, nature reserves, play areas and allotments.

### **Budget Issues**

A service satisfaction survey in 2011 is an action from the Parks and Open Spaces Asset Management Plan and may have funding implications for the future.

A major investment programme in waste bins on open spaces is proposed to increase the levels of recycling and to reduce the number of complaints relating to littering.

## **Streets & Open Spaces – Project Delivery & Environment**

### **Service Description**

The delivery of capital projects funded by developer contributions for open space, play and public art; and schemes for environmental improvements and cycleways.

### **Budget Issues**

The list of schemes currently identified in the Capital & Revenue Projects Plan will be developed and delivered over the coming year. Further work is currently ongoing to develop the process for devolving decision making for certain developer funded projects to the Area Committees. This will provide the process by which new schemes are suggested and funding allocations approved in future.

# Community Development & Health Portfolio

## Bereavement Services

### Service Description

The provision of cremation and burial services together with the opportunity to commemorate the deceased. The Service maintains the Newmarket Road and Huntingdon Road cemeteries, together with the City Crematorium.

### Budget Issues

The installation and commissioning of mercury abatement equipment by March 2012 means that the Council will comply with emissions legislation before the December 2012 deadline thus avoiding the need to purchase mercury credits.

A recent review of the service's IT infrastructure has identified the need for investment to bring the service up to corporate standards and to ensure that customer service continues to improve.

The crematorium service needs to provide a level of service, in terms of quality and price, that is very attractive to customers. New private sector crematoria are being established elsewhere in the region and it is important that the City Crematorium continues to attract clients from the surrounding areas to ensure that budget targets are met.

The Commemoration Project offers an opportunity for the Council to provide wider choice for the bereaved, which in turn will lead to enhanced income as a contribution to operating costs and capital investment.

## Community Development – ChYpPS

### Service Description

The Children and Young People's Participation Service (ChYpPS) provides universal play services with a focus on the on the needs of and opportunities for the 9 – 13 age group. The

ChYpPS works in partnership with other City Council services, the County Council and other play and youth work providers to address the needs of vulnerable young people.

### **Budget Issues**

The ChYpPS is undergoing a member led service review during 2011/12 that is due to report to Community Services Scrutiny Committee in January 2012. The review provides an opportunity to re-visit the priorities for the service in the context of the City Council's vision and funding pressures on partners who provide complementary services for children and young people. Although cost efficiencies are not the driver for the review, it will also consider opportunities for more effective partnership working.

## **Community Development – Voluntary Sector Grants**

### **Service Description**

The management of Community Development, Leisure and Sustainable City grants and the provision of voluntary sector support through advice, information and training for funded groups. This funding supports the voluntary and community sector to deliver the Council's strategic priorities recognising the important and vital contribution they make to the well-being of the city.

### **Budget Issues**

The general economic climate is putting a greater demand on some voluntary organisations (such as the Citizens Advice Bureau) as more residents on lower incomes seek help, advice and support. At the same time, voluntary groups are finding it more challenging to attract funding.

The planned changes to the benefits system are predicted to have a significant impact on residents on low income in the future which will place a further demand for the services provided by the voluntary sector and, in turn, place an increased demand for grant aid from the City Council.

## Community Development – Area Working

### Service Description

The City Council is moving towards a more participative approach to decision making. This approach has two key strands:

- Increasing community engagement, using the existing area committee structure, so that local people have more say in decisions that affect their local area, and
- Devolving more decisions away from the Guildhall to area committees.

In 2011/12 the City Council is piloting new ways of working in the north of the city. The pilot has included extensive engagement work within local communities to ask people about their issues and concerns. This information has been used by North Area Committee to develop their own Local Plan which sets priorities that will be taken forward by ward councillors with partners, officers and local residents. The learning from this approach to community engagement shows that a considerable amount of officer time is required to effectively engage and interact with local groups.

### Budget Issues

To enable a similar approach to be rolled out across all four Area Committees, additional staff with appropriate skills will be required. This could be found either by re-prioritising the work of existing staff or by making a bid during the 2012/13 budget round.

## Community Development – Neighbourhoods

### Service Description

The provision of community development services in local areas that respond to inequalities in opportunities for groups and communities. An overriding concern, for the service, is to build confidence and skills within local communities in a way that enables people to take action themselves and to support them to find solutions to the challenges they face.

The provision and management of a range of community and local centres across the city that provide local communities and groups with space to come together and enjoy activities.

Working with partners and local residents to ensure that sustainable growth around the city fringes is delivered with well-integrated communities and excellent community facilities.

## **Budget Issues**

Given the funding pressures on Council budgets, work is required to explore and evaluate options for management of the community facilities currently owned and managed directly by the City Council in time for the MTS 2012. The drivers for this work are Localism, the move to encourage local communities to take ownership of their local facilities where this can deliver improved service outcomes, and Financial pressures, to identify efficiency savings across the revenue budgets.

There are significant amounts of developer contributions for improvements to off-site community facilities within the city. In the wards covered by East Area Committee this amounts to just over £800,000. A capital grants programme has been agreed to improve a range of facilities across East Area.

New community facilities in growth sites at Trumpington Meadows, Clay Farm and on the NIAB and University site in the north west Cambridge development area, will generate significant revenue implications for the City Council in the medium term unless alternative financially sustainable management arrangements can be agreed. Developers and partners are reviewing management options to mitigate this cost.

# Customer Services & Resources Portfolio

## **Accountancy & Support Services**

### **Service Description**

The Accountancy and Support Services sections provide a wide range of financial and other support services to the council, including:

- Financial advice and support to service managers and members together with corporate accounting services including banking, investments and statutory financial reporting



- Provision and development of the Council's financial management system, including support and training of users
- Payroll services
- Supplier and creditor payments
- Billing and collection of sundry debts
- Risk management advice and insurance arrangements

## **Budget Issues**

A review is being undertaken currently of the administrative, financial and other support services provided within all Council departments with the objective of identifying savings through streamlining processes, economies of scale and other efficiencies. This service is likely to be instrumental in the implementation of the recommendations of the review and the achievement of target savings of £100,000.

A further review is in progress of the Council's risk management arrangements and this is expected to result in staff savings within the section and to the release of staff time elsewhere in the Council.

Opportunities for shared services with other local authorities are being sought and support is being provided to other services within the Council in examining the financial & business cases for such arrangements.

## **Customer Service Centre**

### **Service Description**

The Customer Service Centre (CSC) is responsible for frontline customer contact via phone, email and face to face dealing with customer inquiries across a wide range of City Council services, including cashiers, housing and environmental services; housing benefit and Council Tax; repairs and refuse collections.

### **Budget Issues**

Customer Services are facing tough challenges over the next few years with continuing growth in call volumes as a result of increases in the local population, benefit reform and impact of the economic down turn. There will also be squeezes on costs; competition for human talent and

increasing complexity of call content and customer demands/expectations. The service needs to react to these changing demands over the next 5 years and beyond and will be looking to deliver:

- An Improved customer experience for all with greater choice of communication
- Alignment of Council, agencies and partner services to enable seamless delivery of services
- Implementation of technology and digital communications to allow self-service
- To continue to ensure services are accessible by all and
- Deliver innovation in service delivery

The following service improvements are planned to deliver these outcomes:

To explore freeing up resources at the Guildhall reception and switchboard to release staff from mundane routine tasks of answering phones and transferring them to staff.

Web based application of benefits will enable increased self-service and will speed up benefit inquiries and hopefully reduce footfall into the CSC.

LEAN Customer Journey Reviews in Revenue & Benefit Services and Housing Repairs will identify customer's needs and activities that do not add value. Changes and efficiencies will arise in processes, staffing and technology savings, efficiencies or technology costs are unknown until reviews are completed.

To give customers the choice to self serving themselves – a transactional/customer portal website will be developed to enable customers to report on line using variety of methods.

To give greater choice and speed for customer payments an automated cashier unit is to be installed at Mandela House. This will enable to reduce staffing numbers and review opening hours of the cashier office.

Implementation of online Council Tax accounts will give the ability for customers to view and pay Council Tax on line and request paperless Council Tax billing.

The CSC continues to undertake shared development and CRM support for St Albans with the potential to offer resilience support. It is expected that £40k income will be realised in 2011/12.

## Democratic Services

### Service Description

Democratic services help make sure the council's decision-making functions run smoothly, from full Council meetings to scrutiny committees and area committees. They support the mayor and councillors and run the election services.

### Budget Issues

Legislative changes being introduced by the Government may increase the workload of the electoral services team significantly. Directly elected individuals (Police Commissioners) referendums (including potentially related to the Council Tax under the localism bill) and individual voter registration may all add to the workload of the team. A bid is proposed for an additional post within the service.

There may also be implications arising from the Localism bill, for instance, if the Council were to adopt a change in its decision-making processes such as a return to the Committee system.

## Human Resources

### Service Description

Human Resources provide a range of services across the organisation, including recruitment, learning and development, advice to managers on employment law in addition to the Council's human resources policies.

### Budget Issues

Savings targets of £100k were set for both the 2010/11 and 2011/12 budgets, which have been achieved. A further target of £100k has been set for 2012/13, to be achieved by a further review of the HR structure and current budgets.

There has been a planned reduction in HR service budget since 2008/09 to move towards a target cost of £1m (excluding recharges). This is set to be reached by 2014.

## Internal Audit

### Service Description

Provision of internal audit services to Cambridge City Council. The service looks to help demonstrate the highest standards of corporate governance, public accountability and transparency in the Council's business. By undertaking annual audit reviews across all aspects of the Council's business, we aim to support Cambridge City Council to:

- **Combat fraud** - We undertake investigations of suspicions of fraudulent activity against the Council and recommend appropriate actions.
- **Champion good governance** - We review various service activities to ensure that appropriate mechanisms are followed to ensure that legislative requirements, financial and management processes are robust and meet good practice.
- **Improve efficiency** - Provide appropriate advice on aspects of good governance that will improve processes and streamline arrangements.
- **Reduce the risk to the public purse** - Provide practical solutions which look to ensure that finite resources are not wasted.

### Budget Issues

An annual saving to the Council is currently being achieved through an agreement with Peterborough City Council to share a Head of Internal Audit. This will be an ongoing saving, whilst the agreement between the two authorities is in place, and will be utilised in the following way:

- A minimum of 50% to be contributed the Council's overall savings target; and
- Up to 50% to be used to invest in the Internal Audit service in order to maintain / improve standards and potentially obtain additional works.

As part of the shared arrangements, additional clients are being sought. In 2012, when their existing external providers' contract terminates, it is anticipated that South Cambridgeshire DC will join the shared arrangements. It is currently our understanding that there would be no TUPE issues in relation to the transfer of this work. However, staffing requirements will need to be explored over the intervening months to ensure the service can be seamlessly transferred and delivered without detriment to existing Cambridge City Council and Peterborough City Council service provision. This will be cost neutral to Cambridge, although there may be a further reduction in the cost for the Head of Internal Audit as this is spread across more clients.

To facilitate improved sharing arrangements and service expansion, there is a need to improve the IT infrastructure for Internal Audit. The solution would include hardware and software to enable officers to work at various sites whilst maintaining access to all records, files and working papers. Efficiency savings would be achieved through:

- one source of information being available to all;
- the ability to review work without the need for officers to return to base, reducing travel requirements; and
- reduced staffing accommodation and storage requirements.

A number of potential solutions are available in the market place and a joint working group with Peterborough City Council has been set up to review them. Minimum requirements would see PC's replaced by appropriate laptops and new software to be procured. The estimated cost to Cambridge is £15,000 which could be met from savings resulting from the provision of a shared service, together with a similar input from Peterborough City Council.

## IT Contract Management

### Service Description

The provision of ICT support services to the Council. Operational support is provided through a facilities management (FM) contract, currently held by Serco.

### Budget Issues

The Serco FM contract will end in June 2013, and re-tendering work will start in 2012. The final price obtained will be determined by the scope of the services tendered and the market conditions at the time.

The Council's accommodation strategy is likely to have implications for ways of working, office facilities and ICT infrastructure. Most costs should be factored into the overall business case for any change approved, but there may be long-term pressures for ICT support.

A review of ICT organisation is underway and will explore issues of funding for ICT hardware and software alongside organisational structures. The overall impact should be at least neutral, but some redistribution of funding may be recommended.

The service will need to deliver two major projects, for which funding is place, for upgrades to MS Office and Windows XP over the coming year to eighteen months.

## Legal Services

### Service Description

The provision of legal services to the Council in support of its functions, including provision of the Monitoring Officer role.

The Local Land Charges function includes maintenance of the statutory Register of Local Land Charges and providing responses to local searches and enquiries, which form an essential part of buying and selling land and property in the city.

### Budget Issues

Ongoing recruitment difficulties and sickness absence have resulted in the need to use temporary agency workers which has put pressure on the Legal Services staffing budget.

The Council needs to ensure that resources are available for complex and specialist projects, and to budget for legal support if the in-house team cannot provide this. A reduction in staffing levels means that capacity for legal work has been reduced. We are investigating the possibility of a shared legal service with the County Council. If this happens, there may be a need to devolve legal budgets to cost centre managers.

There is uncertainty about the power of local authorities to charge for aspects of the local land charges service, which is likely to be resolved by litigation. This had a limited impact on income in 2011/12 but not to the extent that income fell below target. An adverse court judgment could have a greater impact. The Council may need to refund some fees already charged, however, the Government has made a payment under the "new burdens" doctrine as a contribution to the cost of any refunds.

## Property Services – Lion Yard

### Service Description

The Council is the freehold owner and Superior Landlord of the Lion Yard Shopping Centre, subject to a head lease to Barclays Nominees (George Yard) Limited. The Council receives a geared ground rent for the Centre based on 25% of the net rent received by the head lessee.

### Budget Issues

#### Revenue

If development occurs, the Council can either contribute 25% of the development costs to retain its existing share of income or see a reduction in income to reflect the head-lessee's capital contribution. The Council has funded the Phase 1 works and has made provision for the majority of the forecast cost of the remaining works.

There have been increased voids in the Lion Yard Shopping Centre and market conditions are such that, in the short to medium term, there is a projected shortfall in income due to voids, sizeable incentives to secure new lettings, and the liability for empty property rates. When the construction work for the remaining capital works has been completed, the projected income will increase. Provision also needs to be made for the loss of rental income during the period of the capital works where these affect existing units.

#### Capital

The head-lessee of Lion Yard, Barclays Nominees, has completed the Phase 1 works at Lion Yard Shopping Centre. The construction work is yet to commence for the remaining capital works, which is a scheme to develop increased and improved quality of retail space. The timing of this work is currently uncertain.

## Property Services – Commercial Portfolio

### Service Description

Property Services is responsible for managing the Council's commercial property portfolio and providing professional surveying advice on a range of matters such as valuation, disposals and acquisitions.

## Budget Issues

Property Services Portfolio Commercial Property Income Projections.

The current market conditions for commercial property remain challenging and income growth is likely to be slower than in the past. It is probable that there will be some impact on income in the short to medium term due to:

- Businesses struggling and reducing liability by moving out at short notice or trying to renegotiate terms.
- Increased levels of vacant properties.
- Rental growth forecasts likely to be affected by market conditions with negative growth in some cases.
- Empty property rates increasing the cost of holding vacant property.
- Leases expiring during less favourable market conditions.
- The need for greater incentives to attract and retain tenants.

Revised income forecasts have been built into the projections for the MTS.

## Property Services – Development Sites

### Service Description

The Council has large potential development sites for disposal in the future at Orchard Park (K1), Clay Farm, Cowley Road and Mill Road Depot. The Depot site would require relocation of the Council's operational activities to another location, either in isolation or in combination with other public bodies or other Council services, depending on the outcome of the Council's ongoing Office Accommodation Strategy. Final decisions about any such disposals have not yet been made and the timing of disposal of these sites is flexible to some extent, although some receipts are considered necessary to finance infrastructure and other related disposal costs.

### Budget Issues

Whilst the disposal of these sites will generate significant capital receipts, we need to fund planning, project management, procurement, taxation and legal costs some of which can be provided in-house but specialist areas will need to be outsourced. In addition to professional fees, there will be significant infrastructure costs for some of the sites.



## Revenue and Benefit Services

### Service Description

Revenue & Benefit Services is a key front-line public service provider and is part of the Customer & Community Services Department. The Section is responsible for:

- the administration of Housing Benefit and Council Tax Benefit;
- the collection of Local Taxes, to include the collection of Business Rates and Council Tax;
- provision of support to the corporate Customer Service Centre; and
- the detection and prevention of benefit fraud.

Local Taxation, Business Rates and the administration of Housing Benefit and Council Tax Benefit are statutorily administered through exceptionally complex and constantly changing legislation.

### Budget Issues

#### Local Taxation

The national economic situation and the Government's plans to tackle the national debt mean that Local Authorities have to play their part by managing a reduction in the money that they receive from Government, which is expected to be around 28% over the next four years, whilst continuing to provide services that local people want and need.

The Government's plans to reform the country's system of welfare payments and elements of Local Taxation have considerable implications for the Council and for the work of this Service Area. As yet the implications of these proposed changes are not entirely clear.

Key ongoing changes and issues are:

- the replacement of Council Tax Benefit with a localised Council Tax Rebate;
- implications of Localism Bill - Business Rate Supplement;
- changes to Discretionary Rate Relief; and
- local retention of elements of Business Rates.

The service will need to work closely with organisations such as the Department for Communities & Local Government, the Department of Work and Pensions, HMRC and other support agencies to ensure that the Council makes the necessary changes to the Local Taxation system and meets the Government timetable for doing this.

We also need to ensure that support, information and advice about the changes and their implications for individuals are in place, in particular the business community and those who are most vulnerable and in need.

As a consequence of the combination of the current economic downturn and the 'growth' within the city, the service has already experienced an increase in its workloads and this is expected to continue into 2011/2012 and beyond.

#### **Housing and Council Tax Benefits**

The Government's plans to reform the country's system of welfare payments have considerable implications for the Council and for the work of this service area. As yet the implications of these proposed changes are not entirely clear.

Key ongoing changes and issues are:

- changes to Local Housing Allowance (LHA);
- the formation of a Single Fraud Investigation Service;
- the localisation of Council Tax Benefits;
- the Introduction of Universal Credit (UC);
- changes to the DWP Admin Grant (5% ongoing reduction in overall funding); and
- potential impact to the HRA rent account of the introduction of direct payments of UC to tenants.

The service will need to work closely with organisations such as the Department for Work & Pensions [DWP] plus advocacy and support agencies to ensure that the Council makes the necessary changes to its own benefits systems and meets the Government timetable for doing this. We also need to ensure that support, information and advice about the changes and their implications for individuals are in place, in particular for pensioners and those who are most vulnerable and in need.

As a consequence of the current economic downturn, the service has already experienced an increase in its benefit assessment workloads and this is expected to continue into 2011/2012 and beyond. Whilst the Department for Work & Pensions has funded two additional Benefit Assessment Officer posts to cope with the increase in benefit claims, funding towards these additional posts for 2011/2012 may be reduced and more targeted. There is no guarantee that this funding will continue after 2011/2012.

## City Centre Management

### Service Description

The operational side of City Centre Management team are responsible for managing the markets, street trading and pavement café licenses within the consent zone, issuing charity street collection and Saturday stall permits and the proactive management of any on street non-licensable activity e.g. busking and direct debit charity collections.

The partnership side of City Centre Management is now delivered through Love Cambridge the independent public/private City Centre Partnership, which was launched in April 2009. The role of Love Cambridge is to deliver projects which improve the city centre for all who use it through partnership working.

### Budget Issues

#### City Centre Management

Cambridge has one of the few 7-day markets in the UK and it continues to perform well averaging around 91% occupancy. Maximising occupancy, and the continued support and development of the market is a key focus for the Service over the next 12 –18 months in order to support the market traders and ensure that the market fulfils its potential. There is a requirement for the electrical infrastructure of the Market to be upgraded and this is likely to be the subject of a future funding bid.

#### Love Cambridge - The City Centre Partnership

Love Cambridge has now been in operation for 2 years and is funded 75% by the private sector and 25% by the public sector. Whilst it has been successful in leveraging in a significant increase in private sector funding to deliver a range of projects benefiting the whole city centre, funding is voluntary and relies on 9 major stakeholders.

Love Cambridge has been successful in accessing European Regional Development funding through an Association of Town Centre Management (ATCM) led project to support the development of a Business Improvement Districts (BID). A key condition of the funding is that one key strand of the BID will deliver sustainable collaborative procurement opportunities for city centre organisations.

The project began in March 2011 and will run for 3 years with a BID ballot likely to be around 18 months into the project. There are likely to be financial implications for the City Council if a Business Improvement District were to secure a "yes" vote, as it is likely to be a BID levy payer given its property portfolio in the city centre. However a BID will at the same time deliver opportunities for increased investment in the city centre and the subsequent potential for increased revenue to the Council.

## Tourism

### Service Description

Visit Cambridge is the official tourism service for Cambridge, which manages the Tourist Information Centre (dealing with over 350,000 face to face enquiries per annum), the Official Guided Walking tours and works with over 200 tourism partners to maximise the economic benefits from our 4 million visitors each year, whilst aiming to minimise any negative impact on the city centre.

### Budget Issues

Following the 2010 tourism restructure the tourism service is on track to deliver the savings already identified in last year's MTS. These savings will be achieved as a result of a refocused service operating more commercially which was the key objective of the 2010 tourism restructure. These savings have been identified through focusing on key growth areas in revenue based on current performance (e.g. commercial ticket sales and income through the website), an increase in the Guided Tours prices and the launch of a new Visit Cambridge Membership Scheme.

The key focus of the service is to deliver a sustainable form of tourism management and to continue to reduce the cost of tourism to the Council. Its current target is to deliver additional savings above those already identified and in the region of an additional £50,000 per annum in either 2012/13 or possibly 2013/14.

The current environment for tourism management is extremely challenging with less public money available and the private sector understandably being increasingly discerning in choosing where they invest and demanding measurable returns on their investment.

With the abolition of the Regional Development Agencies (RDAs) and the significant funding cuts affecting the regional tourism bodies, the tourism landscape is currently very dynamic and tourism services across the UK have to review their business models with local partners in order to ensure sustainability. Visit Cambridge will need to do the same.

It will be important for both Love Cambridge and Visit Cambridge to establish good linkages with the new Local Enterprise Partnership and to keep abreast of the developing new era of local economic development (e.g. the Regional Growth Fund, The Local Government Resource Review, Tax Increment Finance etc) in order that opportunities can be proactively explored and supported with partners as appropriate. It will also be important to identify opportunities to forge even closer links in the development of a Destination Management Strategy for Cambridge.

# Environmental and Waste Services Portfolio

## Refuse and Environment Services

### Service Description

The provision of waste and recycling services together with the management of the associated vehicle fleet. The service is also responsible for environmental health functions and licensing, including private hire and hackney carriages.

### Budget Issues

#### Recycling Credits

There is a significant risk that the County Council will reduce the recycling credit payment to this council. Paying recycling credits to Waste Collection Authorities is a statutory duty for the County Council, however the amount, which is generally based on average disposal costs,

can vary from area to area. The County rate has been fixed at £38.65 per tonne since 2009/10 with a predicted income for this year of £350,000.

The likelihood of this happening is unclear at this stage, but a reduction of 50% on recycling credits income has been flagged for 2012/13. Negotiations are underway with the County Council

### **Licensing**

Legislation changes are proposed which will result in additional income on late night premises within the city. A proportion of the additional income will need to be provided to the Police for their role in dealing with such premises.

### **Refuse, Recycling and Commercial Waste**

There are various changes set out in the Governments recent Waste Policy Review and how it is applied here in Cambridge. The most significant is legislation under the Waste Regulations 2011 that sets a target of 50% recycling of household waste by 2020. The Service is currently operating at 44% with small increments each year based upon enhanced provision of co-mingled recycling amongst flats and changes to the service e.g. introduction of battery recycling.

There will also be a significant impact on Commercial Waste Services following proposed changes to the Controlled Waste Regulations which sees the introduction of disposal charges to the majority of premises previously exempt from these costs under schedule 2 of these Regulations. This includes educational establishments which currently make up just over 50% of commercial waste contracts. These premises will be required to pay disposal costs in addition to the collection costs they already pay. Charges to these customers will be brought in line with other commercial premises such as restaurants and shops. The initial impact of this change will be a reduction in the profit margin on these contracts due to the high disposal costs and the need to keep pricing low to remain competitive in the market place. There is also the potential for a loss in contracts during this change while customers experiencing significant price rises seek deals from our competitors.

Commercial recycling rates may also be affected by this change should the universities, colleges and schools take the disposal of their recyclable materials to private contractors.

Commingled recycling services will be introduced on a phased basis into colleges and schools which currently have segregated collections alongside this change.

There is additional uncertainty in relation to disposal costs for commercial waste, the Council as a collection authority, is required to dispose of waste via the County Council, the future pricing strategy for disposal costs has not yet been put forward by them beyond September 2011. Commingled recycling services for businesses have proved popular and an expansion in this service will be sought as part of the route optimisation project allowing for better use of existing resources.

The budgeted income for commercial waste will be reviewed for 2012/13 and is anticipated to be lower than previous years, however the environmental benefit and other advantages to the Council support its continued viability.

The recent government Waste Policy Review has indicated that landfill tax will continue to rise by £8 per tonne annually until 2014/15. It is currently £56. The Council will continue to transfer this cost to customers but recognises the need to monitor its position in order to remain in this competitive market.

It is anticipated that the route optimisation project will provide the outlined savings for the 2012/13 budget. In addition it will enable strategic mapping of services to deal with the impacts housing growth from major developments and any potential boundary change, ensuring service growth is timely and that resources are utilised effectively.

Consideration also needs to be given to the implications of:

- in-cab technology and procurement of software;
- provision of underground recycling; and
- shared procurement with other Councils

## Streets & Open Spaces

### Service Description

The services within this portfolio cover many areas of working, the main ones of which are:

**Grounds maintenance** and the maintenance of grass, shrubs and flower displays across the city. The Service works in partnership with County Highways cutting verges and controlling vegetation on footpaths and in gullies. The service maintains the city's parks & open spaces, cemeteries, churchyards, and housing areas. Other tasks include maintaining areas for sports use, assisting in the management of events, and provision of the 'Pinder service' responsible for the safe management of grazing cattle on the commons.

**Street Cleansing** who provide manual and mechanical sweeping and litter clearance across the city to include highways, parks, open spaces, cemeteries, and housing areas.

Other responsibilities include:

- clearing syringes, fly posting, fly tipping and graffiti;
- clearance of void properties;
- working with community groups to maintain and improve environmental quality; and
- working with other departments of the Council to ensure that our statutory obligations are met with regards to the Environmental Protection Act and Cleaner Neighbourhoods Act

The Service also has a number of small contracts with some private sector companies to provide cleansing services.

**City Rangers** who proactively patrol the city taking action to improve local environmental quality and providing a street-level, face-to-face contact point for residents to report issues regarding cleanliness or public safety within the neighbourhood. Their main responsibilities are:

- clearing small-scale fly tips, street litter, discarded needles, abandoned shopping trolleys, abandoned and derelict bicycles, overfull bins and bins left on the street after collection;
- removal of illegal advertising & small-scale graffiti;
- visiting households and giving talks to schools and community groups about domestic waste management together with delivery of recycling bins and boxes; and
- working with partners such as the Probation Service, Police, Fire Service and other agencies by reporting problems found during day-to-day patrols.



The **Public Toilets** service aims to keep clean and maintain public toilets across the city, it has some static staff as well as mobile staff. The service maintains 20 sites, located in the city centre, parks, recreation grounds and city cemeteries.

**Building cleaning** provides cleaning of Council owned administrative buildings, sheltered accommodation, communal areas of housing flats, sports pavilions, and other Council property.

The **Public Realm Enforcement** team is responsible for the prevention, investigation and enforcement of environmental crime within the public realm.

Their remit includes but is not exclusive to:

- littering, fly tipping, waste duty of care; fly posting and illegal advertising; Abandoned and untaxed vehicles, vehicles for sale and being repaired on the highway in the course of a business;
- unregistered waste carriers;
- parking on verges and common land; and
- illegal camping; BBQs and bonfires on the green open spaces and common land.

The Enforcement Officers carry out regular high visibility patrols and days of action to apprehend offenders and to encourage compliance with the relevant legislation.

The **Dog Warden Service** provides education and enforcement on a broad range of dog issues. Their main responsibilities are:

- collection of stray dogs;
- patrols within the city in response to dog fouling complaints;
- working closely with the Police in relation to dangerous dogs;
- assisting Housing Officers in tenancy and welfare issues;
- reporting cases of suspected cruelty and neglect to the RSPCA; and
- giving valuable behavioural advice to dog owners

## Budget Issues

General issues identified are rising fuel and material cost which are unpredictable. The Building Cleaning service is subject to an internal review. Street Cleansing are reviewing their vehicle

fleet which may result in a budget bid. The Grounds Maintenance service is also reviewing vehicle requirements as a result of legislation in relation to towing.

# Housing Portfolio

## Strategic Housing – Housing Strategy

### Service Description

This is one of six services, including a business support team, that make up Strategic Housing. The service is part funded through the Housing Revenue Account.

The Team undertakes a statutory function to assess and plan for housing needs across all tenures including commissioning of support services.

The core activities of the Housing Strategy Team are:

- housing policy research and housing market intelligence e.g. contribution to the Strategic Housing Market Assessment (SHMA);
- strategic planning e.g. production of Housing Strategy; and
- service commissioning e.g. joint commissioning of the Supporting People programme.

Housing Reforms introduced by the Coalition Government sets the context for this Team's work. The need to assess the local impact of the Government's proposals, responding to consultation documents, developing local policy responses, and assimilating new legislation will create a busy workload. Also there will be work taking account of regulatory arrangements following the abolition of the Tenants Services Authority and the Audit Commission; and new regional networks such as the Local Enterprise Partnership and post PCT health structures.

A key task into 2012 is to review the Housing Strategy in the light of these changes and to produce a Local Tenancy Strategy as required in the Localism Bill.

### Budget Issues

Cambridgeshire Horizons have hosted and funded the Sub-Regional Housing Co-ordinator's post in recent years. This post has been essential in co-ordinating the successful partnership

work on housing across the sub-region, for example, production of the SHMA providing evidence to support growth; development of sub-regional choice-based letting system Home-Link; and now work responding to the Housing Reforms. With the winding up of Horizons, partnership funding from the local authority and housing association partners across the sub-region is being sought to sustain the post. A new budget of £10,000 is requested as a contingency for the City Council to contribute to this post.

## Strategic Housing – Enabling & Development

### Service Description

The Team undertakes a statutory function to plan for and facilitate new housing supply and facilitates:

- the delivery of new Affordable Housing on the Growth sites;
- the delivery of new community infrastructure on the Growth sites;
- the provision of new Affordable Housing on in-city sites working with Registered Providers (housing associations); and
- the delivery of the Council's new Council House building programme which has received grant allocation from the Homes and Communities Agency to complete 146 new homes by the end of March 2015.

Led by the Head of Service the Team is also currently project managing the Assessment Centre Project (target completion March 2012); the Clay Farm Community Centre Project (target completion December 2014); and the project to develop the City Council's land at the centre of Clay Farm.

### Budget Issues

- There is a financial risk to the Council should South Cambridgeshire s District Council decide to withdraw their funding from the Development Officer (Growth) post.
- Approximately £20,000 of the annual revenue budget is funded through capital projects. There is the opportunity to increase this to £40,000 now that grant funding has been received to increase the Council's new Council House building programme.
- The Clay Farm Community Centre Project is currently being project managed by a former Cambridgeshire Horizons employee. It is anticipated that ongoing project management to the equivalent of two days a week input will be required to deliver

this project (£24,000 per annum). This is currently provided for in the project capital budget.

- A budget to cover up-front costs to dispose of the Council's land at Clay Farm will be required.

## Strategic Housing – Housing Options

### Service Description

The Team undertakes a statutory function to operate an Allocations Policy to meet housing need, to enable choice in housing, and to promote the prevention and reduction of homelessness. This Team is currently organised in three sub-teams that follow statutory function.

- Home-Link – that administers the City Council's element of the sub-regional choice-based lettings system;
- Housing Options – that offer housing advice to prevent homelessness and advice on residents' rights in respect of the homelessness legislation; and
- Homelessness – that work with partner agencies that provide services direct to homeless people including the significant response required for single homeless.

The pressures on the local housing market and changes in the benefits system will continue to result in demands being placed on the services over the next few years. The direction of travel for this Team is about improving a single team ethos; maintaining a core focus on supporting people who need that support most; better understanding and improving the 'customer journey' working with the Customer Service Centre; and improving the accessibility of information in order that more people are able to 'self-serve'. The Team is increasingly working with neighbouring districts and health and County Council colleagues to ensure a coherent response to homelessness and housing options issues.

### Budget Issues

The Housing Options Service receives a significant grant from Government to manage its response to single homelessness and for the prevention of homelessness. Much of this grant is used to fund partner agencies and to sustain the Council's own capacity to prevent homelessness. This funding is secure for the next three years and therefore the budget issues will be more about using the grant as effectively as possible during a period of anticipated increasing housing stress.

## Strategic Housing – Home Aid

### Service Description

The service performs a statutory function administering Disabled Facilities Grants. Its role is to support older and vulnerable people to live independently in housing that is warm and safe. A core function is to administer grants to adapt and repair homes. Home Aid is a form of 'home improvement agency' (HIA), a service model that is highly valued as central to housing, health and social care agendas. Home Aid operates in the private housing sector only.

### Budget Issues

It has been approved that Home Aid should merge with similar services run by South Cambridgeshire District Council and Huntingdonshire District Council to create a single shared service from April 2012. The new service will be led and managed by the City Council and will have a primary office base at South Cambs DC offices in Cambourne. The following joint objectives are proposed for the shared service:

- to reduce the level of subsidy provided by each funding authority;
- to sustain at least the current level of service; and
- to reflect the different priorities of the City, South Cambridgeshire and Huntingdonshire Councils.

## Strategic Housing – Safer Communities

### Service Description

The Team performs a statutory duty to promote safe and strong communities and managing anti-social behaviour. This Team leads on the Community Safety Partnership; responds to Anti-social behaviour and racial harassment and promotes community cohesion.

The context for the Team is the changing national policy agenda in respect of crime and disorder. The future direction and funding of the Community Safety Partnership is unclear. Funding for Community Safety Partnerships allocated through the County Council is no longer ring fenced, although it is anticipated that the County will still decide to fund work with the district Community Safety Partnerships. The Coalition Government is also in the process of introducing its own mechanisms around anti-social behaviour and community cohesion, although an early view on the former is that this may be as much about 're-branding'.

The subject matter of this Team is already prominent at Area Committee. The Team will need to adapt along with the evolution of the role of Area Committees.

### **Budget Issues**

The Partnership Support Officer post is partly dependent on County funding and the future of this is currently unclear.

There will be a requirement to fund new software to manage and monitor anti-social behaviour.

## **Refuse and Environment – Private Sector Housing**

### **Service Description**

The provision of private sector housing services including helping colleges attain Landlord Accreditation standards, energy efficiency and bringing vacant properties into use.

### **Budget Issues**

No major issues identified currently.

## **Housing Revenue Account - City Homes**

### **Service Description**

City Homes is responsible for managing approximately 8,700 properties across the city. Overall City Homes ensure collection of over £30m in rent and other income each year. Housing Management involves the day-to-day management of homes and tenancies, ensuring that the legal rights of tenants are adhered to and that the standard of accommodation is good. Housing Management also includes managing the estates in which tenants live including cleaning, grounds maintenance, and tackling anti-social behaviour. City Homes have a proactive approach to resident involvement. In addition to managing tenancies, City Homes is responsible for the management of over 1,070 leasehold properties, where communal services are provided and service charges are levied and recovered in respect of these services.

City Homes is also responsible for specialist services such as Temporary Housing and Independent Living Services. Temporary Housing offers support to residents while they resolve lifestyle issues, and enables them to make positive changes in their lives. The Independent Living Service provides accommodation and support to around 1,300 service users in the form of sheltered housing, supported housing and extra care services.

## **Budget Issues**

The overall gross expenditure budget for these services for 2011/12 is £5.25m. The Housing Revenue Account currently has an overall requirement to deliver ongoing net savings of 3% for 2012/13 and 3.1% per annum from 2013/14 onwards in respect of general and special services. For 2012/13 this equates to approximately £168,000. City Homes are responsible for the delivery of a significant proportion of these Housing Revenue Account services and as such will be required to reduce costs or increase income generated to facilitate the savings requirement.

In addition to the savings required by the HRA directly, City Homes will need to accommodate anticipated significant reductions in income in respect of both care and support services, funded through Supporting People funding, administered by the County Council.

### **Care**

Having been successful in winning the contract for Care and Support in the extra care housing at Ditchburn Place, the challenge will be to deliver the service within the contract sum. Post tender negotiation with the County Council further reduced our original bid price by £35k; therefore we will have to reduce costs and deliver efficiencies of about £140k (about 15%), by the end of March 2012, to keep within the contract sum.

### **Support**

The County Council Supporting People Team required a significant reduction in costs effective from April 2011, resulting in reductions in the number of staff the service can sustain and therefore reduction in the level of service being delivered across sheltered housing. Until recently they have indicated that we have to make at least a further 25% saving in support services to our sheltered schemes by 31 March 2012. Subsequently the County Council has informed us that they will be putting all sheltered contracts for tender in September 2011. Discussions are being held with the County and South Cambridgeshire District Council to consider providing sheltered support services in a shared way.

### **Temporary Housing**

The County Council Supporting People Team will be tendering this service in September 2011 in readiness for placing new contracts from April 2012. The service is significantly funded by Supporting People and any loss of income will have an impact on how the service is delivered from April 2012.

### **Resident Involvement**

In addition to the in-house support for resident involvement the City Council funded until March 2011, The Cambridge Federation of Tenants and Leaseholders which has now ceased operating. A review is currently being undertaken to find a suitable alternative for the independent tenant voice for City Council housing residents. The results of this review will be reported to Housing Management Board in the autumn.

### **Housing Management**

The delivery of Housing Management Services will need careful consideration in both the level of service, and the future of area offices. Changes arising out of the Welfare Reform legislation may lead to greater face to face customer service demands which are balanced with the need to make efficiency savings in a 30 year Business Plan driven by the Self Financing Housing Revenue Account coming in April 2012.

## **Housing Repairs & Maintenance**

### **Service Description**

The provision of housing maintenance services including day to day reactive repairs, major and minor adaptation, improvement programmes and providing an out of hours emergency service.

The service also maintains comprehensive records relating to housing stock condition, future investment requirements, maintenance history and ensures statutory compliance and certification for a range of mechanical and electrical installations within the housing stock.



## Budget Issues

The service is currently engaged in outsourcing all planned maintenance activity to The Apollo Group which includes the transfer of a number of existing Council employees. The new contract will result in major financial savings for planned maintenance works in future.

The volume of materials passing through the in store facility has declined significantly and results in a requirement to review future management of the supply chain in the light of future demand levels.

The retained housing day to day repair and voids service is the subject of a detailed improvement plan requiring the introduction of a mobile working solution via hand held technology. A business case and spend to save submission to be made in due course via the HRA

The merger of client and contractor functions in the new repairs and maintenance service provides an opportunity to rationalise the number of IT systems employed both within the Service and the Customer Service Centre. A business case and spend to save submission will be made in due course via the HRA.

# Planning and Sustainable Transport Portfolio

## Planning

### Service Description

The Planning Service has five sections whose work covers the statutory and associated responsibilities including growth, delivered by the service: Building Control, City Development, New Neighbourhoods, Planning Policy and Urban Design and Conservation.

## Budget Issues

### Income generation through fees and charges

In November 2010 the government consulted on proposals to allow Councils local discretion over the setting of planning application fees. Legislation had been promised within 2011/12 to

enable this to be introduced either later in 2011/12 or in 2012/13. Details on the timetable for the introduction of this discretion are awaited. At present planning application fees cover approximately 40% of the cost of providing the council's development management service (in the City Development and New Neighbourhoods sections). Additional fee income to address the break-even costs of providing this service area would be potentially significant.

The proposed introduction of charging for pre-application advice is being investigated at the moment. Consultation is taking place on the introduction of a scheme of charging that is planned for implementation in the autumn (subject to member approval). It is anticipated that such charges could bring in £20,000 to £40,000 per annum.

## Car Parks

### Service Description

The provision of off-street parking services together with the Shopmobility service. The service is responsible for 5 multi-storey car parks and four surface sites, and operates Shopmobility from offices in the Grand Arcade and Grafton East car parks

### Budget Issues

Budget Issues include:

- the repair and refurbishment of Park Street car park and the consideration of its long-term value to the Council as a car park compared with other alternatives;
- potential loss of income during any period of closure of Park Street car park as a result of works being undertaken;
- the replacement of the car park management system at the Grand Arcade, and the integration of Shopmobility into the general parking operations;
- securing continued investment in the maintenance and repair of the car parks infrastructure, for example at Queen Anne Terrace and Grafton West car parks; and
- improving efficiency and profitability of car parking operations through the reduction of operating costs and the development of marketing and income-generating opportunities using new technologies and payment system to add value to customers' experience of using Cambridge's car parks.

## CCTV

### Service Description

The provision of CCTV monitoring and recording across the city centre's public space cameras and to internal customers, and the operation of a customer help line outside of normal hours in relation to emergency housing repairs and other incidents.

### Budget Issues

The need to significantly reduce the net costs of the service to the General Fund.

Securing continued investment in the CCTV infrastructure in order to sustain operating cost efficiencies and improve the potential of CCTV services to generate income for the Council.

## Streets and Open Spaces – Drainage

### Service Description

The provision of flood risk management services which includes the yearly maintenance of the councils awarded and riparian watercourses.

### Budget Issues

The budget requirements generally remains steady, the extent of watercourses maintained remains unchanged. The recently adopted surface water management plan for Cambridge and Milton recommends that watercourses be maintained to a higher standard. A review of what constitutes a higher standard is currently underway for the current financial year.

A future issue may arise with the provision of the services as the current contractual arrangement is due to finish at the end of 2013/14 and there is a possibility that it may be difficult to secure a contract on similar terms which could lead to an increased budget requirement.

# Strategy & Climate Change Portfolio

## Corporate Strategy

### Service Description

The corporate strategy team provides a range of services to help ensure the Council achieves its objectives, working closely with colleagues across all departments, members and partner organisations.

**Strategy and partnerships** provide advice to colleagues and councillors on issues such as area working, consultation, climate change, external partnerships, corporate plans and performance, equalities and freedom of information.

**Corporate marketing** produce *Cambridge Matters*, the council's magazine for residents and Insight, the monthly staff bulletin. The team manages the council's website and intranet homepage, and gives support and advice on a wide range of communications matters including media relations.

**The corporate project manager** is based in the service and is responsible for implementation of major corporate projects to deliver organisational and cultural change.

### Budget Issues

There may be budget issues arising from implementation of the Localism Bill, if enacted. It is difficult to quantify these issues at this stage, as the Bill is intended to be an enabling bill, which will give local authorities and local authorities the powers to do a range of things should they so choose. For instance, it will create community rights to bid for assets and to provide services, which may have implications for the Council. There may also be implications arising from neighbourhood planning which affect a range of services.

Cambridge City Council's own approach to localism has included an intention to devolve more decision making to area committees. A pilot is currently underway in the North Area, and depending on how this progresses, there may be implications for the way services engage with and respond to local area priorities, and for the decision making process more widely.

In terms of climate change, we are currently engaging in the Carbon Trust's Carbon Management Programme, through which we will develop a 5-year Carbon Management Plan (2011/12 to 2015/16). The Plan will list specific projects that we will deliver to further reduce our energy bills and carbon emissions across a range of services.

It is possible that we may fall into Phase 2 of the Carbon Reduction Commitment (CRC), depending on the criteria that the Government sets (which are not clear yet). If we do we would be liable to purchase CO<sub>2</sub> allowances at £12/ tonne for carbon emissions from our buildings that fall within the scope of the scheme.

The estimated cost of buying these allowances for Cambridge City Council is around £70,000 per annum.

If we fall into Phase 2 of the CRC, we would need to make provision for this cost every year with effect from 2013/14 (or at least until the start of Phase 3 of the scheme, in 2018/19, when we could potentially drop out of the scheme if our emissions have reduced and/or the Government has made further changes to the eligibility criteria).

Sustainable City Project Grants are available to Cambridge-based groups and organisations whose work supports the Council's environmental objectives and involves and brings benefits to the residents of Cambridge.

## Overview of Budget Issues

In drafting the MTS, consideration has been given to all of the budget issues raised above, resulting in the identification of those which it is deemed appropriate to include within the financial projections at this stage. These items are identified in Appendix B split between those which are one-off or time-limited and those which are ongoing in nature. These budget issues are then included in the financial projections considered in Section 8.

The recommended budget strategy, set out in Section 8, proposes that the budget pressures identified as one-off or time limited are met from the net under spending of General Fund service budgets in 2010/11. The availability of this funding has been identified through a detailed review of the outturn position.

The outturn review also identified total ongoing savings of £218,000 which could be taken from base budgets from 2011/12. These savings have been included in Appendix B and serve to offset the ongoing cost pressures faced by the council.

# Section 5

## Resources

### Introduction

The availability of external funding is a key factor for revenue projections for the General Fund. Formula Grant represents the main source of Government Funding and in 2011/12 will meet approximately 58% of net revenue expenditure after use of reserves.

### Formula Grant

In July 2005, the Government announced the introduction of multi-year settlements to give more stability and certainty to local authorities. The first multi-year settlement covered 2006/07 to 2007/08 and was followed by a three-year settlement covering 2008/09 to 2010/11. In January 2011 a further two-year settlement was announced covering 2011/12 (final) and 2012/13 (provisional). The provisional announcement of Formula Grant for 2012/13 has been used for the purposes of financial modelling for this MTS.

The Secretary of State expects to notify local authority associations and make an announcement in the House of Commons in late November or early December of the proposed final Formula Grant for 2012/13. This notification will mark the start of the period of consultation on the proposed settlement before the final settlement can be approved by Parliament. However, it is not anticipated that there will be any change at final settlement as it is the Governments stated intention to base 2012/13 grant on data "frozen" at the beginning of the settlement period.

The following table shows the Formula Grant for 2011/12 and provisional grant for 2012/13 as announced on 31 January 2011.

| Formula Grant  | 2011/12     | 2012/13    |
|--|-------------|------------|
| Prior year adjusted base (i.e. after adjustments including transfer of Concessionary Fares responsibility) | £10,961,863 | £9,472,251 |
| Formula Grant entitlement  | £9,515,105  | £8,429,164 |
| Reduction (year-on-year)   | (13.20%)    | (11.41%)   |
| Reduction from 2010/11 adjusted base   |             | (23.10%)   |

It had been expected that a 4-year settlement would be announced in conjunction with spending review 2010, however details of the final two years (2013/14 and 2014/15) were deferred until the completion of the government's Local Government Resource Review.

In the absence of any announcement of provisional grant for years after 2012/13 the assumptions made for the purposes of financial modelling for this MTS are those adopted for the February 2011 Budget-Setting Report. For the purposes of the BSR, an overall reduction in grant over the four-year period 2011/12 to 2014/15 of 31% was assumed, with equal percentage reductions over the latter two years, following the cumulative reduction of 23.1%. This broadly reflects the profile of the reduction in national control totals contained within the spending review.

## Local Government Resource Review

Clearly the outcome of the Local Government Resource Review will be a key factor in being able to effectively predict future levels of external income for the General Fund. A number of key elements have been outlined in Section 3, however, details of the final proposals are still unknown at this stage. Updates will be provided to members as appropriate when the final announcement is made.

## Other Government Grants

In addition to Formula Grant the Council receives a number of other significant revenue grants from central government. However, as announced in the Spending Review, the Government has significantly reduced the number of individual grant streams by incorporating them into Formula Grant and in addition has removed ringfencing from the majority.



The City Council has been notified, or is anticipating, that it will receive the following grants in the period 2011/12 to 2013/14.

| Specific Grants                                     | 2011/12<br>£ | 2012/13<br>£ | 2013/14<br>£ | 2014/15<br>£ |
|---|--------------|--------------|--------------|--------------|
| New Homes Bonus                                     | 786,646      | 1,844,534    | 2,915,580    | 3,986,628    |
| Housing & Council Tax Benefits Administration Grant | 822,952      | tba          | tba          | tba          |
| 2011/12 Council Tax Freeze Grant                    | 169,647      | 169,647      | 169,647      | 169,647      |
| Preventing Homelessness Grant                       | 575,470      | 575,470      | tba          | tba          |

### **New Homes Bonus**

The New Homes Bonus (NHB) is a funding scheme introduced from 1 April 2011, designed to encourage local authorities to deliver new homes and to reduce the number of empty homes in their areas. The NHB is designed so that provision of additional housing in a particular year is recognised through the provision of additional funding for a period of six consecutive years, starting in the following year. Entitlement is based on the actual numbers of housing completions and empty homes brought back into use together with an affordable housing component.

NHB for 2011/12 has been determined but forward projections are based on estimated housing completions and are, therefore, dependent on achieving the projected growth rates each year. Nationally, funding for the NHB scheme has only been explicitly provided for the period of the Spending Review, i.e. to 2014/15. However, it remains unclear as to the implications for local authorities resulting from the funding of NHB after 2012/13. There have been indications that funding for the scheme for future years may be achieved through top-slicing of Formula Grant.

Forward projections of NHB entitlement used for financial modelling purposes are as follows:

|  | 2011/12<br>£     | 2012/13<br>£       | 2013/14<br>£       | 2014/15<br>£       |
|--|------------------|--------------------|--------------------|--------------------|
| 2011/12 allocation<br>(Housing Completions & Empty Homes)              | (786,646)        | (786,646)          | (786,646)          | (786,646)          |
| Intermediate projection of future<br>Housing Completions & Empty Homes | 0                | (1,014,208)        | (2,028,414)        | (3,042,622)        |
| Projection of Affordable Housing<br>component of NHB                   | 0                | (43,680)           | (100,520)          | (157,360)          |
| <b>New Homes Bonus Total</b>   | <b>(786,646)</b> | <b>(1,844,534)</b> | <b>(2,915,580)</b> | <b>(3,986,628)</b> |
| Funding of Fixed Term Growth Posts                                     | 818,380          | 818,380            | 818,380            | 818,380            |
| <b>Balance after Funding for Growth-<br/>related Posts</b>             | <b>31,734</b>    | <b>(1,026,154)</b> | <b>(2,097,200)</b> | <b>(3,168,248)</b> |

It may be reasonable to assume that the remaining balance in 2012/13 will not be offset by a reduction in Formula Grant (through a national top-slicing adjustment) as the Government has already announced the level of Formula Grant for that year. On that basis, the Council could consider what one-off costs / projects could be funded using this money as part of the budget process this year.

However, in light of the scale of the additional funding projected to be available in future years, and the concern as to the degree to which this may be offset by top-slicing of the Council's Formula Grant, it is proposed that the additional funding is earmarked (rather than added to general reserves) with a view to considering appropriate application at a later date. It is possible that the position for 2013/14 and 2014/15, may be clarified as part of the Local Government Resource Review announcement.

#### **Housing & Council Tax Benefits Administration Grant**

This grant is paid towards the costs of administering the present schemes of Council Tax and Housing Benefit. The grant determination for 2011/12 is made up of two components - £747,664 main administration subsidy plus an additional subsidy of £75,288 in recognition of the high levels of administration activity as a result of the downturn in the economy.

Entitlements for future years are uncertain and will be impacted by the planned major welfare reforms and proposals for the localisation of Council Tax benefit.

### **Council Tax Freeze Grant**

This new grant was introduced in 2011/12 to recompense local authorities which agreed to freeze the level of their Council Tax to that of the previous year. The compensation took the form of a grant equal to the loss of Council Tax revenue foregone had a 2.5% increase been made. This funding relating to the freeze of tax for 2011/12 is to be continued for the four years of the Spending Review period. There is no indication that this funding will continue after 2014/15, however, this will only be confirmed with the announcement of Spending Review 2014.

### **Preventing Homelessness Grant**

As part of the Spending Review the Government expressed its commitment to protect homelessness grant for the period of the review, recognising that failure to prevent and tackle homelessness would result in higher costs in the longer term. The allocation of grant to the City Council for 2011/12 and 2012/13 was announced in December 2010 together with an indication from CLG that funding for 2013/14 and 2014/15 is likely to be set at a similar level. At £575,470 per annum, this grant determination represents a significant increase in grant over previous years; the grant for 2010/11 was £401,050.

## Other External Funding

The Council receives funding from a variety of other sources, usually for one off or short-term projects, in addition to direct government grants and income from service provision and event sponsorship. The City Council is working in conjunction with stakeholders for Heritage Lottery funding at Jesus Green and is also progressing a major project to reconfigure Cherry Hinton Hall Park which may also be subject to a Lottery bid. The Council received funding in 2011/12 for both Capital and Revenue items from other organisations including:

- Heritage Lottery Fund
- The Big Lottery
- Football Foundation
- Cambridgeshire Primary Care Trust
- Rural Payments Agency - Single Farm Payment
- Cambridgeshire Horizons
- Cambridgeshire Local Public Service Agreement (LPSA)

Cambridgeshire Horizons will be ceasing to be as an operational entity on 30th September 2011. The Government withdrew LPSA funding in September 2010, although there may now be a final distribution totalling some £260,000 for Cambridgeshire; allocation amongst the partners and their individual projects is currently being negotiated.

# Reserves

## General Reserves

Reserves are held partly to help manage risks inherent in budget-setting. These risks include, changes in inflation and interest rates, unanticipated service demands, income shortfalls, and emergencies. In addition, Reserves may be used to support the Council's capital investment programme and, in the short-term, to support revenue spending, for example to spread the impact of savings requirements over more than one financial year.

In recent years, both General Fund and HRA reserves have been used on an 'invest to save' basis, for example funding the implementation of the new Customer Service Centre. This investment is now generating significant ongoing savings which are replenishing reserves and helping to meet savings requirements going forward.

As part of the annual budget-setting process the Local Government Act 2003 requires the Chief Financial Officer to report on the adequacy of reserves and provisions and the robustness of budget estimates. This report was incorporated in the Budget-Setting Report approved by Council in February 2011.

## General Fund

For the General Fund, the target level for reserves has been set at £5m with a minimum level of £1.5m (representing approximately 10% of net expenditure).

## Housing Revenue Account

For the Housing Revenue Account the target level for reserves has been set at £3m with a minimum level of £1m (representing approximately two weeks of rental income).

It is not proposed at this time to make any changes to the target or minimum levels for reserves for either Fund. Whilst it could be deemed that during period of significant financial pressure the level of reserves held should be reduced, it is felt important to retain the current levels in order to safeguard the Council against the higher levels of risk and uncertainty associated with such periods.

The reserves levels resulting from the financial strategy proposed in this MTS are detailed in Section 8.

## **Earmarked Funds**

In addition to General Reserves, the Council maintains a number of earmarked or specific funds which are held against major expenditure of a non-recurring nature or where the income is received for a specific purpose. The following funds are currently held:

### **Repairs & Renewals**

These are maintained to fund major repairs and periodic replacement of assets such as vehicles, plant and equipment and Council-owned premises. Annual contributions are based on estimated replacement and repair costs, spread over the anticipated life of the assets.

Significant asset portfolios within the Council, such as the vehicle fleet or the ICT infrastructure, have medium and long-term programmes for replacements; which form part of the Council's Capital & Revenue Projects Plan. Individual items, or schemes, within these programmes are brought forward as capital bids subject to standard project appraisal and review requirements.

### **Developer Contributions**

These are contributions made by developers towards the costs associated with their developments, for example community infrastructure. Some agreements provide for the return of contributions made, if capital projects are not carried out within a specified period.

The majority of the unspent contributions are held as capital contributions unapplied. Schemes funded from these monies, in part or in whole, will be brought forward as capital bids and subject to the review and scrutiny process applied to all capital schemes.

## **Climate Change Fund**

A Climate Change Fund with an initial capital investment of £250,000 was agreed at Council in February 2008, with a further contribution of £250,000 being added in 2010. It is used to fund projects that will contribute to the achievement of the Council's vision of caring for the planet through climate change and carbon reduction measures.

Activities to be supported include infrastructure, equipment, feasibility studies or promotional activities that contribute towards energy and fuel efficiency, sustainable transport, waste minimisation or management of climate change risks.

## **Development Plan Fund**

There is an ongoing need for the Development Plan Fund to enable the City Council to fulfil its statutory plan making function. The Council is required to update its Local Plan by 2014. The major investment required means that it is prudent to accrue an appropriate sum over a period of years to meet the cost.

## **Fixed Term Posts Costs**

Where the Council appoints staff on fixed-term contracts an obligation to pay redundancy costs can result at the end of that period. To cover this eventuality the Council has established an earmarked reserve to hold contributions based on the potential liability of such posts.

## **Council Tax Earmarked for Growth**

In recognition of the additional cost pressures which the Council faces as a consequence of significant growth in housing and population over the coming years, the Council has set up an earmarked fund against which appropriate budget bids may be made.

As part of the work on the Growth Agenda, reviews of Council taxbase projections are undertaken, designed to identify the level of growth anticipated in excess of the standard level of 0.5% per annum, assumed in the Council's base financial model. The identified additional Council Tax yield is transferred to the fund at each year end. As part of the budget-setting process, budget bids which are directly attributable to growth can be made against the fund. To date, funds have been allocated to meet the initial and on-going costs of additional refuse collection rounds.

In addition, the Council had budgeted for an additional lump sum contribution of £1m to be made in 2015/16. This is shown as part of Appendix C.

### **Efficiency Fund**

Contributions totalling £750,000 have been approved to meet bids to support the delivery of savings to the General Fund through an identified and agreed service review. The Chief Executive has delegated authority to consider and approve bids against this funding. Bids must be for one-off costs that are not funded from alternative sources. Priority is given to bids that offer the greatest level of ongoing savings.

Contributions were agreed and budgeted as part of the 2009 MTS as follows:

2010/11: £ 75,000

2011/12: £ 475,000

2012/13: £ 200,000

### **Technology Investment Fund**

This Fund was set up to facilitate investment in projects to develop existing, and introduce new, ICT systems and infrastructure funded from the savings made on the last tender for ICT Facilities Management contract. Ongoing contributions were withdrawn from 2010/11, however residual funds remain for projects that meet the appropriate investment criteria and use of this money is currently being considered alongside use of the Efficiency Fund.

## **Council Tax**

In 2011/12, income to the City Council from Council Tax is projected to be £6.8m and will meet 42% of the net cost of services after use of reserves. The City Council's tax for a band D property in the current year is £166.57, frozen at the same level as set for the previous year, although originally the Council's financial modelling had assumed an increase of 3.5% for 2011/12.

### **Council Tax Freeze Grant**

In the incoming Government's Emergency Budget announced in June 2010, a commitment was made to ".....work in partnership with local authorities in England to implement a council

tax freeze in 2011/12". It also noted the intention to ".....clarify in due course the terms under which local authorities that commit to freeze or reduce their council tax will be compensated".

A special 2011/12 Council Tax Freeze Grant was subsequently announced which compensated authorities by an amount equivalent to a 2.5% increase in their band D Council Tax. For the City Council this amounted to a grant of £169,647. Under the scheme announced, it is the Government's intention to provide similar funding to eligible authorities in subsequent years of the Spending Review period (i.e. to continue to compensate authorities for freezing tax in 2011/12).

## **Council Tax Projections**

In terms of future year tax increases, the MTS has been drawn up based on the assumption that tax increases are linked to inflation, as a proxy for the ability to pay. For this purpose, the Government's inflation target (using CPI) of 2% per annum has been assumed, throughout the modelling period, starting from 2012/13.

Projections are based on the assumption of no compensation beyond that relating to the 2011/12 freeze. The planned level of increase, and the financial impact for the Council, will be reviewed in light of the Formula Grant settlement announcement and the anticipated announcement, at that time, of the principals against which an excessive proposed Council Tax increase will be measured.

It is currently unclear whether the Government will introduce a scheme to influence the level of Council Tax set by local authorities for 2012/13. If any such scheme is announced the options and implications will be considered and will then be reviewed as part of the Budget-Setting Report in January / February 2012.

## **Council Tax Increase Referendums**

This anticipated announcement refers to the proposal to introduce new legislation requiring any billing or precepting authority which sets an excessive Council Tax increase to hold a referendum, giving local electors the power to veto or accept such increases.

The proposals envisage that Central Government would propose, at around the same time as the provisional Local Government Settlement announcement, in late November/early December, the principles against which an excessive proposed Council Tax increase would be



measured. The proposals envisage that different principles may be set for different types of authority.

If the proposed principles are approved by the House of Commons, any authority planning an 'excessive' increase would be required to prepare an alternative 'shadow budget' based on the maximum non-excessive tax increase allowed by the principles and to hold a referendum of all registered local electors no later than the first Thursday in May. In practice, the relevant billing authority would be required to organise and administer referendums, recovering costs from the relevant precepting authority/authorities if applicable.

If a proposed increase in Council Tax were rejected, the relevant authority would immediately adopt the shadow budget. The billing authority would be able to issue new bills immediately, offer refunds at the year-end or carry forward credits to the following year. However, billing authorities would be required to re-bill and refund any local resident who requests this.

Until provisions for Council Tax referendums are in place, the Government has stated that it reserves the right to use existing capping powers to protect taxpayers from excessive increases where necessary. Whichever regime is in place for 2012/13, it is likely that the level of increase above which a budget would be considered excessive will be set at a very low level.

# Section 6

## Capital and Asset Management

### Asset Management

#### Strategic Objectives

The Council has a wide ranging asset portfolio including council housing, substantial areas of common land as well as assets for direct service provision such as swimming pools, community centres, car parks and the Corn Exchange. There are also vehicles and equipment such as waste collection, grounds maintenance and building repairs vehicles.

In addition to the assets used for service provision, the Council has a varied portfolio of commercial property and shops including business units aimed at small and start-up businesses.

Each asset needs to provide an appropriate return on the investment made by the Council and also be fit for the purpose for which it is used.

#### Current portfolio (as at 1 April 2011)

| Category                        | Value<br>£000  | %           |
|---------------------------------|----------------|-------------|
| Operational Assets :            |                |             |
| Council dwellings               | 489,598        | 69.0        |
| Other land and buildings        | 110,649        | 15.6        |
| Vehicles, plant and equipment   | 9,328          | 1.3         |
| Infrastructure assets           | 1,324          | 0.2         |
| Community assets                | 884            | 0.1         |
| <b>Total Operational Assets</b> | <b>611,783</b> | <b>86.2</b> |

| Category                            | Value<br>£000  | %            |
|-------------------------------------|----------------|--------------|
| Non Operational Assets :            |                |              |
| Investments properties              | 96,834         | 13.6         |
| Assets under construction           | 1,012          | 0.1          |
| <b>Total Non-Operational Assets</b> | <b>97,846</b>  | <b>13.8</b>  |
| <b>Overall Total</b>                | <b>709,629</b> | <b>100.0</b> |

## Asset Management Group (AMG)

The AMG has a number of key roles in the Council's capital strategy including:

- Monitoring the use of existing assets
- Identifying the need for new assets
- Maintaining an overview of capital funding
- Reviewing the Asset Disposal programme
- Considering Accommodation move requests

The AMG membership is drawn from all departments within the Council and its peer review approach has proved to be valuable when considering the various asset strategies and activities.

## Making Assets Count

Cambridgeshire was invited to become one of 11 pathfinder authorities as a Total Capital Assets Pathfinder as part of the CLG's Total Place initiative. The 'Making Assets Count' workstream of 'Making Cambridgeshire Count' has undertaken work to map and analyse the usage of all the assets owned by each partner organisation, of which the City Council is one, this project could produce significant savings by combining, sharing and selling assets where possible.

This project seeks to gain better asset information to improve decision-making and to provide an appropriate forum to facilitate more effective partnership working. This could ultimately lead to a joint asset management strategy, rationalisation of existing assets, reduced running costs of assets, increased customer satisfaction and provide new ways of raising finance.

An example of public sector asset mapping can be seen at:

<http://publicassets.communities.gov.uk/>

## Accommodation Strategy

The Council maintains offices throughout the city and an ongoing review is underway to consider the best use of our administrative buildings – whether owned or rented. This review is linked to work to review and determine the most appropriate working practices, for example remote working, for the Council going forward.

The recent refurbishment and commercial letting of areas of the Guildhall have allowed us to both maximise our return from an asset and also use our office space more efficiently.

## Asset Disposals & Acquisitions

The Council has a small portfolio of development land that could be sold to generate significant capital sums. This will fulfil two objectives, firstly to provide land for commercial or housing development to meet the growth requirement within the city; secondly to provide funds for reinvestment to ensure that strategic objectives can be met.

The Council has recently disposed of two General Fund commercial properties at Auckland Road and Castle Street. The following sites owned by the City Council are being considered for market disposal:

| Anticipated disposal | Fund    | Asset   | Comment  |
|----------------------|---------|---|--|
| 2012/13              | General | Site K1, Orchard Park                                       | Proposal for self build being investigated   |
| 2013/14              | General | Land at Clay Farm, Trumpington                              | Within Southern Fringe development, subject to Collaboration Agreement with adjoining land owner |
| 2014/15              | General | Former Park & Ride Site and Golf Driving Range, Cowley Road | Subject to Local Plan Review Process   |
| 2011/12              | HRA     | Former Nursery, Wadloes Road                                | Currently considering most appropriate use   |

## Housing Revenue Account Asset Management

The change in funding regime for the Housing Revenue Account from April 2012, with the introduction of self-financing and the taking on a significant level of housing debt, drives a major change in the way we manage our HRA assets. The Council's ability to effectively service our housing debt from 2012, will be wholly dependent upon securing a viable net revenue stream from the housing asset base.

The asset management strategy, which will form part of the 30 year business plan will require a more strategic, longer term approach to managing our assets. It will, in future, be necessary to consider both individual and groups of assets in terms of their financial contribution to the business plan, driving investment decisions in the stock, with demolition, re-development or strategic disposal of some assets being considered as potential options.

With many of the financial deterrents to local authority new build that are inherent as part of the old HRA subsidy system removed under self-financing, the delivery of new affordable housing, to be managed locally, becomes a viable option for the first time in many years.

A recent consultation, issued by Communities and Local Government, seeks to further reduce the administrative burden on local authorities in respect of strategic disposal of housing assets. The financial disincentive that continuation of the pooling regime for capital receipts has in respect of a local authority's ability to maintain a shared ownership scheme is also recognised, although it is clear that there is no intention to revisit the proposal to continue with pooling in respect receipts from right to buy sales.

Work is being undertaken, supported by Savills, to consider the financial contribution that particular categories of our dwelling stock make to the business plan. This work will then need to be expanded to include other housing assets, such as garages, land, shops and commercial property.

In the future, the Council will need to carefully balance investment decisions in housing assets, with both their financial impact on the business plan and social impact on tenants and leaseholders.

# Capital

## Financing Strategy

The Council has various sources of funding for capital projects, including:

- Developer Contributions made under Section 106 of the Town and Country Planning Act 1990
- External Grant Funding e.g. Heritage Lottery
- Government Grants e.g. Disabled Facilities Grant
- Repairs & Renewals provisions
- Use of Capital Receipts
- Direct Revenue Funding
- Major Repairs Allowance (HRA)
- Major Repairs Reserve
- Prudential Borrowing

## Availability of Capital & Revenue Projects Funding

|   | 2011/12<br>£000 | 2012/13<br>£000 | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Projects                                | 10,221          | 2,332           | 79              | 0               | 0               |
| Programmes                              | 25,495          | 10,319          | 10,371          | 10,300          | 7,295           |
| <b>Total Spend</b>                      | <b>35,716</b>   | <b>12,651</b>   | <b>10,450</b>   | <b>10,300</b>   | <b>7,295</b>    |
| Available Funding                       | <b>(35,876)</b> | <b>(13,594)</b> | <b>(11,543)</b> | <b>(11,393)</b> | <b>(8,675)</b>  |
| <b>(Surplus) / Shortfall in Funding</b> | <b>(160)</b>    | <b>(943)</b>    | <b>(1,093)</b>  | <b>(1,093)</b>  | <b>(1,380)</b>  |

## Capital & Revenue Projects

The Council's capital and revenue projects plan shows anticipated expenditure for the next 5 years, where relevant, for each capital scheme. This allows us to review cashflow, interest calculations and also helps to identify 'pinch points' in workload. The Strategic Leadership Team review the plan quarterly and recommend action where necessary. A detailed list of the Capital & Revenue Projects Plan is shown at Appendix H.

Where funds are unavailable for a particular a scheme or the scheme is not a priority, then the projects are moved to the Hold List which is reviewed half yearly. The only scheme currently on the Hold List is the Refurbishment of Park Street Car Park (from 2007).

The Council is working with partners to bring forward the development of land at Clay Farm. This includes a collaboration agreement covering the joint provision of, and sharing of costs for, required infrastructure. Under this agreement, the Council will be required to contribute its share of the costs, and this payment may be required prior to any receipt from sale of the Council's land. The project team will be making recommendations relating to the funding for the collaboration agreement and these will be included in the Budget-Setting Report.

## Capital & Revenue Programmes

In addition to individual one-off schemes, the Council has longer term capital programmes covering investment for:

- Vehicle replacement
- ICT infrastructure
- Environmental Improvements
- Commercial & Administrative Buildings replacement

Each programme has a specific remit approved at Scrutiny Committee and end date. Future programmes will have a broad remit, specific objectives and individual delivery dates for discrete objectives within the programme. It is anticipated that the remit of current programmes will be expanded to include objectives and target completion dates so that more effective monitoring can take place.

Reviews of those programmes ending in 2011/12 are required as part of the current budget process to identify progress to date against the agreed remit and whether there is any requirement for bids to extend the funding of the programme in future years.

## Capital Hold List

The Council maintains the capital Hold List for items that have received approval but for which an appropriate funding stream has yet to be identified.

The only item currently on the list is Park Street Car Park which project is currently under review – both in the type of work – repair & refurbishment or replacement – and funding.

| Ref.  | Proposed Scheme / Portfolio                          | Cost to CCC  | 2011/12 £'000s | Funding Source |     |     |
|---|--|--------------|----------------|----------------|-----|-----|
| Environment Scrutiny Committee – Planning & Sustainable Transport |  |              |                | Cap            | R&R | Rev |
| H28   | Park Street Car Park<br>New Bid – MTS September 2007 | 1,000        | 1,000          | ✓              | ×   | ×   |
| <b>TOTAL</b>  |  | <b>1,000</b> | <b>1,000</b>   |                |     |     |



# Section 7

## Treasury Management Strategy

### Background

Treasury management activities are defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

" The management of the organisations investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

In developing and setting this strategy the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice in order to set prudential and treasury indicators, including an authorised limit for borrowing, for a three year period and must ensure that its capital investment plans are affordable, prudent and sustainable.

In addition, investment guidance, issued by CLG requires the Council to determine, alongside its borrowing strategy, an 'Annual Investment Strategy'. This details the Council's approach to monitoring the creditworthiness of counterparties and explains how the Council's investments will be managed in order to meet its twin priorities of the security of capital and the liquidity of those investments.

The Council's current 'Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2011/12' was adopted by Council in February 2011 as part of the budget-setting process.

The Council is currently supported in its treasury management functions by specialist advisors SECTOR Treasury Services Ltd. SECTOR's services include the provision of advice to the Council on developments and best practice in this area and provide information on the creditworthiness of potential counterparties, investment and borrowing interest rates and the economy.

## Borrowing & Minimum Revenue Provision

The Council is currently debt-free, having been in a position to redeem its outstanding debt on 31 March 2003, but is permitted to borrow under the Prudential Framework which was introduced from 1 April 2004. Under this framework, the Council may borrow for two purposes, to finance cash flow in the short term and to fund capital investment over the longer term. Any borrowing undertaken must, however, be demonstrated to be affordable and the Council must make appropriate provision in its annual revenue budgets for the repayment of debt.

This provision for the repayment of debt is known as the Minimum Revenue Provision (MRP). Regulations require the authority to determine annually a policy by which MRP will be determined. Being debt-free, the Council does not currently have to provide for a MRP, but this position will change with the planned introduction of self-financing for the Housing Revenue Account with effect from April 2012.

As detailed in Section 3 (The National Policy Context), on the introduction of self-financing for the HRA, the Council will need to undertake significant borrowing, on behalf of the HRA, in order to finance a one-off payment to Central Government as part of a national redistribution of council housing debt.

## HRA Self-Financing Borrowing Requirement

A self-financing valuation of each local authority's council housing stock will be made using a discounted cash flow model of each authority's social housing. The model will be based on

assumptions made by Government about rental income and expenditure required to maintain each council's housing stock over 30 years.

Based on this model, and audited data about the Council's housing stock to be provided in October 2011, a final self-financing determination will be made. For the City Council the determination will set the amount that must be paid to Government on 28 March 2012, together with an upper limit on housing debt that the Council may hold under self-financing.

Formal consultation on the self-financing determinations will commence in November with the final determinations anticipated to be announced in January 2012.

Based on the information provided to date the Council currently anticipates a requirement to fund a payment of around £220m to the Government on 28 March 2012 . In preparation for this work is being undertaken to explore the funding options available to the Council. The options that have been investigated and considered to date include:

- Internal borrowing from the General Fund
- Borrowing from the County Council pension fund
- Borrowing from other local authorities
- Borrowing from the PWLB
- Raising funds through bond issuance (either individually or as part of a club)
- Raising funds through private market placement

Until recently, borrowing from the PWLB was likely to have been the chosen route for many local authorities, with preferential interest rates being offered for a variety of fixed and variable products. An increase of approximately 1% in the rates being offered following Spending Review 2010 means that forms of market borrowing have become a more attractive option. Bond issuance is demonstrating itself as a credible solution, with many investors in the market place keen to invest in local authorities business.

It should be noted that, to be in a position to place bonds in the market place, the Council and any other parties in a bond club, would be required to obtain a formal credit rating from a limited number of rating agencies, such as Moody's, Fitch or Standard & Poors.

Given the highly specialised nature of the funding options requiring consideration and the amounts involved, the Council is seeking to commission specialist support and advice in determining the final funding strategy.

## Changes to Treasury Management Strategy Statement

In light of the Government proposal to require relevant authorities to make a payment to Central Government for the purposes of HRA self-financing on 28 March 2012 the 2011/12 Treasury Management Strategy Statement needs to be amended. It was originally anticipated that the payment would be required on 1st April 2012. Following lobbying by local authorities, CLG has agreed to recompense authorities for the additional interest cost associated with the earlier payment.

The revised strategy must take account of the additional borrowing required in addition to the current authorised borrowing limit of £10m for cashflow purposes. As the final determination of the Council's payment to central government under the HRA self-financing arrangements will not be known until January 2012 it is felt prudent to seek authority to borrow in total up to a limit of £250m.

The resulting amendments required to the Treasury Management Strategy Statement are as follows:

### Change from

#### **8. Borrowing Strategy**

8.1 *It is not anticipated that the Council will need to borrow for capital purposes during 2011/12. However, there is a minor borrowing requirement of £283,000 for the current year, 2010/11, with respect to new build social housing within the HRA.*

### To

#### **8. Borrowing Strategy**

8.1 In light of the Government requirement for relevant authorities to make a payment to Central Government for the purposes of HRA self-financing on 28 March 2012, there will be a major borrowing requirement of up to £250m arising in 2011/12.

8.2 The Council will be obtaining specialist advice to assist in determining the most appropriate funding strategy associated with this payment. A report will be prepared for members detailing the outcome of this work and its conclusions.

This will change the Council's Prudential and Treasury Management indicators, as follows:

|  | 2011/12<br>Probable<br>Outturn<br>£000 | 2012/13<br>Estimate<br>£000 | 2013/14<br>Estimate<br>£000 |
|--|--|-----------------------------|-----------------------------|
| General Fund Capital Financing Requirement - using current assumptions | 3,633                                  | 3,633                       | 3,633                       |
| HRA Capital Financing Requirement - using current assumptions          | (3,634)                                | (3,634)                     | (3,634)                     |
| <b>Total Capital Financing Requirement:-</b>                           | <b>(1)</b>                             | <b>(1)</b>                  | <b>(1)</b>                  |
| Less: Profile of Borrowing (HRA Self financing debt)*                  | (219,600)                              | (209,600)                   | (199,600)                   |
| <b>Cumulative Maximum External Borrowing Requirement:-</b>             | <b>(219,601)</b>                       | <b>(209,601)</b>            | <b>(199,601)</b>            |
| Un-earmarked Balances & Reserves:-                                     | 5,000                                  | 5,000                       | 5,000                       |
| Investments  | 57,798                                 | 60,487                      | 62,689                      |
| <b>Cumulative Net External Borrowing Requirement:-</b>                 | <b>(156,803)</b>                       | <b>(144,114)</b>            | <b>(131,912)</b>            |
|  |  |                             |                             |
| <b>Authorised Limit for external debt</b>                              | <b>250,000</b>                         | <b>250,000</b>              | <b>250,000</b>              |
| <b>Operational Boundary for external debt</b>                          | <b>219,600</b>                         | <b>209,600</b>              | <b>199,600</b>              |

\* Illustrative profile only at this stage as sources of borrowing, nature of financial instruments, debt duration and repayment profiles are currently being evaluated.

## Investments

Local authorities are free to invest surplus funds not immediately required in order to meet the costs of providing its services. The Council invests amounts set aside in its general reserves and earmarked reserves, for example the funds set aside for major repairs to and replacement of its property, vehicles and equipment.

The interest earned on these investments is credited to the General Fund and Housing Revenue Account respectively and helps to fund the cost of providing services.

At 1 April 2011, the Council had investments of £56.4m. The table below provides a breakdown of the funds invested at that time.

| <b>Funds Invested 1 April 2011</b> | <b>£000</b> | <b>£000</b>   |
|------------------------------------|-------------|---------------|
| Working capital                    |             | 2,800         |
| General Fund:                      |             |               |
| General Reserve                    | 9,850       |               |
| Asset Renewal Reserves             | 12,996      |               |
| Other Earmarked Reserves           | 4,322       | 27,168        |
| Housing Revenue Account:           |             |               |
| General Reserve                    | 5,689       |               |
| Asset Renewal Reserves             | 1,826       |               |
| Major Repairs Reserve              | 352         |               |
| Other Earmarked Reserves           | 410         |               |
| Debt Redemption Premium            | (647)       | 7,630         |
| Capital:                           |             |               |
| Capital Contributions Unapplied    | 6,076       |               |
| Usable Capital Receipts            | 12,763      | 18,839        |
| <b>Total Invested</b>              |             | <b>56,437</b> |

## **Icelandic Bank Deposits**

The City Council was one of many local authorities directly affected by the collapse of Icelandic banking institutions during 2008/09. The Council had a total of £9m in short term deposits (i.e. those with maturity periods of up to one year) with two of the affected banks (Landsbanki Islands hf and Heritable Bank Plc). The Council continues to work with the Local Government Association (LGA) and the legal advisors they have engaged, on behalf of the affected authorities, to seek maximum recovery of the amounts owed.

The security of these investments is still uncertain and the Council may not recover all of its funds. However, although the final extent of any financial loss is unknown, the prospects for recovery (albeit over an extended period) of a substantial proportion of these investments remains positive.

#### **Heritable Bank Plc**

The City Council had a total of £4m deposited with Heritable Bank Plc which was placed in administration on 7 October 2008.

The latest creditor progress report issued by the administrators Ernst and Young LLP in July 2011 noted that current projections suggest a base case return to creditors of 86 to 90 pence in the pound. This represents an improvement over the previous projection of 79 to 85 pence in the pound.

#### **Landsbanki Islands hf**

The City Council had a total of £5m deposited with Landsbanki Islands hf. Following steps taken by the Icelandic Government in early October 2008 the management of the affairs of what has become Old Landsbanki was placed in the hands of a Resolution Committee. Old Landsbanki affairs are being administered under Icelandic law and decisions on the priority status of local authority deposits will be made by the Icelandic courts.

On 1 April 2011, The Reykjavik District Court issued a verdict confirming that local authorities claims qualified for priority status under Article 112 of the Icelandic Bankruptcy Legislation. This decision is being appealed to the Icelandic Supreme Court, however, the current court ruling confirms the priority stance adopted by the Council.

## **Changes to Counterparty List**

The Council recently negotiated an increase in the interest rate on the Council's HSBC Deposit A/c (to 0.30%). This better rate of return has resulted in the Council having difficulties in placing short-term funds with approved counterparties (other local authorities) at an equivalent or higher rate. Additionally, current investments with the UK Banks on the counterparty list are at or close to the maximum level for each bank.

The combination of these factors has increasingly led to the Council operating either at or close to its investment limit with all the counterparties with which it can achieve a similar rate of

return as the Deposit A/c. Consequently, the Council has, occasionally, had to invest money with other Local Authorities at a rate lower than 0.30%, so as to ensure that it doesn't breach the limit with HSBC Bank.

The table below summarises the current counterparty limits

| Institutions  | Limits              | Short Term Indicative % Rates |
|---|---------------------|-------------------------------|
| HSBC Bank   | £12m                | 0.30%                         |
| Debt Management Office - Debt Management Account Deposit Facility | Unlimited           | 0.25%                         |
| Local Authorities (inc Fire & Police)                             | £6m                 | 0.28%                         |
| Other UK Banks (that meet our criteria)                           | £6m                 | 0.50%                         |
|   |                     |                               |
| Group Limit (on UK Banks)   | £9m (1.5 times £6m) |                               |

In order to achieve an improved rate of return on the Council's investments, whilst still taking proper consideration of security, it is recommended that :

- The limit with UK Banks be increased to £8m (with a £12m group limit)
- The limit with HSBC be increased to £15m.

A revised counterparty list showing the effect of these changes is attached as Appendix J.

## Interest Rates

As part of its financial modelling for the Medium Term Plan and setting of the budget strategy, the Council must estimate the income that will be earned from its investments. The Bank of England's Monetary Policy Committee is charged with setting the UK Official Bank Rate in order to achieve an inflation target, measured by the Consumer Price Index (CPI) of 2% within two years. Short term money market interest rates are normally guided by the bank rate, which has now remained at 0.5% since March 2009.

Projections for interest rates were considered as part of Section 3, The National Policy Context.



# Section 8

## Budget Strategies

### General Fund Budget Strategy

#### **The Budget Process**

The introduction of cash limited budgets from the 1997/98 budget cycle onward has enabled the completion of the budget process to the agreed timescales and enabled overall control of the budget to be maintained, whilst allowing a degree of discretion within portfolios.

This approach has been successful as a means of control, and has enabled balanced budgets to be set. However, the use of standard percentage savings targets at Portfolio level has resulted in a 'salami-slicing' approach in many instances as managers look to exemplify that level of savings for their particular service area.

Whilst this has served to provide a level of efficiency challenge to all service areas it is not the most effective means of identifying and delivering the step-changes in services which the current financial context requires.

As a result, the Council has developed and implemented a Service Review process which seeks to identify particular service areas for detailed review work. This also facilitates an earlier start to work in these areas, so that changes with longer-lead times for consideration, approval and implementation can be more readily incorporated. In the last two years this has made significant contributions in meeting the identified net savings requirements.

#### **Budget Timetable and Key Events**

In reviewing the budget process for 2012/13 the aim has been to minimise changes in light of the success of the existing process.

In terms of budget preparation work, this means that there will be a need for officers to start the crucial work on developing detailed budget proposals immediately after the Executive meeting, so as not to lose any of the limited time available to complete this work.

As was the case last year, a key process issue considered for 2012/13 was how to deal with the impact of the Growth Agenda, a project which has far-reaching and complex interactions with most of the services across the Council, and will run for a considerable period of time.

Whilst work on this project is still ongoing, the effects will need to be built into base budgets as it proceeds. It is therefore proposed that, once again, it will be run as a parallel stream of work to the main budget process for 2012/13.

No further changes to the process are anticipated and the overall budget and decision making process is broadly similar to that for 2011/12.

Key features of the process are :

- Executive Councillors are responsible for putting together a package of budget proposals for consideration by each Scrutiny Committee and by The Executive.
- Portfolio Plans are prepared to reinforce the performance management process. The staff performance review process is integrated with the service planning process and Portfolio Plan objectives and targets feed through into objective-setting for individual staff members and teams.
- Consideration of 2011/12 revised budget and 2012/13 budget proposals takes place during one cycle of Scrutiny Committee meetings, in January 2012. Portfolio Plans and budget reports will be sent out for all scrutiny committees in December 2011, so that Members have an overview of all proposals at one point in time.
- The Council's Risk Assurance framework is integrated with the key decision making points within the annual cycle.

An outline of the programme / timetable for the overall budget process is included at Appendix A.

## **Approach to Savings**

As part of last year's budget process the net target of £2,068,230 in 2011/12 was achieved together with additional sums which served to reduce the target set for the following three

years. This represented a significantly earlier contribution toward the longer-term net savings target of £4,192,520m over the 3-year target period, with only £3,589,170 left to be identified over the final three years (i.e. a total reduction of £603,350).

More significantly this demonstrated the successful cultural change which the Council's budget process has been seeking to achieve, with officers and members looking to identify savings opportunities over the medium-term period not just in the budget year in question. This will be a very important factor in seeking to deal with the very challenging financial climate currently being experienced.

### **Cash Limit Calculation and Savings Requirement**

In order to effectively control the overall financial position of the General Fund the need to spend must first be matched against the projected availability of funding to determine affordability. Any excess over available funding will identify the amount by which the overall spending base must be reduced, and hence allows a percentage reduction level to be calculated.

For 2011/12 the previous approach of seeking to achieve a sustainable underlying financial position, where the levels of spending and Council Tax are not unduly dependent on use of reserves is being maintained; in line with the Annual Statement. This reflects the availability of reserves for specific one-off / unexpected events, and the need to consider carefully the level of uncertainty when agreeing the level of reserves.

As a result, a near nil use of reserves in the medium / long-term is a key determinant for a sustainable position. This is assessed by using the full 25-year financial projection model. The importance of this approach is shown in Section 9, which demonstrates the need to smooth-out short-term peaks and troughs in order for the Council to be able to effectively manage cost pressures at the end of, and beyond, the MTS period.

The calculation of the affordability of the projected base position for the General Fund in 2012/13 was outlined earlier, and results in the determination of the overall level of savings required, as shown in Appendix I.

A similar process generates the projected savings requirements for future years. As noted above, the aim of this MTS has been to enable a position where savings levels for the MTS

period are identified that will allow the future level of savings to be reduced to a more manageable level.

The result of this has been to identify significantly higher net savings requirements than had been the case for the September 2010 MTS or February 2011 BSR. This reflects the longer period of recovery from the economic downturn currently projected by analysts.

A summary of the overall changes to the savings plan outlined in the September 2010 MTS is shown below:

|      | Factor  | 2012/13<br>(£'s) | 2013/14<br>(£'s) | 2014/15<br>(£'s) | 2015/16<br>(£'s) |
|------|---|------------------|------------------|------------------|------------------|
|      | <b>Net Savings Requirement (Sept 2010 MTS)</b>      | 972,450          | 1,347,860        | 1,872,210        | 1,000,000        |
| less | Overachievement in 2011/12 Budget process           | (354,450)        | (60,000)         | (188,900)        | (50,000)         |
|      | <b>Feb 2011 BSR Net Savings Requirement</b>         | <b>618,000</b>   | <b>1,287,860</b> | <b>1,683,310</b> | <b>950,000</b>   |
| add  | Increase in Net Savings identified in Sept 2011 MTS | 624,000          | 0                | 0                | 0                |
|      | <b>MTS 2010 Net Savings Requirement</b>             | <b>1,242,000</b> | <b>1,287,860</b> | <b>1,683,310</b> | <b>950,000</b>   |

As part of the MTS, consideration needs to be given to the achievability of the savings targets for 2012/13 and future years. In doing this the degree of progress against the future savings strategy reflected in the current Service Review programme needs to be considered.

There has been regular monitoring of progress on the work relating to the identified range of Service Reviews, together with work to identify other areas for review.

Although the current round of Service Reviews are not yet complete, and have not reported back final recommendations at this stage, current indications are that around £1.250m of savings could be realised in 2012/13.

The full level of potential savings identified from the reviews, to date, are summarised below:

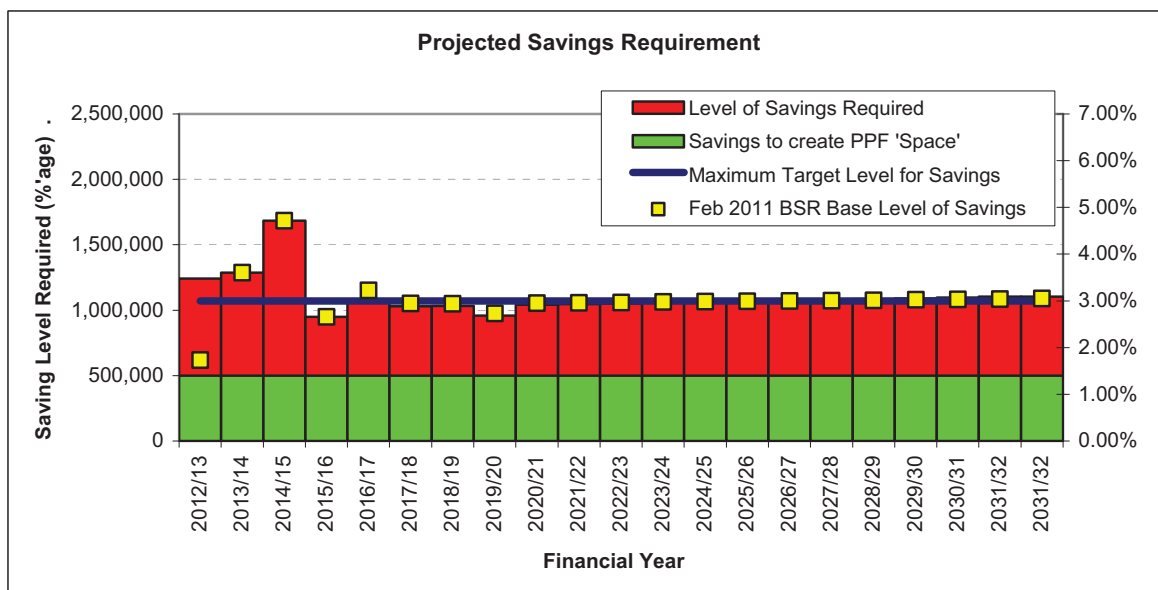
|      | Factor  | 2012/13<br>(£'s) | 2013/14<br>(£'s) | 2014/15<br>(£'s) | 2015/16<br>(£'s) |
|------|---|------------------|------------------|------------------|------------------|
|      | Revised Net Savings Requirement                                 | 1,242,000        | 1,287,860        | 1,683,310        | 950,000          |
| less | Projected Net savings from Service Reviews                      | 1,250,000        | 440,000          | 43,000           | 0                |
|      | <b>Net Savings Requirement - sources still to be identified</b> | <b>(8,000)</b>   | <b>847,860</b>   | <b>1,640,310</b> | <b>950,000</b>   |

This demonstrates that the expected level of savings in 2012/13 from Service Reviews alone is projected to be sufficient to cover the revised net savings requirement for that year. Any additional savings identified during the budget process would be available to cover any unavoidable bids or to reduce future year net savings requirements.

Achievement against these targets will require continued regular monitoring of progress. A process has already been established for this purpose and, as part of the budget process, individual savings which relate to particular Service Review targets will be identified.

Given the importance of delivering the savings from Service Reviews, and reflecting the degree of change implied together with the need to ensure smooth transition for services and users, a provision has been made to facilitate these changes and meet pump-priming costs. This is reflected in the contributions to the Council's Efficiency Fund of £475k in 2011/12 and £200k in 2012/13.

The longer-term profile of savings requirements and the comparison with the levels projected in the February 2011 BSR are shown graphically below :



This shows that after the three-year period to 2014/15 the level of net savings required does not materially exceed the maximum target level of 3.0% of gross controllable expenditure.

It should, further, be noted that the ongoing level of savings of around £1m includes a sum of £500,000 to provide funding for a Priority Policy Fund, so only £500,000 p.a. is 'required' in order to produce a balanced budget.

On this basis the approach adopted in the MTS is deemed to achieve a balance of prudence and deliverability. The position will be reviewed as part of the February 2012 BSR, based on the latest information then available

## Council Tax

In arriving at the overall financial framework the February 2011 BSR assumptions on the level of Council Tax increase have been revisited. This has been dealt with in detail in Section 5. No changes are proposed, at this stage, to the existing assumptions of a 2% increase in each year from 2012/13.

## General Fund Reserves

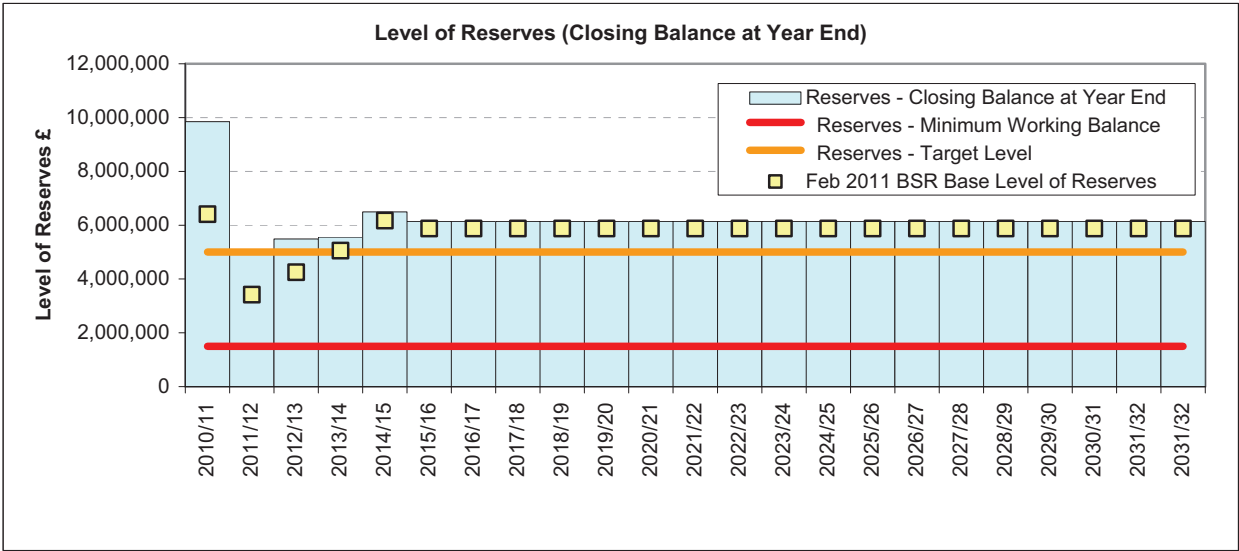
The anticipated net spending for the period 2011/12 to 2015/16 is set out in Appendix E (a).

The original budget for 2011/12 approved net General Fund spending at a level of £20,208,010 which included a use of reserves of £2,989,670. This reflected a contribution of £3,682,000 to fund capital expenditure.

The projected position for the General Fund reserves is shown in Appendix E (c). This projection includes the effects of changes in capital resources and re-phasing and the requested carry forwards from 2010/11.

The revised projection of the use of reserves in the current year (2011/12) now indicates that there is expected to be a net use of reserves of £4,824,500, this includes the effective transfer of funding for the approved level of carry forward items (primarily reflecting the re-profiling of capital resources and expenditure). These have been built into the latest projection.

The final reserves position for 31 March 2010 is £5,025,610. This includes £768,010 which will be used to fund the approved carry forward items. The chart below shows the forward projections of the level of General Fund reserves:



This demonstrates that the Council's previous plans to provide for an on-going level of reserves over the medium to long-term of around £5m is still sustainable. The lowest point resulting from the temporary use of reserves is at the end of 2011/12, when the balance will be £5,025,610.

The graph demonstrates that the cashflow effects of the changes identified in this MTS have served to increase the availability of reserves in the short-term, offsetting the period where reserves had been projected to fall below the target level due to planned temporary use of reserves. This serves to provide additional assurance during the continued economic downturn period, whilst levels of risk and uncertainty are higher.

General Fund reserves are also used to support the Council's Capital & Revenue Projects Plan, and this effect also has to be taken into account when considering the long-term impact on the reserves position; and hence the ability to ensure the sustainability of the Council's policies and services.

When considering the level of Reserves that it would be appropriate to retain, at this point, it should also be borne in mind that there are likely to be significant capital funding requirements associated with the need to refurbish Park Street Car Park (following a review of the future need for the facility), and the contribution towards the collaboration agreement relating to Clay Farm (which is likely to fall due before any receipt from disposal). Retaining a higher than Target level of reserves at this point will allow a fuller consideration of these impacts as part of the main Budget process, with a final decision to be included in the February 2012 Budget-Setting report.

Risk analysis and a determination of the adequacy of the level of reserves are key elements within the statement which Chief Financial Officers are required to provide, under Section 25 of the Act, in conjunction with the final budget and Council Tax recommendations.

The corporate planning and decision-making cycle incorporates the Council's risk and assurance framework. As part of this process, a review of the corporate risk and assurance database has taken place to inform the development of this MTS. This has provided the context for the specific annual MTS risk assessment.

A summary of the key points from this latest risk analysis, as well as controls and actions to mitigate against identified risks, is shown in Appendix G.



# Housing Revenue Account Budget Strategy

## The Budget Process

In previous years, the HRA budget process has been undertaken in a similar manner to that of the General Fund, with cash limited budgets set enabling completion of the budget process to the agreed timescales, whilst controlling housing service budgets within the overall resources available for the HRA.

The approach taken has been successful as a means of control, and has enabled balanced budgets to be set for the HRA as for the General Fund. Although the HRA has also adopted a standard percentage savings target, the housing service has approached the exercise for this more discrete area of service, historically managed within one department, in a strategic manner. Savings have been sought across the service as a whole, thus avoiding the 'salami-slicing' approach to some degree.

The Service Review process, adopted by the Council corporately, also spans services within the HRA, encouraging a wider strategic approach to delivering efficiencies for this service area going forward. Savings identified in Service Reviews across the whole organisation may also have financial implications for the HRA in terms of the recharge of services between funds.

## Budget Timetable and Key Events

A review of the budget process for the HRA for 2012/13 has been undertaken in light of the major change in finance regime that the implementation of self-financing will bring. This will see the HRA operating with greater local control, retaining rental streams to fund services, whilst also servicing a significant housing debt.

However, at this stage the Medium Term Strategy has been updated based on the detailed financial assumptions that exist as part of the current HRA Subsidy System, incorporating the requirements for change in funding approvals (identified as significant budget issues in Section 4 of this document), and not those in respect of self-financing.

The additional funding requirements for HRA services incorporated as part of the MTS include:

- £30,000 per annum in respect of abortive development fees, recognising the need for preparatory work in respect of potential schemes that may not demonstrate ultimate feasibility.
- £150,000 in 2012/13 to allow retention of current service levels in sheltered housing during a period of anticipated change in externally commissioned support services.
- £200,000 in 2012/13, as a capital allocation to facilitate the IT and other business investment that will be required to fully deliver the Repairs Improvement Plan.
- £50,000 per annum in respect of ongoing support and maintenance of the IT investment in respect of the delivery of responsive and void repairs.

In terms of budget preparation work, a significant exercise is underway to prepare a full 30 year business plan and detailed asset management strategy. These documents will support decisions that will need to be made, in the coming months, in respect of the debt portfolio that Cambridge City will take on to meet the requirements of self-financing. Officers will incorporate into this work a full review of the current Housing Capital Programme, including any changes or re-phasing to funding in the current financial year. The development of detailed budget proposals will recognise that the delivery of efficient, value for money services is key, irrespective of funding regime.

Detailed asset management analysis will drive decisions to be made in the business plan, recognising the housing stock as the HRA's major source of revenue. However, one of the key considerations for the HRA in preparing budgets for 2012/13 will be achieving the correct balance between capital investment in the housing stock and revenue investment in the delivery of day to day housing services to tenants and leaseholders.

It is anticipated that, although the HRA will adopt a similar timeframe to decision making in respect of the 2012/13 budget to that of the General Fund, specifically arranged committee meetings are likely to be required (outside the standard committee cycle) in order to be in a position to respond to the implementation requirements for self-financing.

Key features of the HRA budget process are :

- The Executive Councillor for Housing is responsible for putting together a package of budget proposals for consideration by Housing Management Board (revenue) and Community Services (capital) and by The Executive.
- HRA services are incorporated in the Portfolio Plan for Housing, prepared to reinforce the performance management process. The staff performance review process is integrated with the service planning process and Portfolio Plan objectives and targets feed through into objective setting for individual staff members and teams.
- Consideration of 2011/12 revised budget and 2012/13 budget proposals take place during one cycle of Scrutiny Committee meetings, in January 2012. Portfolio Plans and budget reports will be sent out for all scrutiny committees in December 2011, so that Members have an overview of all proposals at one point in time.

### **Approach to HRA Savings**

The September 2010 MTS set a target of 3% for ongoing savings in general management expenditure for 2011/12, equivalent to £172,330, recognising the need for this to increase to 4.3% from 2012/13 for a sustainable HRA to be delivered across a 25 year period. A separate target of £42,360 was set in respect of repairs expenditure, recognising the anticipated reduction in stock numbers.

As part of last year's budget process, the savings requirement was over-achieved by £299,940, due to increases in rent income and changes in the anticipated level of negative subsidy payable for 2012/13. The impact of these savings in future years was not expected to be apparent until the detail of self-financing was available, and so these sums served to reduce the target level of savings required for following years, pending a clearer financial position under self-financing.

### **Cash Limit Calculation and Savings Requirement**

In order to effectively control the overall financial position of the HRA, the actual need to spend on management and maintenance and to invest in major repairs is compared against the projected availability of funding, predominantly rental income. Any anticipated excess of expenditure over anticipated income drives the need to identify savings. This process has been complicated for the HRA historically, by the need to factor in the notional need to spend

on our housing stock versus the notional rental income we should achieve, resulting in the requirement to make a significant payment to CLG in the form of negative subsidy. From April 2012 this will no longer be the case but, in place of the negative subsidy payment, priority will need to be given to ensuring that sufficient funds are available to service the Council's housing debt, anticipated to be in the region of £220m.

For 2012/13, a sustainable position is sought, with anticipated use of an additional £500,000 of HRA reserves, until target reserves are achieved, after which a near nil use of reserves is a key determinant for a sustainable position.

The Council will, in future, be required to consider the financial position for the HRA over a minimum of a 30-year period, using a full financial projection model. The City Council has, for a considerable number of years used a long-term financial model as the basis for decisions on the HRA budget, and so should be well placed to respond to this requirement.

Current financial projections, under the existing HRA subsidy system, indicate a savings requirement of 3.6% per annum from 2013/14, in order to deliver a sustainable HRA over the current 25-year modelling period previously adopted. Initial preparatory work in respect of the 2012/13 budget process will be undertaken using a savings requirement of 3% with the recognition that this may need to be amended when the initial financial impact of self-financing is clear.

Achievement against this interim target will require regular monitoring of progress. A process has already been established for this purpose and, as part of the budget process, any savings identified in service reviews which have an impact for the HRA, will also be identified and incorporated.

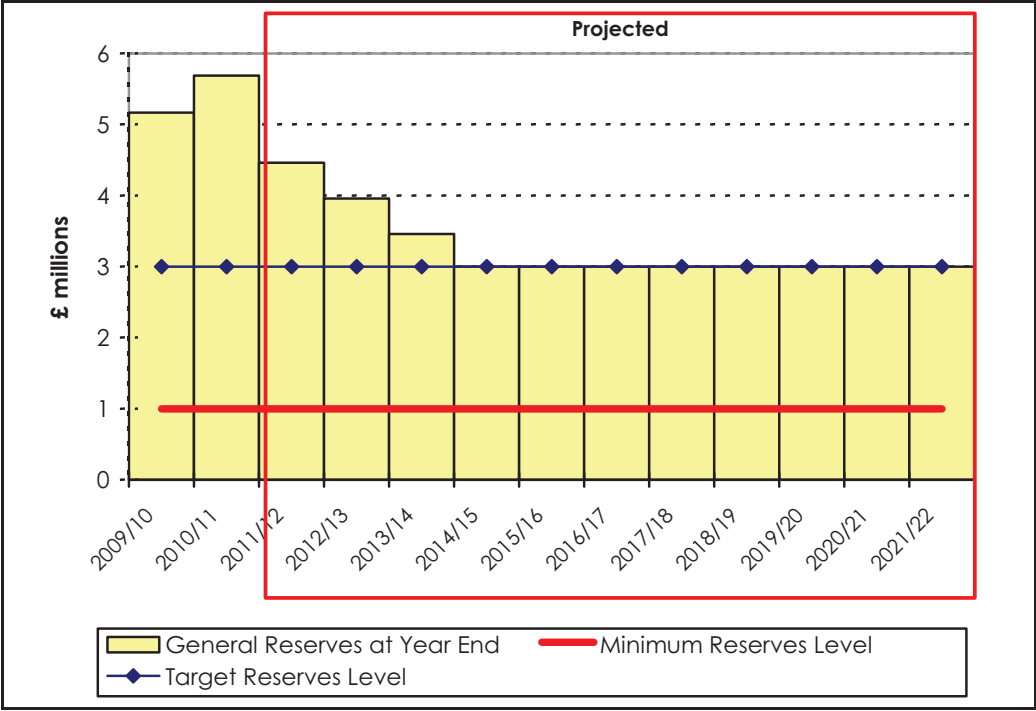
On this basis the approach adopted in the MTS is deemed to achieve a balance of prudence and deliverability. The position will be reviewed as part of the February 2012 BSR, based on the latest information then available.

## **Housing Revenue Account Reserves**

The anticipated net spending for the period 2011/12 to 2015/16 is set out in Appendix F.

The original budget for 2011/12 approved a net use of HRA reserves of £44,100, which incorporated a revenue contribution of £2,020,750 to fund capital expenditure.

The projected position for the HRA general reserves is shown graphically below:



This projection includes the effects of changes in capital resources, incorporation of revenue and capital funding requests included as part of this MTS and any requested carry forwards from 2010/11.

The revised projection of the use of reserves in the current year (2011/12) now indicates that there is expected to be a net use of reserves of £1,228,000, this includes the effective transfer of funding for the approved level of carry forward items (primarily reflecting the re-profiling of capital resources and expenditure). These have been built into the latest projection.

The final general HRA reserves position for 31 March 2011 was £5.689m. This included £1,156,000 which will be required to fund the approved carry forward items.

The current HRA forecast contains the assumption that balances will be reduced, by making additional direct revenue financing (DRF) of capital contributions, down to the target of £3m

by the end of 2014/15. The position, however, may look very different in the forthcoming business plan, with the financial impact of self-financing incorporated.

The financial modelling for the HRA suggests, using updated assumptions for inflation and interest rates but assuming continuation of the HRA subsidy regime, that a sustainable HRA can only be maintained for a 25-year period if 3.6% of annual ongoing savings are identified. This model does not, however, deliver sufficient revenue resources to fund the housing capital programme and meet the identified need to spend beyond 9 years.

The 30-year self-financing business plan will be prepared with a view to delivery of a sustainable housing service, both in terms of day to day housing management and longer-term investment in the housing stock.

When considering the level of reserves that it would be appropriate to retain in future, it is important to remember some of the key factors that determine the current target level of reserves, such as the decision made a number of years ago to self-insure the housing stock up to £250,000 per annum.

# Capital Budget Strategy

## The Budget Process

The process for capital items is based around two main categories, the Capital & Revenue Projects Plan and the Hold List. The Capital & Revenue Projects Plan lists all of the items of expenditure which have received the necessary approvals from the relevant Executive Councillors and Council, and have been allocated funding. The Hold List comprises items where the content of the proposed scheme has been agreed, but funding has not yet been allocated, this forms the basis for consideration on how to use any unallocated capital funding.

There are two main categories for capital items :

- Programmes – rolling expenditure profiled over a prescribed period. These are set up based on a specific purpose (as defined in a remit statement) and a finite timescale. In the year before they reach the end of the agreed period they should be reviewed so that future needs can be assessed. Once approved by the Leader following review

by Strategy & Resources scrutiny committee / Council for inclusion in the Capital & Revenue Projects Plan, a programme can be drawn upon by smaller projects, which enable the remit to be met.

- Schemes - specific individual projects which are finite in nature, and which have been approved by Council for inclusion in the Capital & Revenue Projects Plan.

The Housing Capital Investment Programme (Capital Plan PR01) falls within the remit of the Executive Councillor for Housing and is subject to separate detailed scrutiny and control by the Housing Management Board and Community Services Scrutiny Committee. It is recommended that this practice continues, with control over the overall allocation of resources being retained through the inclusion of the single programme line in the Capital & Revenue Projects Plan.

It is recognised that completing the full preparatory work for substantial new bids has a significant cost in terms of both officer time and money. The process for bidding for new items has, therefore, been drawn up as a two-stage process.

| Stage | Process  |
|-------|--|
| 1     | An outline bid is submitted by the relevant Executive Councillor to Strategy & Resources Scrutiny Committee. This should identify the purpose of the bid and what identified need(s) it will meet, the approximate cost, what sources of external funding would be sought and the revenue consequences.<br>Approval at this stage would give the committee / department approval to fully work up the scheme in detail.  |
| 2     | The detailed bid is submitted to Strategy & Resources Scrutiny Committee with a request for inclusion on the Hold List or direct inclusion in the Capital & Revenue Projects Plan. Following consideration at Strategy & resources scrutiny committee the Leader will recommend additions to the Capital & Revenue Projects Plan to Council.<br>The scheme can only proceed when it has been approved for inclusion in the Capital & Revenue Projects Plan, and hence the required funding agreed. |

It is accepted that some smaller schemes may have a limited resource requirement in developing a detailed bid, and that some schemes may need to meet a short timescale (e.g. responding to bids for joint funding). In such cases these circumstances would be accepted in going straight to the second stage.

Under certain circumstances, the Council's Urgent Decision process can be used where budget provision for a scheme for which an unplanned need arises during the financial year.

In terms of timing there are three key phases to consideration of capital items during the year, as shown below.

| Meeting date | Issues to be considered   |
|--------------|---|
| September    | Overview of the existing capital position, including the implications of the outturn for the following year.<br>Consideration of any bids referred from committees.<br>Housing Business Plan Statistical Appendix Programme submission made to the CLG.<br>Preview of anticipated spending pressures and likely external funding for the next financial year. |
| January      | Review of the projections for the next financial year, in light of the provisional allocation announcement.<br>Review of current Hold List.<br>Bids from Executive Councillors' budget proposals forwarded to Strategy & Resources Scrutiny Committee. Overall decision on Capital & Revenue Projects Plan by the Leader.                                     |
| February     | Final Government Settlement and announcement of any capital grants or funding allocations allows confirmation of the final funding decisions for the Capital & Revenue Projects Plan. This will include proposals to ensure full funding of the commitments for the next financial year.<br>Council confirms new Capital & Revenue Projects Plan.             |

The Council's Asset Management Group (AMG) plays a key role in the mechanisms in respect of monitoring and reporting capital, to ensure a corporate and consistent approach is followed across the Council.



# Appendix A

## Financial Planning Timetable

| Members | Managers | Date       | Major Stage  |
|---------|----------|------------|--|
| 2011    |          |            |  |
| ✓       |          | 26-May     | Council AGM: adopts Annual Statement which indicates outline plan & priorities for 2012/13   |
|         | ✓        | by 1 Jul   | Managers' input for MTS & forecasting returned to Accountancy for consideration / inclusion  |
|         |          | 31-Aug     | MTS dispatch for The Executive meeting   |
| ✓       |          | 12-Sep     | The Executive recommends MTS to Council  |
|         | ✓        | Mid Sep    | MTS and Service Planning Briefing for Heads of Service   |
|         |          | 03-Oct     | Accountancy despatch:<br>· Budget Process Guidance<br>· Budget proposals pro-forma<br>· Budget Working Papers to Cost Centre Managers  |
|         | ✓        | ~ October  | Accountancy run Budget Process Workshops for Managers  |
| ✓       | ✓        | ~ October  | Accountable Officers to begin discussions with Portfolio holders on the content of Portfolio Plans and Budget Issues for 2012/13   |
|         | ✓        | 17-Oct     | Managers to return Sep 2011 budget variance explanations for reporting to Strategic Leadership Team (25 October 2011)  |
| ✓       |          | 20-Oct     | Council considers Medium Term Strategy 2011/12 to 2015/16  |
|         | ✓        | 24-Oct     | Managers to complete and return Budget Proposal Forms to Accountancy:<br>· 2011/12 Revised Budget items<br>· 2012/13 Revenue Budget Proposals<br>· 2012/13 Capital Budget Proposals<br>· Outcomes of Service Reviews |
|         | ✓        | w/c 31-Oct | Officer Working Groups consider and comment on budget proposals  |

| Members     | Managers | Date                             | Major Stage   |
|-------------|----------|----------------------------------|---|
|             |          | 03-Nov                           | Accountancy to despatch:<br>· papers for Strategic Leadership Team / Executive Councillors (8 Nov)<br>· budget proposals to each Executive Councillor   |
| ✓           | ✓        | 8-Nov                            | Strategic Leadership Team / Executive Councillors review:<br>- 2011/12 Budget variances<br>- the latest position against Cash Limit, priorities for Capital Bids, savings proposals and the validity of "unavoidable" revenue budget bids |
| ✓           | ✓        | 9-11 Nov                         | Executive Councillors meet Heads of Service to agree final package/wording of budget proposals (by 4 pm Friday)   |
|             | ✓        | 14-Nov                           | Managers return completed budget working papers (incorporating agreed budget proposals)   |
| ✓           | ✓        | 16-Nov                           | Accountancy despatch Strategic Leadership Team / Exec papers for final comments (by Friday)   |
| ✓           |          | ~ Nov                            | Strategic Leadership Team / Executive Councillors consider overall position   |
| ✓           |          | 28-Nov                           | Liberal Democrat Group (1) reviews Cash Limit Position, agrees final revenue proposals for all Portfolios   |
|             | ✓        | 29-Nov                           | Accountancy update Managers with any changes required to Service Plans etc, following the Liberal Democrat Group Meeting  |
|             |          | ~ November                       | Provisional Government Settlement Announcement  |
| ✓           |          | 02-Dec                           | Liberal Democrat Group (2) reviews final Cash Limit position and determines which Capital Bids to approve   |
|             | ✓        | 05-Dec                           | Accountancy update Managers with any changes required to Budget Proposals following the Liberal Democrat Group Meeting  |
| ✓           | ✓        | 06-Dec                           | Strategic Leadership Team / Executive Councillors final review of Budget-Setting Report   |
| ✓           | ✓        | January scrutiny committee cycle | See table below for Committee dates and deadlines for 2012/13 budget proposals  |
| ✓           |          | 16-Dec                           | Budget Setting Report 2012/13 published for Strategy & Resources Scrutiny committee (for ultimate recommendation to Council 23 February 2012)   |
| <b>2012</b> |          |                                  |   |
| ✓           |          | 19-Jan                           | Executive Budget meeting to consider Budget-Setting Report and Council Tax requirements   |
| ✓           |          | 23-Jan                           | LD Group - Budget Review  |
|             |          | ~ January                        | Final Government Settlement Announcement  |

| Members | Managers | Date   | Major Stage  |
|---------|----------|--------|--|
| ✓       |          | 03-Feb | Special Strategy & Resources Scrutiny Committee considers any budget amendment proposals |
| ✓       |          | 20-Feb | LD Group – Budget amendments   |
| ✓       |          | 23-Feb | Council sets Council Tax (including precepts)  |
| ✓       | ✓        | 30-Mar | Final approved budget reports to be sent to Cost Centre Managers by Accountancy          |

### Officer Working Group Meeting dates

[to consider Budget proposals]

| Papers prepared | Cambridge Urban Growth Group (CUGG) | ICT Steering Group (ICTSG) | Asset Management Group (AMG) | Environmental Strategy Group (ESG) |
|-----------------|-------------------------------------|----------------------------|------------------------------|------------------------------------|
| October 28      | Nov 2                               | Nov 2                      | Nov 3                        | Nov 4                              |

### January 2012 Scrutiny Committee Cycle

[to consider Budget proposals]

|   | Housing Management Board                                 | Environment | Community Services | Strategy & Resources                                  | Executive Budget Meeting                        |
|---|--|-------------|--------------------|---|---|
| <b>2012/13 Drafts</b>                   | Dec 1 11 (Thu)   |             |                    |   |   |
| <b>2012/13 Budget-Setting Report</b>    | Dec 16 11 (Fri)  |             |                    |   |   |
| <b>Final Agenda Publication</b>         | published: Dec 19 1201 (final papers due on Dec 15 2011) |             |                    |   | published: Jan 11 2012 (final papers due Jan 9) |
| <b>Committee Date</b>                   | Jan 3  | Jan 10      | Jan 12             | Jan 16  | Jan 19  |
| <b>Final Agenda Publication</b>         |  |             |                    | published: Jan 24 2012 (final papers due Jan 20 2012) |   |
| <b>Special Strategy &amp; Resources</b> |  |             |                    | Feb 3   |   |

# Appendix B

## New Unavoidable Spending Pressures (£'000)

| Name  | 2011/12      | 2012/13      | 2013/14      | 2014/15      | 2015/16     |
|---|--------------|--------------|--------------|--------------|-------------|
| <b>One-off or time limited budget pressures:</b>                |              |              |              |              |             |
| Loss of income during Park Street Car Park capital works        | 0.0          | 0.0          | 200.0        | 100.0        | 50.0        |
| Loss of income during Lion Yard capital works                   | 0.0          | 0.0          | 190.0        | 0.0          | 0.0         |
| Reduced income projections – Lion Yard                          | 109.0        | 164.0        | 77.0         | 40.0         | 0.0         |
| Reduced income projections – Commercial property – current year | 60.0         | 0.0          | 0.0          | 0.0          | 0.0         |
| Reduced income projections – Commercial property – future years | 0.0          | 187.0        | 187.0        | 100.0        | 0.0         |
| Reduced income projections – Lion Yard                          | 18.0         | 0.0          | 0.0          | 0.0          | 0.0         |
| <b>TOTAL</b>  | <b>187.0</b> | <b>351.0</b> | <b>654.0</b> | <b>240.0</b> | <b>50.0</b> |

|   |             |              |              |              |              |
|---|-------------|--------------|--------------|--------------|--------------|
| <b>Ongoing budget changes:</b>                                      |             |              |              |              |              |
| Non-pay inflation   | 0.0         | 226.8        | 226.8        | 226.8        | 226.8        |
| Gas & Electricity contract renewal                                  | 39.9        | 79.7         | 79.7         | 79.7         | 79.7         |
| Forecast reduction in external interest                             | 222.0       | 302.0        | 605.0        | 635.0        | 613.0        |
| Electoral Services Team   | 12.5        | 12.5         | 12.5         | 12.5         | 12.5         |
| Temporary & Agency staff saving (Comensura)                         | (25.4)      | (77.0)       | (77.0)       | (77.0)       | (77.0)       |
| Reduction in Revenues & Benefits Administration Grant               | 40.0        | 42.0         | 61.0         | 48.0         | 42.0         |
| Lion Yard – additional income following completion of capital works | 0.0         | 0.0          | 0.0          | (122.0)      | (104.0)      |
| Effect of Business Rates multiplier above inflation                 | 0.0         | 49.5         | 49.5         | 49.5         | 49.5         |
| Savings review following 2010/11 Outturn                            | (238.0)     | (218.0)      | (218.0)      | (218.0)      | (218.0)      |
| <b>TOTAL</b>  | <b>51.0</b> | <b>417.5</b> | <b>739.5</b> | <b>634.5</b> | <b>624.5</b> |

|  |              |              |                |              |              |
|--|--------------|--------------|----------------|--------------|--------------|
| <b>Net effect of proposed changes:</b> | <b>238.0</b> | <b>768.5</b> | <b>1,393.5</b> | <b>874.5</b> | <b>674.5</b> |
|--|--------------|--------------|----------------|--------------|--------------|

# Appendix C

## Earmarked & Specific Funds (£'000)

### Repairs & Renewals

| General Fund Portfolio           | Opening Balance   | Contributions    | Expenditure to July 2011 | Closing Balance   |
|----------------------------------|-------------------|------------------|--------------------------|-------------------|
| Arts, Sport & Public Places      | (872.4)           | (429.1)          | 43.6                     | (1,257.8)         |
| Community Development & Health   | (1,588.4)         | (344.2)          | 20.2                     | (1,912.5)         |
| Customer Services & Resources    | (4,774.5)         | (907.5)          | 5.3                      | (5,676.7)         |
| Environmental & Waste Services   | (4,409.8)         | (383.7)          | 23.3                     | (4,770.2)         |
| Housing - General Fund           | (325.1)           | (38.9)           | 2.7                      | (361.2)           |
| Planning & Sustainable Transport | (966.4)           | (390.0)          | 22.6                     | (1,333.8)         |
| Strategy & Climate Change        | (180.4)           | (20.7)           | 0.9                      | (200.3)           |
| <b>Totals</b>                    | <b>(13,117.1)</b> | <b>(2,514.1)</b> | <b>118.6</b>             | <b>(15,512.6)</b> |

| Housing Revenue Account | Opening Balance | Contributions | Expenditure | Closing Balance |
|-------------------------|-----------------|---------------|-------------|-----------------|
| Housing - HRA           | (1,826.2)       | (263.6)       | 8.0         | (2,081.9)       |

### Climate Change Fund

|  | 2010/11        | 2011/12        | 2012/13        | 2013/14        | 2014/15        | 2015/16        |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| (Surplus) / Deficit Balance b/f        | (207.5)        | (383.1)        | (430.9)        | (430.9)        | (430.9)        | (430.9)        |
| Contributions                          | (250.0)        | (184.8)        | 0.0            | 0.0            | 0.0            | 0.0            |
| Total surplus available                | (457.5)        | (567.9)        | (430.9)        | (430.9)        | (430.9)        | (430.9)        |
| Expenditure approvals *                | 74.3           | 137.0          | 0.0            | 0.0            | 0.0            | 0.0            |
| <b>(Surplus) / Deficit Balance c/f</b> | <b>(383.2)</b> | <b>(430.9)</b> | <b>(430.9)</b> | <b>(430.9)</b> | <b>(430.9)</b> | <b>(430.9)</b> |

\* Further projects, totalling £369,650, are awaiting consideration /approval

## Development Plan Fund

|  | 2011/12        | 2012/13        | 2013/14       | 2014/15       |
|--|----------------|----------------|---------------|---------------|
| (Surplus) / Deficit Balance b/f        | (272.0)        | (289.0)        | (305.9)       | (22.9)        |
| Contributions                          | (167.0)        | (167.0)        | (167.0)       | (167.0)       |
| Total surplus available                | (439.0)        | (455.9)        | (472.9)       | (189.9)       |
| Current forecast expenditure           | 150.0          | 150.0          | 450.0         | 150.0         |
| <b>(Surplus) / Deficit Balance c/f</b> | <b>(289.0)</b> | <b>(305.9)</b> | <b>(22.9)</b> | <b>(39.9)</b> |

## Fixed Term Posts Costs

|  | 2011/12       | 2012/13       | 2013/14       | 2014/15       | 2015/16       |
|--|---------------|---------------|---------------|---------------|---------------|
| (Surplus) / Deficit Balance b/f        | (30.0)        | (30.0)        | (30.0)        | (30.0)        | (30.0)        |
| Contributions                          | -             | -             | -             | -             | -             |
| Total surplus available                | (30.0)        | (30.0)        | (30.0)        | (30.0)        | (30.0)        |
| Expenditure                            | -             | -             | -             | -             | -             |
| <b>(Surplus) / Deficit Balance c/f</b> | <b>(30.0)</b> | <b>(30.0)</b> | <b>(30.0)</b> | <b>(30.0)</b> | <b>(30.0)</b> |

## Council Tax Earmarked for Growth

|  | 2011/12        | 2012/13        | 2013/14        | 2014/15          | 2015/16          |
|--|----------------|----------------|----------------|------------------|------------------|
| (Surplus) / Deficit Balance b/f        | (167.6)        | (276.9)        | (503.6)        | (856.8)          | (1,331.5)        |
| Contributions                          | (249.3)        | (366.7)        | (493.3)        | (614.7)          | (1,614.7)        |
| Total surplus available                | (416.9)        | (643.6)        | (996.9)        | (1,471.5)        | (2,946.2)        |
| Expenditure approvals                  | 140.0          | 140.0          | 140.0          | 140.0            | 140.0            |
| <b>(Surplus) / Deficit Balance c/f</b> | <b>(276.9)</b> | <b>(503.6)</b> | <b>(856.8)</b> | <b>(1,331.5)</b> | <b>(2,806.2)</b> |

## Efficiency Fund

|  | 2011/12        | 2012/13        | 2013/14        | 2014/15        |
|--|----------------|----------------|----------------|----------------|
| (Surplus) / Deficit Balance b/f        | (75.0)         | (418.4)        | (449.4)        | (426.9)        |
| Contributions                          | (475.0)        | (200.0)        | 0.0            | 0.0            |
| Total surplus available                | (535.0)        | (618.4)        | (449.4)        | (426.9)        |
| Expenditure approvals                  | 116.6          | 169.0          | 22.5           | 0.0            |
| <b>(Surplus) / Deficit Balance c/f</b> | <b>(418.4)</b> | <b>(449.4)</b> | <b>(426.9)</b> | <b>(426.9)</b> |

## Technology Investment Fund

|  | 2011/12       | 2012/13       | 2013/14       | 2014/15       |
|--|---------------|---------------|---------------|---------------|
| (Surplus) / Deficit Balance b/f        | (241.3)       | (98.3)        | (98.3)        | (98.3)        |
| Existing Commitments                   | 143.0         | 0.0           | 0.0           | 0.0           |
| New Commitments                        | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>(Surplus) / Deficit Balance c/f</b> | <b>(98.3)</b> | <b>(98.3)</b> | <b>(98.3)</b> | <b>(98.3)</b> |

## Developer Contributions at July 2011

| Category                            | Completed agreements    |                       | Future Forecast <sup>1</sup> |                           | Approvals <sup>3</sup> | Projected Balance Available |
|-------------------------------------|-------------------------|-----------------------|------------------------------|---------------------------|------------------------|-----------------------------|
|                                     | Balance at 1 April 2011 | Apr-Jul 2011 (Actual) | Non Growth Sites             | Growth Sites <sup>2</sup> |                        |                             |
| Affordable Housing                  | (382.0)                 | 0.0                   | 0.0                          | 0.0                       | 331.0                  | (51.0)                      |
| Community Facilities                | (1,542.1)               | (63.3)                | (645.5)                      | (276.9)                   | 1,058.0                | (1,469.8)                   |
| Formal Open Space / Outdoor Sport   | (1,135.0)               | (29.6)                | (542.6)                      | (697.1)                   | 1,618.0                | (786.2)                     |
| Informal Open Spaces                | (1,280.9)               | (29.5)                | (413.2)                      | (409.6)                   | 1,960.0                | (173.2)                     |
| Children / Teenagers Play Provision | (330.0)                 | (25.5)                | (240.8)                      | (286.9)                   | 565.0                  | (318.2)                     |
| Indoor Sports Facilities            | (2.7)                   | (6.5)                 | 0.0                          | 0.0                       | 0.0                    | (9.3)                       |
| Public Art                          | (541.2)                 | (119.1)               | (397.2)                      | 0.0                       | 177.0                  | (880.5)                     |
| Public Realm                        | (303.2)                 | 0.0                   | (384.8)                      | 0.0                       | 44.0                   | (643.9)                     |
| Miscellaneous                       | (33.1)                  | (17.0)                | (19.0)                       | 0.0                       | 0.0                    | (69.1)                      |
| Funds held for Cambridgeshire CC    | (716.3)                 | 12.4                  | 0.0                          | 0.0                       | 0.0                    | (704.0)                     |
| <b>Total</b>                        | <b>(6,266.5)</b>        | <b>(278.2)</b>        | <b>(2,643.0)</b>             | <b>(1,670.4)</b>          | <b>4,953.0</b>         | <b>(5,905.2)</b>            |

<sup>1</sup> Includes forecast funding from completed S106 agreements where trigger points for the receipt of contributions have not yet been reached. Whilst most of these contributions are for off-site spending, stipulations within some legal agreements can prescribe how (type of project), where (proximity to development) and when the contribution can be used. Developer contributions must be used for the intended purposes

<sup>2</sup> Some contributions from CB1 and NIAB Frontage developments are available to fund projects beyond the growth sites.

<sup>3</sup> Includes only those approved capital projects that are in the Capital & Revenue Projects Plan (2011/12 - 2015/16) to be financed from Developer Contributions.

## Developer Contributions Forecast – Major Growth Sites (*memorandum only*)

| Category  | Cambridge City Council<br>£000 | Cambridgeshire CC<br>£000 | South Cambs DC<br>£000 | TOTAL<br>£000      |
|---|--------------------------------|---------------------------|------------------------|--------------------|
| Affordable Housing <sup>1</sup>                     | 0.0                            | 0.0                       | 0.0                    | 0.0                |
| Community Facilities <sup>2 3</sup>                 | (6,606.8)                      | (2,155.9)                 | 0.0                    | (8,762.7)          |
| Formal Open Space <sup>3</sup>                      | (983.7)                        | (745.8)                   | 0.0                    | (1,729.5)          |
| Informal Open Space <sup>2 3</sup>                  | (3,810.2)                      | 0.0                       | 0.0                    | (3,810.2)          |
| Children & Teenagers <sup>2 4</sup>                 | (2,093.2)                      | 0.0                       | 0.0                    | (2,093.2)          |
| Allotments <sup>2 4</sup>                           | (221.0)                        | 0.0                       | 0.0                    | (221.0)            |
| Indoor Sport <sup>3</sup>                           | (1,454.0)                      | 0.0                       | 0.0                    | (1,454.0)          |
| Public Art <sup>1</sup>                             | 0.0                            | 0.0                       | 0.0                    | 0.0                |
| Public Realm <sup>1 2</sup>                         | (82.5)                         | 0.0                       | 0.0                    | (82.5)             |
| Waste & Recycling <sup>2 4</sup>                    | (25.6)                         | 0.0                       | 0.0                    | (1,540.0)          |
| Ecology <sup>3</sup>                                | (564.3)                        | 0.0                       | 0.0                    | (564.3)            |
| Miscellaneous <sup>3</sup>                          | (398.0)                        | 0.0                       | (35.9)                 | (433.9)            |
| Section 106 monitoring <sup>2</sup>                 | (375.0)                        | 0.0                       | 0.0                    | (375.0)            |
| Community development & other revenue contributions | (1,040.0)                      | 0.0                       | 0.0                    | (1,040.0)          |
| Education & Lifelong learning                       | 0.0                            | (52,014.4)                | 0.0                    | (52,014.4)         |
| Household Waste Recycling Facility                  | 0.0                            | (1,514.4)                 | 0.0                    | 0.0                |
| Transport   | 0.0                            | (35,698.1)                | 0.0                    | (35,698.1)         |
| <b>TOTAL</b>  | <b>(17,654.3)</b>              | <b>(92,128.7)</b>         | <b>(35.9)</b>          | <b>(109,818.9)</b> |

<sup>1</sup> Indicates that all provision within this category will be provided on site, so that no off-site contributions will be payable

<sup>2</sup> Indicates site-specific maintenance contributions only for open spaces/public realm areas within these categories to be provided on site that will be transferred to the City Council to manage and maintain/ or payments to the local authority for other facilities and services that need to be provided/delivered on site

<sup>3</sup> Indicates off-site contribution towards named project specified in S106 agreement

<sup>4</sup> Formula contributions to be calculated



# Appendix D

## Budget Assumptions

| Ref. | Assumption for 2012/13   |   |
|------|--|---|
| 1    | Base – 2011/12 Approved Budget, as amended, with known changes for 2012/13.  |   |
| 2    | General inflation on expenditure - included at 2.7% (CPIY June 2011). General inflation provision from 2013/14 onwards has been included at 2% (based on the Government target for CPI inflation).   |   |
| 3    | Updated central provisions have been made as appropriate for fuel, electricity and gas based on current knowledge of these markets or revised contractual commitments.   |   |
| 4    | Council Tax increase assumed at 2.0% for 2012/13 ongoing following 0% for 2011/12.   |   |
| 5    | Employee budgets include:  |   |
|      | <ul style="list-style-type: none"> <li>- cost of pay award allowance</li> <li>- allowance for incremental progression</li> <li>- total allowance for pay and increments</li> </ul>   | 0.00% <sup>1</sup><br>1.90% <sup>2</sup><br>1.90% |
| 5    | <sup>1</sup> Government guidelines for pay freeze for 2011/12 and 2012/13. However, specific provision has been included based on a pay award of £250 for employees earning less than £21,000 per annum. A pay inflation provision has been made for 2013/14 and future years at 2.5%. |   |
|      | <sup>2</sup> An annual allowance for incremental progression has been included pending any detailed budget adjustments to reflect performance results.   |   |
| 6    | Employee budgets - assume an employee turnover saving of 3.0% of gross pay budget.   |   |
| 7    | Property Rental income – based on projections from the portfolio, reflecting actual incidence of rent reviews & voids.   |   |
| 8    | Income and Charges – general assumption of 2.0% ongoing built into base, but specific reviews of all charges required by committees.   |   |
| 9    | Interest rate – based on latest market projections (on average 0.5% for 2011/12, 1.13% for 2012/13 and 2.19 for 2013/14).  |   |
| 10   | Major contracts and agreements, in term are rolled forward based on the specified inflation indices in the contract or agreement.  |   |
| 11   | Grants and Subsidies are analysed for sensitivity based on possible range of implications dependent on the Government's approach to the withdrawal of protection arrangements.   |   |
| 12   | The same inflation factors are applied to Central and Support Services as for direct services.   |   |
| 13   | Priority Policy Fund contributions remain at £0.5m per annum   |   |
| 14   | Capital funding contributions remain at £1.38m per annum   |   |
| 15   | The MTS assumes that the outcomes of service reviews will be reported to the relevant scrutiny committees as part of the budget process. Therefore, the projections contained in the MTS do not include any estimate of these outcomes.  |   |

# Appendix E (a)

## General Fund Projection 2011/12 to 2015/16

| Name  | 2011/12<br>£      | 2012/13<br>£      | 2013/14<br>£      | 2014/15<br>£      | 2015/16<br>£      |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net spending - Committee totals                         | 18,677,860        | 16,122,290        | 15,866,030        | 15,665,150        | 15,443,210        |
| Capital Adjustment Account                              | 497,390           | 497,390           | 497,390           | 497,390           | 497,390           |
| Minimum Revenue Provision Adjustment                    | (3,254,400)       | (3,254,400)       | (3,254,400)       | (3,254,400)       | (3,254,400)       |
| <b>Sub-Total</b>  | <b>15,920,850</b> | <b>13,365,280</b> | <b>13,109,020</b> | <b>12,908,140</b> | <b>12,686,200</b> |
| Contribution to Efficiency Fund                         | 475,000           | 200,000           | 0                 | 0                 | 0                 |
| Revenue Contribution to Capital                         | 4,511,000         | 1,381,000         | 1,380,000         | 1,380,000         | 1,380,000         |
| <b>Sub-Total</b>  | <b>20,906,850</b> | <b>14,946,280</b> | <b>14,489,020</b> | <b>14,288,140</b> | <b>14,066,200</b> |
| Council Tax Earmarked for Growth                        | 109,250           | 226,690           | 353,290           | 474,690           | 1,474,690         |
| Future Years Priority Policy Fund                       | 0                 | 500,000           | 500,000           | 500,000           | 500,000           |
| MTS 2011 proposals (Appendix B)                         | 237,820           | 768,850           | 1,393,630         | 874,490           | 674,490           |
| <b>Sub-Total</b>  | <b>21,253,920</b> | <b>16,441,820</b> | <b>16,735,940</b> | <b>16,137,320</b> | <b>16,715,380</b> |
| <i>Net Savings Requirement</i>                          | 0                 | (1,242,000)       | (1,287,860)       | (1,683,310)       | (950,000)         |
| <b>Net Spending Requirement to Appendix E (b) below</b> | <b>21,253,920</b> | <b>15,199,820</b> | <b>15,448,080</b> | <b>14,454,010</b> | <b>15,765,380</b> |

# Appendix E (b)

## General Fund – Funding Statement 2011/12 to 2015/16

|  | Name  | 2011/12<br>£      | 2012/13<br>£      | 2013/14<br>£      | 2014/15<br>£      | 2015/16<br>£      |
|--|---|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | <b>Total Net Spending Requirement<br/>From Appendix E (a) above</b> | <b>21,253,920</b> | <b>15,199,820</b> | <b>15,448,080</b> | <b>14,454,010</b> | <b>15,765,380</b> |

|             |                                     |             |             |             |             |             |
|-------------|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>less</b> | <b>External Support</b>             |             |             |             |             |             |
|             | Formula Grant                       | (9,515,100) | (8,429,160) | (7,991,750) | (7,571,020) | (7,571,020) |
|             | Council Tax Compensation Grant      | (170,000)   | (170,000)   | (170,000)   | (170,000)   | 0           |
|             | Council Tax Collection Fund deficit | 41,580      | 0           | 0           | 0           | 0           |
|             | Income from Council Tax             | (6,785,900) | (7,064,610) | (7,356,070) | (7,648,840) | (7,841,020) |

|  |                  |                  |                 |                  |                |
|--|------------------|------------------|-----------------|------------------|----------------|
| <b>Contribution (to) / from Reserves<br/>to Appendix E (c) below</b> | <b>4,824,500</b> | <b>(463,950)</b> | <b>(69,740)</b> | <b>(935,850)</b> | <b>353,340</b> |
|--|------------------|------------------|-----------------|------------------|----------------|

| <b>Memorandum Items</b>             |         |         |         |         |         |
|-------------------------------------|---------|---------|---------|---------|---------|
| Council Tax Taxbase                 | 40,739  | 41,581  | 42,447  | 43,270  | 43,486  |
| Band 'D' Council Tax                | £166.57 | £169.90 | £173.30 | £176.77 | £180.31 |
| Implied annual Council Tax increase | -       | 2.00%   | 2.00%   | 2.00%   | 2.00%   |

# Appendix E (c)

## General Fund - Reserves Projection 2011/12 to 2015/16

|  | Name   | 2011/12            | 2012/13            | 2013/14            | 2014/15            | 2015/16            |
|--|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | <b>Balance at 1 April brought forward</b>                      | <b>(9,850,110)</b> | <b>(5,024,210)</b> | <b>(5,708,160)</b> | <b>(5,776,800)</b> | <b>(6,710,400)</b> |
|  | Contribution (to) / from Reserves<br>from Appendix E (b) above | 4,824,500          | (463,950)          | (69,740)           | (935,850)          | 353,340            |
|  | <b>Balance at 31 March carried forward</b>                     | <b>(5,025,610)</b> | <b>(5,489,560)</b> | <b>(5,559,300)</b> | <b>(6,495,150)</b> | <b>(6,141,810)</b> |

# Appendix F

## HRA Summary Forecast 2011/12 to 2015/16

### incorporating the continuation of the HRA Subsidy System

| Description   | 2011/12<br>£000 | 2012/13<br>£000 | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Income  |                 |                 |                 |                 |                 |
| Rental Income   | (31,482)        | (33,401)        | (35,416)        | (37,539)        | (39,750)        |
| Service Charges   | (1,943)         | (1,995)         | (2,048)         | (2,103)         | (2,160)         |
| Other Income  | (376)           | (380)           | (385)           | (393)           | (400)           |
| <b>Total Income</b>   | <b>(33,801)</b> | <b>(35,776)</b> | <b>(37,849)</b> | <b>(40,035)</b> | <b>(42,310)</b> |
| Expenditure   |                 |                 |                 |                 |                 |
| Supervision & Management - General  | 5,178           | 5,117           | 5,179           | 5,243           | 5,310           |
| Supervision & Management - Special  | 1,945           | 2,135           | 2,071           | 2,162           | 2,256           |
| Repairs & Maintenance   | 6,187           | 6,254           | 6,552           | 6,869           | 7,200           |
| HRA Subsidy (including MRA)   | 12,975          | 14,273          | 15,880          | 17,420          | 19,097          |
| Depreciation - tfr to Major Repairs Res.  | 8,410           | 8,410           | 8,410           | 8,410           | 8,410           |
| Other Expenditure   | 336             | 351             | 367             | 384             | 401             |
| <b>Total Expenditure</b>  | <b>35,031</b>   | <b>36,540</b>   | <b>38,459</b>   | <b>40,488</b>   | <b>42,674</b>   |
| <b>Net Cost of HRA Services</b>   | <b>1,230</b>    | <b>764</b>      | <b>610</b>      | <b>453</b>      | <b>364</b>      |
| HRA Share of the operating income and expenditure included in the Whole Authority Income and Expenditure Account      |                 |                 |                 |                 |                 |
| Interest Receivable   | (39)            | (77)            | (139)           | (176)           | (169)           |
| Mortgage Interest Receipts  | (1)             | (1)             | 0               | 0               | 0               |
| <b>(Surplus) / Deficit on the HRA for the Year</b>  | <b>1,190</b>    | <b>686</b>      | <b>471</b>      | <b>277</b>      | <b>195</b>      |
| Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year |                 |                 |                 |                 |                 |
| Loan Interest   | 11              | 20              | 32              | 47              | 54              |
| Redemption Premium charged to Revenue   | 345             | 301             | 0               | 0               | 0               |
| Depreciation Adjustment   | (3,290)         | (3,215)         | (3,089)         | (2,956)         | (2,813)         |
| Direct Revenue Financing of Capital   | 2,972           | 2,708           | 3,086           | 3,093           | 2,564           |
| <b>(Surplus) / Deficit for Year</b>   | <b>1,228</b>    | <b>500</b>      | <b>500</b>      | <b>461</b>      | <b>0</b>        |
| Balance b/f   | (5,689)         | (4,461)         | (3,961)         | (3,461)         | (3,000)         |
| <b>Total Balance c/f</b>  | <b>(4,461)</b>  | <b>(3,961)</b>  | <b>(3,461)</b>  | <b>(3,000)</b>  | <b>(3,000)</b>  |

# Appendix G

## Key Risk Analysis

| Ref.       | Risk Area & Issue arising   | Controls / Mitigation Action  |
|------------|---|---|
| <b>(1)</b> | <b>Effects of Legislation / Regulation</b>  |   |
|            | <p>Implications of new legislation / regulation or changes to existing are not identified.</p> <p>Funding is not identified to meet the costs associated with statutory requirements.</p>   | <ul style="list-style-type: none"> <li>• Effective processes are in place across the Council to ensure that implications are identified and raised.</li> <li>• Additional / specific funding enhancements for new services are earmarked for that purpose, to ensure effective implementation</li> <li>• The Council has processes in place to manage the demands of local and national agendas, including the Vision Statement and the MTS.</li> </ul>   |
| <b>(2)</b> | <b>Portfolio &amp; Spending Plans</b>   |   |
|            | <p>The Council approves Plans which are not sustainable into the future, leading to increasing problems in balancing budgets.</p>   | <ul style="list-style-type: none"> <li>• Council has adopted medium and long-term modelling (up to 25 years) for both the GF and HRA, to ensure decisions are made in the knowledge of long-term deliverability issues / implications</li> <li>• Council has a policy of requiring R&amp;R Funds to be in place to cover all major assets with a finite life, with long-term programmes for key areas</li> <li>• The MTS includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications</li> <li>• Target levels of reserves are set for both GF and HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures</li> </ul> |
| <b>(3)</b> | <b>Growth Agenda</b>  |   |
|            | <p>Government support is not provided for the costs of delivering Growth</p> <p>Insufficient capital funding is available to effectively deliver Growth</p> <p>Growth results in ongoing revenue costs which cannot be funded</p> <p>Growth is adversely affected by economic slow down in construction/housing market.</p> | <ul style="list-style-type: none"> <li>• The degree of cost which would need to be underwritten by the Council was identified as an explicit part of decision-making, and options to mitigate this level of costs outlined</li> <li>• The additional income from Grant and Council Tax resulting from Growth have been earmarked to offset associated costs</li> <li>• Growth projections continue to be examined closely in light of the recent impact of the 'credit crunch', and where appropriate budgets being adjusted.</li> </ul>  |

| Ref.       | Risk Area & Issue arising   | Controls / Mitigation Action   |
|------------|---|--|
| <b>(4)</b> | <b>Financial planning lacks appropriate levels of prudence</b>  |  |
|            | <p>Financial policies, in general, are not sufficiently robust</p> <p>Funding to support the approved Capital &amp; Revenue Projects Plan is not available</p>  | <p>Council has adopted key prudence principles, reflected in :</p> <ul style="list-style-type: none"> <li>• Policy on applying capital receipts only at point of receipt</li> <li>• Ongoing revenue funding for capital is reviewed for affordability as part of the 25-year modelling process</li> <li>• Adoption of strict medium / long-term planning</li> </ul>  |
| <b>(5)</b> | <b>External income / funding streams</b>  |  |
|            | <p>Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure</p> <p>Following the end of the current Spending Review period :</p> <p>a) Changes to the grant mechanism adversely affect the Council :</p> <ul style="list-style-type: none"> <li>- Removal, or phased withdrawal of, the Floor</li> <li>- Grant increases are lower than anticipated</li> <li>- Other changes in methodology have an adverse effect</li> </ul> <p>b) Population figures used as part of the Formula Grant methodology fall due to changes in assessment, or at the next Census</p> <p>c) The projected levels of car park usage, and hence income, are not achieved.</p> <p>d) Possible adverse affect on usage of car parks due to changes in County Transport policies, e.g. Congestion charging is introduced</p> <p>e) Fees and charges income is adversely affected by the economic downturn</p> <p>f) The economic downturn reduces the ability to fund capital pressures from the sale of assets</p> | <ul style="list-style-type: none"> <li>• Modelling over the medium and long-term is conducted for key income sources including Government grants, including sensitivity analysis on potential changes</li> <li>• Council seeks to influence national settlements through provision of information to negotiation bodies such as LGA and SDCT</li> <li>• Formula Grant is based on a relatively prudent level of increase</li> <li>• The effect of the Floor being removed is regularly evaluated, and taken into account in agreeing an appropriate level of reserves to be retained. This is linked to the particular impact associated with the growth agenda</li> <li>• Proposed changes in grant methodology are carefully reviewed. The Council also considers the interim projections of the County Group to identify actual underlying population trends</li> <li>• Specialist consultancy support is used to model car park income over the medium- term, in light of the significant level of income involved</li> <li>• Regular reviews of income projections and achievement are undertaken by all services.</li> </ul> |

| Ref. | Risk Area & Issue arising  | Controls / Mitigation Action   |
|------|--|--|
| (6)  | <b>Use of resources including Projects and Partnerships</b>  |  |
|      | <p>There is ineffective use of the resources available to the Council</p> <p>The move to Comprehensive Area Assessment in 2009 adversely affects the Councils performance rating.</p> <p>Failure to deliver Council Major Projects, i.e. return on capital, project on time etc.</p> <p>Change in emphasis on Partnership delivery activity (through Local Area Agreement Board) is not recognised or shared with our key Partners</p> | <ul style="list-style-type: none"> <li>• Council employs robust business planning in key activity areas</li> <li>• Council has adopted a standard project management framework</li> <li>• All services are required to contribute to Portfolio Plans, linked directly to resources</li> <li>• MTOs are used to prioritise available resources ensuring best match with objectives</li> <li>• Performance and contractor management procedures have been updated</li> <li>• Organisational development and workforce planning activity is being targeted</li> <li>• The Council has been recognised as a high performer under the national Use of Resources assessment, scoring a maximum rating of 4 in 2008</li> <li>• Partnership review by the Local Area Agreement Board.</li> </ul> |



# Appendix H (a)

## Capital & Revenue Projects Plan – General Fund

| Capital Ref                | Description   | Lead Officer | Capital Scheme Approval | Spend to March 2011 | Budget  |         |         |         |         |
|----------------------------|---|--------------|-------------------------|---------------------|---------|---------|---------|---------|---------|
|                            |   |              |                         |                     | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|                            |   |              | £000                    | £000                | £000    | £000    | £000    | £000    | £000    |
| Arts Sport & Public Places |   |              |                         |                     |         |         |         |         |         |
| Capital -GF Projects       |   |              |                         |                     |         |         |         |         |         |
| SC072                      | Poster Boards   | N Jones      | 33                      | 30                  | 4       | 0       | 0       | 0       | 0       |
| SC210                      | Hard Surface Cherry Hinton Hall Car Park                                  | I Ross       | 68                      | 64                  | 0       | 0       | 0       | 0       | 0       |
| SC215                      | Christs Piece - Trees/Landscaping   | A French     | 11                      | 4                   | 7       | 0       | 0       | 0       | 0       |
| SC234                      | Histon Road Cemetery Landscaping  | A Wilson     | 31                      | 24                  | 9       | 0       | 0       | 0       | 0       |
| SC282                      | Kettle's Yard   | G Saxby      | 40                      | 0                   | 40      | 0       | 0       | 0       | 0       |
| SC347                      | Histon Road - Refurbishment of play area                                  | I Ross       | 75                      | 63                  | 12      | 0       | 0       | 0       | 0       |
| SC348                      | Allotment Improvements  | I Ross       | 34                      | 18                  | 17      | 0       | 0       | 0       | 0       |
| SC349                      | Fencing and Security at Jesus Green Pool                                  | I Ross       | 30                      | 8                   | 22      | 0       | 0       | 0       | 0       |
| SC350                      | Improvements to pump out facility at Jesus Green                          | A Wilson     | 60                      | 56                  | 0       | 0       | 0       | 0       | 0       |
| SC396                      | Ravenworth Gardens - Remedial & Improvement Work                          | D Kaye       | 25                      | 0                   | 25      | 0       | 0       | 0       | 0       |
| SC405                      | Improvements to play areas & open space at land behind St Matthews Street | I Ross       | 120                     | 127                 | 1       | 0       | 0       | 0       | 0       |
| SC410                      | Mill Road Cemetery  | A Wilson     | 50                      | 23                  | 35      | 0       | 0       | 0       | 0       |
| SC434                      | Floodlit Astroturf - Chesterton Community College and Netherhall School   | I Ross       | 270                     | 70                  | 200     | 0       | 0       | 0       | 0       |
| SC432                      | Mill Road Cemetery Memorial Artwork                                       | A Preston    | 62                      | 5                   | 57      | 0       | 0       | 0       | 0       |
| SC433                      | Snowy Farr Memorial Artwork   | A Preston    | 70                      | 6                   | 64      | 0       | 0       | 0       | 0       |
| SC435                      | Biodiversity Projects Year 2&3  | E Selway     | 99                      | 159                 | 0       | 0       | 0       | 0       | 0       |
| SC436                      | Pye's Pitch Rec Facilities  | I Ross       | 100                     | 15                  | 85      | 0       | 0       | 0       | 0       |
| SC441                      | Sheeps Green Canoe Clubhouse Extension                                    | I Ross       | 195                     | 30                  | 165     | 0       | 0       | 0       | 0       |
| SC450                      | Changing Facilities at Cherry Hinton Village Centre                       | I Ross       | 70                      | 0                   | 70      | 0       | 0       | 0       | 0       |

| Capital Ref | Description                                     | Lead Officer | Capital Scheme Approval | Spend to March 2011 | Budget  |         |         |         |         |
|-------------|---|--------------|-------------------------|---------------------|---------|---------|---------|---------|---------|
|             |   |              |                         |                     | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|             |   |              |                         |                     | £000    | £000    | £000    | £000    | £000    |
| SC452       | Climbing Wall at Kelsey Kerridge Sports Centre  | I Ross       | 60                      | 43                  | 47      | 0       | 0       | 0       | 0       |
| SC453       | Upper River Cam Biodiversity Project            | E Selway     | 130                     | 12                  | 118     | 0       | 0       | 0       | 0       |
| SC454       | Logans Meadow Swift Tower                       | G Belcher    | 35                      | 8                   | 27      | 0       | 0       | 0       | 0       |
| SC455       | Logans Meadow LNR Extension                     | G Belcher    | 190                     | 2                   | 188     | 0       | 0       | 0       | 0       |
| SC456       | Coldhams Common LNR Extension                   | G Belcher    | 62                      | 3                   | 48      | 6       | 5       | 0       | 0       |
| SC460       | Kings Hedges Learners Pool Electricity          | I Ross       | 25                      | 0                   | 25      | 0       | 0       | 0       | 0       |
| SC461       | Jesus Green Skatepark Upgrade                   | I Ross       | 65                      | 0                   | 65      | 0       | 0       | 0       | 0       |
| SC465       | Upper River Cam Biodiversity Public Art         | A Preston    | 29                      | 0                   | 29      | 0       | 0       | 0       | 0       |
| SC468       | Vie Play Area                                   | I Ross       | 30                      | 36                  | 0       | 0       | 0       | 0       | 0       |
| SC469       | Vie Public Open Space                           | I Ross       | 175                     | 45                  | 130     | 0       | 0       | 0       | 0       |
| SC471       | Parkside Changing Rooms                         | D Kaye       | 350                     | 0                   | 350     | 0       | 0       | 0       | 0       |
| SC472       | Cherry Hinton Hall Vending Kiosk                | I Ross       | 150                     | 0                   | 15      | 135     | 0       | 0       | 0       |
| SC473       | Cherry Hinton Hall Pond & Lake Restorations     | A French     | 250                     | 0                   | 25      | 225     | 0       | 0       | 0       |
| SC474       | Cherry Hinton Hall Tree Planting                | I Ross       | 75                      | 0                   | 5       | 70      | 0       | 0       | 0       |
| SC475       | Nightingale Rec Pavilion Refurbishment          | I Ross       | 228                     | 0                   | 18      | 210     | 0       | 0       | 0       |
| SC476       | Water Play Area Abbey Paddling Pool             | I Ross       | 130                     | 0                   | 125     | 5       | 0       | 0       | 0       |
| SC477       | Coleridge Paddling Pool Enhancement             | I Ross       | 165                     | 0                   | 160     | 5       | 0       | 0       | 0       |
| SC478       | Water Play Area Kings Hedges "Pulley"           | I Ross       | 130                     | 0                   | 125     | 5       | 0       | 0       | 0       |
| SC479       | Abbey Pool Play Area Facilities                 | I Ross       | 114                     | 0                   | 110     | 4       | 0       | 0       | 0       |
| SC480       | Alexander Gardens Play Area                     | I Ross       | 75                      | 0                   | 72      | 3       | 0       | 0       | 0       |
| SC481       | Climbing Boulders at Cherry Hinton Hall         | I Ross       | 32                      | 0                   | 32      | 0       | 0       | 0       | 0       |
| SC482       | Cherry Hinton Hall Tennis Court                 | I Ross       | 67                      | 0                   | 65      | 2       | 0       | 0       | 0       |
| SC483       | Coldhams Common BMX Track Enhancement           | I Ross       | 22                      | 0                   | 20      | 2       | 0       | 0       | 0       |
| SC484       | Coldhams Common Climbing Facility               | I Ross       | 62                      | 0                   | 60      | 2       | 0       | 0       | 0       |
| SC485       | Coldhams Common Skate Park                      | I Ross       | 140                     | 0                   | 135     | 5       | 0       | 0       | 0       |
| SC486       | Coleridge Rec Skateboarding & BMX Trail         | I Ross       | 52                      | 0                   | 50      | 2       | 0       | 0       | 0       |
| SC487       | Colderidge Rec Landscaping & High Wire Climbing | I Ross       | 40                      | 0                   | 38      | 2       | 0       | 0       | 0       |

| Capital Ref                                      | Description  | Lead Officer   | Capital Scheme Approval | Spend to March 2011 | Budget       |            |            |            |          |
|--|--|----------------|-------------------------|---------------------|--------------|------------|------------|------------|----------|
|  |  |                |                         |                     | 2011/12      | 2012/13    | 2013/14    | 2014/15    | 2015/16  |
|  |  |                |                         |                     | £000         | £000       | £000       | £000       | £000     |
| SC488  | Coleridge Rec Informal Games Area                                    | I Ross         | 55                      | 0                   | 53           | 2          | 0          | 0          | 0        |
| SC489  | Coleridge Rec Tennis Court   | I Ross         | 67                      | 0                   | 65           | 2          | 0          | 0          | 0        |
| SC490  | Dundee Close Play Area   | I Ross         | 48                      | 0                   | 46           | 2          | 0          | 0          | 0        |
| SC491  | Public Information in Play & Recreation Areas                        | I Ross         | 125                     | 0                   | 125          | 0          | 0          | 0          | 0        |
| SC492  | Jesus Green Play Area  | I Ross         | 178                     | 0                   | 175          | 3          | 0          | 0          | 0        |
| SC493  | Jesus Green Tennis Court   | I Ross         | 92                      | 0                   | 90           | 2          | 0          | 0          | 0        |
| SC494  | Kings Hedges "Pulley" Play Area                                      | I Ross         | 75                      | 0                   | 73           | 2          | 0          | 0          | 0        |
| SC495  | The Meadows Outdoor Rec Area   | I Ross         | 62                      | 0                   | 60           | 2          | 0          | 0          | 0        |
| SC496  | Petersfield Play Area  | I Ross         | 78                      | 0                   | 76           | 2          | 0          | 0          | 0        |
| SC497  | Peveral Road Play Area   | I Ross         | 88                      | 0                   | 85           | 3          | 0          | 0          | 0        |
| SC498  | Picnic & BBQ Facilities in City Parks                                | A Wilson       | 54                      | 0                   | 54           | 0          | 0          | 0          | 0        |
| SC499  | Outdoor Fitness Equipment in Parks                                   | I Ross         | 120                     | 0                   | 120          | 0          | 0          | 0          | 0        |
| SC500  | Trumpington Rec Outdoor Space  | I Ross         | 48                      | 0                   | 46           | 2          | 0          | 0          | 0        |
| SC501  | Woodhead Drive Play Area   | I Ross         | 50                      | 0                   | 48           | 2          | 0          | 0          | 0        |
| SC512  | Hobbs Pavilion Refurbishment   | I Ross         | 240                     | 0                   | 240          | 0          | 0          | 0          | 0        |
| Capital-GF Projects                              |  |                | 5,706                   | 851                 | 4,251        | 707        | 5          | 0          | 0        |
| Capital - Programmes                             |  |                |                         |                     |              |            |            |            |          |
| PR010  | Environmental Improvements Programme                                 | D Foley-Norman |                         | 1,078               | 0            | 0          | 0          | 0          | 0        |
| PR010a   | Environmental Improvements Programme - North Area                    | D Foley-Norman |                         | 560                 | 125          | 59         | 59         | 59         | 0        |
| PR010b   | Environmental Improvements Programme - South Area                    | D Foley-Norman |                         | 291                 | 126          | 42         | 42         | 42         | 0        |
| PR010c   | Environmental Improvements Programme - West/Central Area             | D Foley-Norman |                         | 250                 | 156          | 43         | 43         | 43         | 0        |
| PR010d   | Environmental Improvements Programme - East Area                     | D Foley-Norman |                         | 333                 | 298          | 56         | 56         | 56         | 0        |
| PR010di  | Environmental Improvements Programme - Riverside/Abbey Road Junction | D Foley-Norman |                         | 330                 | 307          | 0          | 0          | 0          | 0        |
| PR010j   | Environmental Improvements Programme - Fitzroy/Burleigh Street       | D Foley-Norman |                         | 98                  | 87           | 0          | 0          | 0          | 0        |
| PR010k   | Environmental Improvements Programme - Wulfstan Way Local Centre     | A Preston      | 174                     | 0                   | 174          | 0          | 0          | 0          | 0        |
| Capital-Programmes                               |  |                | 174                     | 2,939               | 1,273        | 200        | 200        | 200        | 0        |
| <b>Total for Arts, Sport &amp; Public Places</b> |  |                | <b>5,880</b>            | <b>3,790</b>        | <b>5,524</b> | <b>907</b> | <b>205</b> | <b>200</b> | <b>0</b> |

| Capital Ref                              | Description   | Lead Officer | Capital Scheme Approval | Spend to March 2011 | Budget  |         |         |         |         |
|--|---|--------------|-------------------------|---------------------|---------|---------|---------|---------|---------|
|  |   |              |                         |                     | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|  |   |              |                         |                     | £000    | £000    | £000    | £000    | £000    |
| Community Development & Health           |   |              |                         |                     |         |         |         |         |         |
| Capital -GF Projects                     |   |              |                         |                     |         |         |         |         |         |
| SC106                                    | Enhance Existing Community Facilities - East Chesterton | T Woollams   | 145                     | 118                 | 27      | 0       | 0       | 0       | 0       |
| SC283                                    | City Centre Youth Venue                                 | T Woollams   | 100                     | 0                   | 100     | 0       | 0       | 0       | 0       |
| SC351                                    | Memorial Choice   | T Lawrence   | 110                     | 105                 | 5       | 0       | 0       | 0       | 0       |
| SC379                                    | Mercury Abatement                                       | T Lawrence   | 2,023                   | 29                  | 1,995   | 0       | 0       | 0       | 0       |
| SC385                                    | Energy Efficiency Programme - Meadows                   | T Woollams   | 62                      | 43                  | 19      | 0       | 0       | 0       | 0       |
| SC406                                    | The Junction Development Programme                      | T Woollams   | 130                     | 128                 | 2       | 0       | 0       | 0       | 0       |
| SC440                                    | King George V Rec Ground (consolidated)                 | T Woollams   | 458                     | 426                 | 32      | 0       | 0       | 0       | 0       |
| SC503                                    | CCTV Technology Upgrade                                 | M Beaumont   | 150                     | 0                   | 150     | 0       | 0       | 0       | 0       |
| SC513                                    | Crematory Refurbishment                                 | T Lawrence   | 206                     | 0                   | 206     | 0       | 0       | 0       | 0       |
| SC514                                    | Petersfield Area Play Equipment                         | A Wilson     | 55                      | 0                   | 0       | 55      | 0       | 0       | 0       |
| SC515                                    | Replacement CCTV Cameras                                | M Beaumont   | 70                      | 0                   | 70      | 0       | 0       | 0       | 0       |
| Capital-GF Projects                      |   |              | 3,509                   | 850                 | 2,606   | 55      | 0       | 0       | 0       |
| Capital - Programmes                     |   |              |                         |                     |         |         |         |         |         |
| PR006                                    | Safer City Programme                                    | L Kilkelly   | 302                     | 503                 | 17      | 17      | 17      | 17      | 0       |
| PR025                                    | New Town Community Development Capital Grants Programme | T Woollams   | 130                     | 6                   | 124     | 0       | 0       | 0       | 0       |
| PR026                                    | Community Development Grants Programme                  | T Woollams   | 800                     | 0                   | 150     | 350     | 300     | 0       | 0       |
| Capital-Programmes                       |   |              | 1,232                   | 508                 | 291     | 367     | 317     | 17      | 0       |
| Total for Community Development & Health |   |              | 4,741                   | 1,358               | 2,897   | 422     | 317     | 17      | 0       |

## Housing

|                      |                                   |            |     |    |     |   |   |   |   |
|----------------------|-----------------------------------|------------|-----|----|-----|---|---|---|---|
| Capital -GF Projects |                                   |            |     |    |     |   |   |   |   |
| SC163                | Compulsory Purchase Orders (CPOs) | S Anderson | 411 | 11 | 400 | 0 | 0 | 0 | 0 |

| Capital Ref              | Description                          | Lead Officer | Capital Scheme Approval | Spend to March 2011 | Budget        |              |              |              |              |
|--------------------------|--------------------------------------|--------------|-------------------------|---------------------|---------------|--------------|--------------|--------------|--------------|
|                          |                                      |              |                         |                     | 2011/12       | 2012/13      | 2013/14      | 2014/15      | 2015/16      |
|                          |                                      |              |                         |                     | £000          | £000         | £000         | £000         | £000         |
| SC386                    | HMOs - Management Orders             | S Anderson   | 50                      | 0                   | 50            | 0            | 0            | 0            | 0            |
| SC414                    | Landlord Accreditation Scheme        | J Dicks      | 100                     | 28                  | 72            | 0            | 0            | 0            | 0            |
| Capital-GF Projects      |                                      |              | 561                     | 39                  | 522           | 0            | 0            | 0            | 0            |
| Capital - Programmes     |                                      |              |                         |                     |               |              |              |              |              |
| PR001                    | Housing Capital Investment Programme | J Hovells    | 0                       | 0                   | 20,669        | 8,033        | 7,932        | 8,034        | 6,797        |
| Capital-Programmes       |                                      |              | 0                       | 0                   | 20,669        | 8,033        | 7,932        | 8,034        | 6,797        |
| <b>Total for Housing</b> |                                      |              | <b>561</b>              | <b>39</b>           | <b>21,191</b> | <b>8,033</b> | <b>7,932</b> | <b>8,034</b> | <b>6,797</b> |

## Environmental & Waste Services

|  |   |             |            |               |              |            |            |            |          |
|--|---|-------------|------------|---------------|--------------|------------|------------|------------|----------|
| Capital -GF Projects                                       |   |             |            |               |              |            |            |            |          |
| SC423  | Recycling Bins for Flats                      | J Robertson | 185        | 58            | 127          | 0          | 0          | 0          | 0        |
| SC466  | Air Monitoring Equipment                      | J Dicks     | 120        | 0             | 120          | 0          | 0          | 0          | 0        |
| SC511  | Route Optimisation Software                   | C Hipwood   | 15         | 0             | 15           | 0          | 0          | 0          | 0        |
| Capital-GF Projects  |   |             | 320        | 58            | 262          | 0          | 0          | 0          | 0        |
| Capital - Programmes                                       |   |             |            |               |              |            |            |            |          |
| PR016  | Public Conveniences                           | B Carter    |            | 2,286         | 363          | 150        | 0          | 0          | 0        |
| PR017  | City Services - Vehicle Replacement Programme | D Cox       |            | 7,956         | 611          | 540        | 960        | 750        | 0        |
| Capital-Programmes   |   |             | 0          | 10,241        | 974          | 690        | 960        | 750        | 0        |
| <b>Total For Environmental Health &amp; Waste Services</b> |   |             | <b>320</b> | <b>10,299</b> | <b>1,236</b> | <b>690</b> | <b>960</b> | <b>750</b> | <b>0</b> |

## Planning & Sustainable Transport

|                     |                                   |           |    |    |    |   |   |   |   |
|---------------------|-----------------------------------|-----------|----|----|----|---|---|---|---|
| Capital-GF Projects |                                   |           |    |    |    |   |   |   |   |
| SC033B              | CCTV Street Lighting              | A Preston | 47 | 7  | 40 | 0 | 0 | 0 | 0 |
| SC366               | Green Parking Bays                | S Cleary  | 5  | 3  | 2  | 0 | 0 | 0 | 0 |
| SC368               | GIS Phase 2 & 3                   | P Boucher | 57 | 12 | 1  | 0 | 0 | 0 | 0 |
| SC416               | UNIform e-consultee Access Module | P Boucher | 15 | 5  | 10 | 0 | 0 | 0 | 0 |

| Capital Ref   | Description  | Lead Officer   | Capital Scheme Approval | Spend to March 2011 | Budget       |            |            |            |          |
|---|--|----------------|-------------------------|---------------------|--------------|------------|------------|------------|----------|
|   |  |                |                         |                     | 2011/12      | 2012/13    | 2013/14    | 2014/15    | 2015/16  |
|   |  |                |                         |                     | £000         | £000       | £000       | £000       | £000     |
| SC417   | Development of UNIFORM System                                | P Boucher      | 15                      | 1                   | 14           | 0          | 0          | 0          | 0        |
| SC420   | Corrosion Monitoring System at Park Street                   | S Cleary       | 47                      | 45                  | 2            | 0          | 0          | 0          | 0        |
| SC421   | E&P Server Replacements                                      | P Boucher      | 55                      | 50                  | 5            | 0          | 0          | 0          | 0        |
| SC439   | LED Lighting - Grand Arcade Annex Car Park                   | S Cleary       | 120                     | 5                   | 115          | 0          | 0          | 0          | 0        |
| SC445   | Monitors for use with Document Management System             | P Boucher      | 30                      | 29                  | 6            | 0          | 0          | 0          | 0        |
| SC448   | Rebuild Grafton West Car Park Wall at Salmon Lane            | S Cleary       | 100                     | 5                   | 95           | 0          | 0          | 0          | 0        |
| SC449   | Holy Trinity War Memorial Shelter                            | J Preston      | 24                      | 1                   | 23           | 0          | 0          | 0          | 0        |
| SC504   | Solar PV Panel Installation                                  | B Hadfield     | 224                     | 0                   | 224          | 0          | 0          | 0          | 0        |
| SC505   | Land Explorer Software                                       | G Richardson   | 10                      | 0                   | 10           | 0          | 0          | 0          | 0        |
| SC506   | Replacement Grand Arcade Car Park Pay on Foot Machines       | S Cleary       | 400                     | 0                   | 0            | 400        | 0          | 0          | 0        |
| SC510   | Chip & Pin Upgrade in Car Parks                              | S Cleary       | 80                      | 0                   | 80           | 0          | 0          | 0          | 0        |
| Capital-GF Projects                                   |  |                | 1,229                   | 163                 | 627          | 400        | 0          | 0          | 0        |
| Capital - Programmes                                  |  |                |                         |                     |              |            |            |            |          |
| PR007   | Cycleways  | C Rankin       |                         | 1,216               | 245          | 100        | 100        | 100        | 0        |
| PR014   | Environmental Safety Fund                                    | D Foley-Norman |                         | 83                  | 16           | 0          | 0          | 0          | 0        |
| PR018   | Bus Shelters   | A Preston      | 250                     | 154                 | 221          | 0          | 0          | 0          | 0        |
| PR019   | Car Parks Infrastructure and Equipment Replacement Programme | S Cleary       | 1,748                   | 819                 | 726          | 269        | 244        | 789        | 0        |
| Capital-Programmes                                    |  |                | 1,998                   | 2,272               | 1,208        | 369        | 344        | 889        | 0        |
| <b>Total for Planning &amp; Sustainable Transport</b> |  |                | <b>3,227</b>            | <b>2,435</b>        | <b>1,835</b> | <b>769</b> | <b>344</b> | <b>889</b> | <b>0</b> |

## Customer Services & Resources

|                       |   |           |       |       |     |     |    |   |   |
|-----------------------|---|-----------|-------|-------|-----|-----|----|---|---|
| Capital – GF Projects |   |           |       |       |     |     |    |   |   |
| SC192                 | Development Land on the North Side of Kings Hedges Road | P Doggett | 5,568 | 5,135 | 182 | 178 | 74 | 0 | 0 |
| SC221b                | Lion Yard - Contribution to Works                       | P Doggett | 1,583 | 20    | 931 | 942 | 0  | 0 | 0 |
| SC312                 | Automated Energy Monitoring System                      | J Stocker | 35    | 12    | 23  | 0   | 0  | 0 | 0 |

| Capital Ref  | Description                                       | Lead Officer  | Capital Scheme Approval | Spend to March 2011 | Budget        |               |               |               |              |
|--|---|---------------|-------------------------|---------------------|---------------|---------------|---------------|---------------|--------------|
|  |   |               |                         |                     | 2011/12       | 2012/13       | 2013/14       | 2014/15       | 2015/16      |
|  |   |               |                         |                     | £000          | £000          | £000          | £000          | £000         |
| SC329  | Corporate Document Management (DIP & EDRM)        | J Nightingale | 978                     | 523                 | 454           | 0             | 0             | 0             | 0            |
| SC335  | Customer Access Strategy - IT Workstream          | C Bolton      | 773                     | 516                 | 122           | 0             | 0             | 0             | 0            |
| SC361  | Disabled Access and Facilities - Guildhall Halls  | G Saxby       | 80                      | 0                   | 80            | 0             | 0             | 0             | 0            |
| SC362  | Lighting and Power in Committee Rooms             | J Stocker     | 15                      | 0                   | 15            | 0             | 0             | 0             | 0            |
| SC391  | La Mimosa Punting Station                         | P Doggett     | 10                      | 0                   | 10            | 0             | 0             | 0             | 0            |
| SC427  | Oracle Financials Server                          | J Minns       | 67                      | 0                   | 50            | 0             | 0             | 0             | 0            |
| SC429  | Telephony System Upgrade                          | J Nightingale | 70                      | 0                   | 20            | 50            | 0             | 0             | 0            |
| SC458  | Capita Re-Licence                                 | J James       | 61                      | 56                  | 5             | 0             | 0             | 0             | 0            |
| SC507  | Visit Cambridge Website                           | E Thornton    | 30                      | 0                   | 30            | 0             | 0             | 0             | 0            |
| SC508  | E-Benefits  | J Frost       | 47                      | 30                  | 17            | 0             | 0             | 0             | 0            |
| SC509  | Electric Courier Van                              | J James       | 14                      | 0                   | 14            | 0             | 0             | 0             | 0            |
| Capital-GF Projects                                |   |               | 9,331                   | 6,292               | 1,953         | 1,170         | 74            | 0             | 0            |
| Capital - Programmes                               |   |               |                         |                     |               |               |               |               |              |
| PR003  | City Centre Management Programme                  | E Thornton    | 174                     | 326                 | 20            | 20            | 20            | 20            | 0            |
| PR020  | ICT Infrastructure Programme                      | J Nightingale | 2,470                   | 658                 | 929           | 475           | 211           | 300           | 220          |
| PR023  | Admin Buildings Asset Replacement Programme       | J Stocker     | 427                     | 306                 | 68            | 88            | 40            | 70            | 48           |
| PR024  | Commercial Properties Asset Replacement Programme | J Stocker     | 581                     | 85                  | 63            | 77            | 347           | 20            | 230          |
| Capital-Programmes                                 |   |               | 3,652                   | 1,375               | 1,080         | 660           | 618           | 410           | 498          |
| <b>Total for Customer Services &amp; Resources</b> |   |               | <b>12,983</b>           | <b>7,667</b>        | <b>3,033</b>  | <b>1,830</b>  | <b>692</b>    | <b>410</b>    | <b>498</b>   |
|  |   |               |                         |                     |               |               |               |               |              |
| <b>Total Capital Projects</b>                      |   |               | <b>20,656</b>           | <b>8,253</b>        | <b>10,221</b> | <b>2,332</b>  | <b>79</b>     | <b>0</b>      | <b>0</b>     |
| <b>Total Capital Programmes</b>                    |   |               | <b>6,882</b>            | <b>17,336</b>       | <b>25,495</b> | <b>10,319</b> | <b>10,371</b> | <b>10,300</b> | <b>7,295</b> |
|  |   |               |                         |                     |               |               |               |               |              |
| <b>Total Capital &amp; Projects Plan</b>           |   |               | <b>27,712</b>           | <b>25,589</b>       | <b>35,716</b> | <b>12,651</b> | <b>10,450</b> | <b>10,300</b> | <b>7,295</b> |

# Appendix H (b)

## Housing Capital Plan

| Description   | 2011/12        | 2012/13        | 2013/14        | 2014/15        | 2015/16        |
|---|----------------|----------------|----------------|----------------|----------------|
|   | £000           | £000           | £000           | £000           | £000           |
| General Fund Housing Capital Spend  |                |                |                |                |                |
| Investment in Affordable Housing (Including Developer's Contributions)                            | 0              | 0              | 0              | 0              | 0              |
| Other General Fund Housing  | 3,557          | 802            | 765            | 765            | 765            |
| Total General Fund Housing Capital Spend  | <b>3,557</b>   | <b>802</b>     | <b>765</b>     | <b>765</b>     | <b>765</b>     |
| HRA Capital Spend   |                |                |                |                |                |
| Decent Homes Programme  | 5,342          | 4,325          | 4,521          | 4,723          | 3,586          |
| Other Spend on HRA Stock  | 4,222          | 2,116          | 2,116          | 2,016          | 1,916          |
| HRA New Build   | 1,606          | 0              | 0              | 0              | 0              |
| Cambridge Standard Works  | 455            | 200            | 200            | 200            | 200            |
| Sheltered Housing Capital Investment  | 5,095          | 60             | 0              | 0              | 0              |
| Other HRA Capital Spend   | 392            | 530            | 330            | 330            | 330            |
| Total HRA Capital Spend   | 5,342          | 4,325          | 4,521          | 4,723          | 3,586          |
| Total Housing Capital Spend   | <b>20,669</b>  | <b>8,033</b>   | <b>7,932</b>   | <b>8,034</b>   | <b>6,797</b>   |
| Housing Capital Resources   |                |                |                |                |                |
| Right to Buy Receipts   | (344)          | (275)          | (207)          | (172)          | (137)          |
| Other Capital Receipts (Land and Dwellings)   | 0              | 0              | 0              | 0              | 0              |
| Major Repairs Allowance (MRA)   | (5,119)        | (5,068)        | (5,054)        | (5,045)        | (5,041)        |
| Direct Revenue Financing of Capital   | (2,972)        | (2,708)        | (3,086)        | (3,093)        | (2,564)        |
| Other Capital Resources (Grants / Shared Ownership / R&R Funding)                                 | (611)          | (562)          | (562)          | (562)          | (562)          |
| Developer's Contributions (Affordable Housing)  | (331)          | 0              | 0              | 0              | 0              |
| Prudential Borrowing  | (283)          | 0              | 0              | 0              | 0              |
| Total Housing Capital Resources   | <b>(9,660)</b> | <b>(8,613)</b> | <b>(8,909)</b> | <b>(8,872)</b> | <b>(8,304)</b> |
| Net (Surplus) / Deficit of Resources  | 11,009         | (580)          | (977)          | (838)          | (1,507)        |
| Capital Balances b/f  | (13,794)       | (3,688)        | (3,423)        | (3,127)        | (2,796)        |
| Use of / (Contribution to) Balances in Year   | 11,009         | (580)          | (977)          | (838)          | (1,507)        |
| Ear-Marked for Future Investment in HRA Stock   | 0              | 845            | 1,273          | 1,169          | 1,873          |
| Ear-Marked for Future Investment in Affordable Housing / (Use of Previously Ear-Marked Resources) | (903)          | 0              | 0              | 0              | 0              |
| Capital resources remaining to fund future Housing Investment Programme                           | <b>(3,688)</b> | <b>(3,423)</b> | <b>(3,127)</b> | <b>(2,796)</b> | <b>(2,430)</b> |



# Appendix H (c)

## Capital Financing

| Category                                  | 2011/12<br>£000 | 2012/13<br>£000 | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>External Support</b>                   |                 |                 |                 |                 |                 |
| Basic Credit Approval (BCA)               | (0)             | (0)             | (0)             | (0)             | (0)             |
| Specified Capital Grants (SCG)            | (296)           | (262)           | (262)           | (262)           | (262)           |
| Supplementary Credit Approvals (SCA)      | (0)             | (0)             | (0)             | (0)             | (0)             |
| Deferred Capital Contributions            | (0)             | (0)             | (0)             | (0)             | (0)             |
| Other Sources                             | (395)           | (55)            | (55)            | (50)            | (0)             |
| Major Repairs Allowance (MRA)             | (5,119)         | (5,068)         | (5,054)         | (5,045)         | (5,041)         |
| Developer Contributions                   | (4,402)         | (1,051)         | (300)           | (0)             | (0)             |
| <b>TOTAL</b>                              | <b>(10,212)</b> | <b>(6,436)</b>  | <b>(5,671)</b>  | <b>(5,357)</b>  | <b>(5,303)</b>  |
| <b>Cambridge City Council</b>             |                 |                 |                 |                 |                 |
| <b>Direct Revenue Financing (DRF)</b>     |                 |                 |                 |                 |                 |
| - Housing Revenue Account                 | (2,972)         | (2,685)         | (3,062)         | (3,061)         | (2,538)         |
| - General Fund Services                   | (62)            | (0)             | (0)             | (0)             | (0)             |
| - Use of Reserves                         | (4,511)         | (1,381)         | (1,380)         | (1,380)         | (1,380)         |
| - Temporary Use of Reserves               | (55)            | (0)             | (0)             | (0)             | (0)             |
| - HRA Capital Balances                    | (11,014)        | 557             | 953             | 806             | 1,481           |
| <b>Use of Earmarked or Specific Funds</b> |                 |                 |                 |                 |                 |
| - Repair & Renewals Funds                 | (4,242)         | (1,899)         | (1,802)         | (1,929)         | (498)           |
| - Technology Investment Fund              | (135)           | (0)             | (0)             | (0)             | (0)             |
| - Capital Contributions                   | (1,164)         | (942)           | (0)             | (0)             | (0)             |
| <b>Other</b>                              |                 |                 |                 |                 |                 |
| Usable Capital Receipts                   | (1,226)         | (808)           | (581)           | (472)           | (437)           |
| Prudential Borrowing                      | (283)           | (0)             | (0)             | (0)             | (0)             |
| <b>TOTAL</b>                              | <b>(25,664)</b> | <b>(7,158)</b>  | <b>(5,872)</b>  | <b>(6,036)</b>  | <b>(3,372)</b>  |
| <b>TOTAL AVAILABLE FINANCE</b>            | <b>(35,876)</b> | <b>(13,594)</b> | <b>(11,543)</b> | <b>(11,393)</b> | <b>(8,675)</b>  |

# Appendix I

## Cash Limit Calculation 2012/13

|      |                                 | Inflated Base<br>Budget<br>£ '000s |
|------|---------------------------------|------------------------------------|
|      | General Fund Portfolio Totals   | 16,348                             |
| Add  | Priority Policy Fund            | 500                                |
|      | Unavoidable costs               | 769                                |
|      | Contribution to capital         | 1,381                              |
|      | Contribution to Efficiency Fund | 200                                |
| Less | Capital Adjustments Account     | (2,757)                            |
|      | Use of Reserves                 | 464                                |
|      | Council Tax income              | (7,064)                            |
|      | Total External Support          | (8,599)                            |
|      | Reduction Target                | (1,242)                            |

# Appendix J

## Treasury Management – Revised Counterparty List

| Institution Category                     | Minimum “High” Credit Criteria   |
|--|--|
| All UK Local Authorities                 | N/A  |
| All UK Passenger Transport Authorities   | N/A  |
| All UK Police Authorities                | N/A  |
| All UK Fire Authorities                  | N/A  |
| All UK Nationalised Industries           | N/A  |
| Debt Management Account Deposit Facility | N/A  |
| UK Nationalised Banks                    | In accordance with SECTOR's creditworthiness service (see below)   |
| Other UK Banks & Building Societies      | In accordance with SECTOR's creditworthiness service (see below)   |
| UK Subsidiaries of Foreign Institutions  | Where the parent company both meets our lending criteria, <u>and</u> resides in a country with a sovereign rating of AAA |

The following countries currently have a sovereign rating of AAA:  
Canada, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, United Kingdom, United States.

## Sector Creditworthiness Service - colour duration bands

| Colour    | Maximum Investment Period   |
|-----------|---|
| Purple    | 2 years   |
| Blue      | 1 year (only applies to nationalised or semi-nationalised UK Banks) |
| Orange    | 1 year  |
| Red       | 6 months  |
| Green     | 3 months  |
| No Colour | Not to be used  |

## Current Counterparty List

The full listing of approved counterparties is shown below, showing the category under which the counterparty has been approved, and the appropriate investment limit:

| Name                                     | Colour | Category                      | Limit |
|--|--------|-------------------------------|-------|
| All UK Local Authorities                 | N/A    | Local Authority               | £6m   |
| All UK Passenger Transport Authorities   | N/A    | Passenger Transport Authority | £6m   |
| All UK Police Authorities                | N/A    | Police Authority              | £6m   |
| All UK Fire Authorities                  | N/A    | Fire Authority                | £6m   |
| All UK Nationalised Industries           | N/A    | Nationalised Industry         | £6m   |
| Debt Management Account Deposit Facility | N/A    | DMADF                         | None  |
| Barclays Bank Plc                        | Red    | UK Bank                       | £8m   |
| HSBC Bank Plc                            | Orange | UK Bank                       | £15m  |
| Standard Chartered Bank                  | Red    | UK Bank                       | £8m   |
| Bank of Scotland Plc                     | Blue   | UK Nationalised Bank          | £8m   |
| Lloyds TSB Bank Plc                      | Blue   | UK Nationalised Bank          | £8m   |
| National Westminster Bank Plc            | Blue   | UK Nationalised Bank          | £8m   |
| The Royal Bank of Scotland Plc           | Blue   | UK Nationalised Bank          | £8m   |
| Ulster Bank Ltd                          | Blue   | UK Nationalised Bank          | £8m   |
| Nationwide Building Society              | Red    | UK Building Society           | £8m   |

For banks within the same Banking Group there is an additional Group limit of £12m (1.5 times the individual limit).

Due to the recent reduction in the Sovereign rating of Spain from AAA to AA+, Santander UK Plc (a UK subsidiary of the Santander Group) have been removed from the counterparty list.

# Appendix K

## Significant Events

| Topic  | Indicative Value                       | 2011/12   | 2012/13                       | 2013/14  | 2014/15   | 2015/16               |
|--|--|---|-------------------------------|--|---|-----------------------|
| Spending Review                                  | £12.4m                                 | Future frequency to be agreed   |                               |  |   |                       |
| VAT Partial exemption                            | c. £500k if breached                   | Potential liability if limit is breached in successive years  |                               |  |   |                       |
| Elections  | n/a                                    | City: 27 July 2011  | City: 25 July 2012            | County: 2 May 2013                                 | City: 1 May 2014  | City: to be confirmed |
| National Census                                  | n/a                                    | Census results may feed into the government funding settlement for 2013/14 and will inform the next Spending Review |                               |  |   |                       |
| CLG / Treasury Review of Council Housing Finance | n/a                                    | Voluntary implementation using existing legislation   |                               | Implementation through new legislation             |   |                       |
| Pension Fund Triennial Actuarial Review          | +/- 1% GF<br>£ 219,000 HRA<br>£ 85,000 | First anticipated change in employer contributions resulting from revaluation                                       |                               | Triennial revaluation on position at 31 March 2013 | First anticipated change in employer contributions resulting from revaluation |                       |
| Refurbishment of Brandon Court                   | c. £3.6m                               |   | Anticipated completion        |  |   |                       |
| Cherry Hinton Hall Park redevelopment            | c £1.0m                                | Heritage Lottery bid  | Improvement works             |  |   |                       |
| Zion Baptist Church                              | c. £3.5m                               | Building completion and hand back by January 2012   |                               |  |   |                       |
| Lion Yard  | £1.8m                                  | Works subject to agreement of toilet provision  |                               |  |   |                       |
| Mercury Abatement                                | c. £1.8m                               | Installation by February 2012   |                               |  |   |                       |
| Temporary & Casual Staff management              | £2.0m                                  | Review options in Nov 2011  |                               |  |   |                       |
| ICT Contract                                     | c. £2.0m pa                            | 2 year contract extension from July 2011  |                               | Contract expires June 2013                         |   |                       |
| Leisure Contract Renewal                         | c. £0.6m pa                            |   | Full tender options appraisal | Leisure Contract expires September 2013            |   |                       |

# Appendix L

## Sensitivity Analysis

| Topic                           | Quantum                      | MTS Assumption   | Risk  |
|---------------------------------|------------------------------|--|---|
| Employer's Pension Contribution | £35m                         | BSR includes provision for increases of 0.75% from 2011/12 to 2016/17  | Assumptions on life expectancy and negative market effects on the value of assets in the Pension Fund leading to increased employer contribution requirements above the level of provision already made   |
| Pay Settlement                  | £35m                         | In line with Government guidance, 0% in 2011/12 and 2012/13 – then 2.5% ongoing.   | Actual pay award settlements are agreed at a higher level, mitigated by central government's proposal for 0% increases for the public sector in 2011/12 and 2012/13   |
| Developer Contributions         | c. £5.9m                     | All contributions are used in compliance with terms of agreements  | <p>Failure to meet conditions of individual schemes leads to the requirement to repay contributions and accrued interest to developers.</p> <p>Developers seek to renegotiate current agreements in order to improve the viability of their schemes putting at risk the ability to deliver essential infrastructure</p> <p>If the Community Infrastructure Levy is implemented this may reduce income from individual developments.</p> |
| Energy costs (all)              | £1.2m                        | Officer assessment of current conditions and trends, based on latest contracts   | Volatility of world market prices   |
| Future Capital Receipts         | Income                       | Occasional disposal of assets as outlined in the Disposal Programme. Income not taken into account until received.   | Market conditions significantly reduce the value of Council assets with the associated reduced level of funding available for new capital investment. Purchaser's ability to buy is limited due to financing constraints.   |
| Investment Income               | +/- 1% is c£500k for 2012/13 | Assumptions are shown in Appendix D. These are based on a mid-range level provided by market analysts.   | <p>Rates fall further than anticipated or for a longer period.</p> <p>A shorter period of recession or a less steep decline in rates would result in increase in investment income. (Positive)</p>  |
| Non-Pay inflation               |                              | General inflation on expenditure - included at 2.7% (CPIY June 2011). General inflation provision from 2013/14 onwards has been included at 2% (based on the Government target for CPI inflation). | General Inflation rises more quickly than anticipated placing greater pressure on cash limited budgets or on General Reserves to fund those pressures.  |

| Topic                       | Quantum    | MTS Assumption   | Risk   |
|-----------------------------|------------|--|--|
| <b>General Fund</b>         |            |  |  |
| Housing Benefits            |            | Officer assessment of current conditions and trends                              | Council funded element of provision of the service.<br>Potential increase in Housing Benefit fraud   |
| Council Tax Income          | £7.0m p.a. | 0% increase for 2011/12, 2.0% for 2012/13 and ongoing are built into projections | Capping criteria are set retrospectively and breaching the criteria could lead to a requirement for rebilling and associated costs together with the loss of Council Tax income. Economic climate may require an increase in enforcement activity.   |
| Car Parking Income          | c. £8.8m   | Based on Officer and external consultants' projections of usage                  | Economic downturn reduces usage and/or increased use of Park & Ride and impact of new guided bus.  |
| Bereavement Services Income | £1.4m      | Current mortality rates built into BSR assumptions                               | Falling mortality rate [yet ageing population in Cambridge]<br>Opening of competitor facilities (new Crematorium opening in town of March during 2010) further planning applications are anticipated in view of the expansion of Cambridge sub region and the comparatively low investment required for a profitable new build crematorium with private sector operating costs<br><br>Success of Commemoration scheme (Positive) |
| Planning Fee Income         | c. £1.0m   | Income projections are consistent with the basis for the 2011/12 budget          | Impact of economic downturn is greater or longer than anticipated  |
| Building Control Fee Income | c. £0.5m   | Based on break-even full cost recovery position for the Building Control Service | Impact of economic downturn is greater or longer than anticipated<br><br>Increased competition from approved inspectors leading to smaller market share<br><br>New LABC fees guidance leads to significant over or under-recovery of costs   |
| Corn Exchange Income        | c. £1.4m   | Based on Officer projections of attendance                                       | Economic downturn leads to fall in attendances.<br><br>Social change leads to lower attendance at live concerts  |
| Folk Festival Income        | c. £1.5m   | Based on assumption that all tickets will be sold                                | Economic downturn leads to fall in attendances (as in 2010) and/or failure to retain sponsorship   |
| Market Income               | c. £0.7m   | Officer assessment of current market conditions and future trends                | Increased level of voids as a result of the current economic climate, mitigated by new traders coming to the market as we seek to widen the range of services on the market and the cost of business premises is prohibitive for start-ups.  |
| Commercial Property Income  | c. £7.2m   | Officer assessment of current market conditions and future trends                | Economic conditions lead to increase in voids, increased level of unrecoverable debts, less significant rent increases.  |

| Topic                          | Quantum  | MTS Assumption  | Risk  |
|--------------------------------|----------|---|---|
| Land Charges Income            | c. £0.2m | Reductions based on latest experience have been incorporated  | Increased proportion of personal searches and reduced number of overall searches due to market conditions.<br>Potential loss of ability to charge for Personal Searches following a decision by the Information Commissioner.   |
| <b>Housing Revenue Account</b> |          |   |   |
| Housing Rent Collection        |          | Budgeted costs based on historic enforcement activity.  | Economic climate may require an increase in enforcement activity.   |
| Housing Rents                  |          | Based on assumption that actual rent increases are imposed in line with guideline rent increases as per the HRA Subsidy Determination, with convergence in 2015/16. Continuation of caps and limits compensation is also assumed <i>(subject to impact of Self Financing below)</i> | To avoid penalty in the subsidy system, actual rent increases have needed to follow increases in guideline rents. Any decision to deviate from this would have a significant negative financial impact for the HRA, in turn putting pressure on the Council's ability to invest in meeting and maintaining decent homes standards in the housing stock. Any further change in convergence date could have a detrimental financial impact on the HRA. <i>(subject to impact of Self Financing below)</i> |
| HRA Self Financing             |          | Major changes to be implemented from 1 April 2012   | Revenue funding for the HRA may not be improved as anticipated by the introduction of a self-financing system.<br><br>Change in government policy leads to inability to build own social housing stock.   |



# Appendix M

## Areas of Uncertainty

| All Funds - Area of Uncertainty  |
|--|
| Rating Revaluation Appeals   |
| The Council is reviewing the 2010 valuation list, which may raise additional issues to those recently completed for the 2005 list. The property team will consider the need to register challenges.  |
| External Contracts   |
| A contract base usually includes provision for inflation and built in savings targets. Whilst re-tendering may offer further savings, the Council retains the option of contract extension, where available in the original contractual documents.   |
| VAT: Partial Exemption   |
| The calculation has previously been close to the threshold. However, actions to 'opt to tax' on selected assets has reduced the potential of a breach and the associated cost implications in terms of non-recoverable VAT. If the threshold is increased or removed altogether, then it will give the Council more scope to recover Input Tax which was previously irrecoverable. The impact of the mercury abatement project has been mitigated by agreement with HM Revenue & Customs   |
| Capital Issues   |
| There is uncertainty regarding a number of capital related issues. These include: adequacy of Repairs and Renewal Funds availability of funding from General Reserves the timely use of Section 106 funds the acquisition, sale or retention of property throughout the City   |
| Regional Growth  |
| There will be significant implications for the Council from the impact and timing of the Growth Agenda, both within the City and in the wider sub-region. The Council is working in partnership with neighbouring authorities to determine the capital and revenue consequences. Revenue pressures are anticipated in terms of increased demand on a number of services. A provision is maintained through the Council Tax for Growth fund is available for project arising directly from the impact of growth.  |
| Boundary Change  |
| Cambridge City Council and South Cambridgeshire District Council submitted a joint outline proposal to the Local Government Boundary Commission for England (LGBCE) for a review of the councils' boundaries. That proposal would have seen the new communities growing on the city's fringes brought within the City Council's local authority area. South Cambridgeshire District Council's Electoral Arrangements Committee have now recommended that the Council take no further action on the boundary review, and this recommendation was agreed at the full Council meeting on 21 July. |
| Joint Working and Services Funded Jointly with Other Organisations   |
| The future funding plans and decisions by partner organisations in such circumstances can result in pressures for the City Council, particularly where government funding has been removed or is under threat.   |

| All Funds - Area of Uncertainty   |
|---|
| Electricity & Gas prices  |
| The Council has recently re-tendered its energy contracts which have brought about significant savings. The new contract is for one year only.  |
| External Legal fees   |
| Council services require infrequent access to expert witnesses or barristers for which there is no budget provision. There may also be costs awards which are also unbudgeted and not within the SLA with Legal Services.   |
| Climate Change  |
| The impact of climate change may have broad ranging effects across the council including, inter alia, fuel pricing, housing insulation, vehicle purchase and design of new and refurbishment of existing buildings. It is not possible to quantify the financial impact of this however the Council's Climate Change Fund is available for support for appropriate projects, subject to key criteria and overall affordability. |

| General Fund Area of Uncertainty   |
|--|
| Portfolio: Strategy & Climate Change   |
| General Fund / Housing Revenue Account Transfers   |
| There is an ongoing review into the basis for the transfers relating to services shared by the whole community. This involves central overheads, corporate and democratic core and appropriations. The charges from the HRA to the General Fund are also being reviewed as part of this process.   |
| Council Tax Collection Fund deficit / surplus contributions  |
| <ul style="list-style-type: none"> <li>This has a one-off effect, and is assessed in January each year.</li> <li>Projections for 2012/13 have been provisionally included in the Medium Term Strategy and will be reassessed as part of the budget process.</li> </ul>   |
| Travellers   |
| Following the abolition of the Regional Spatial Strategies, the consultation on the Government's draft planning policy for traveller sites ended on 3 August. A new national Planning Policy Statement for traveller sites will be published in due course and appropriate budgetary considerations can be made at that time.  |
| Electoral Administration   |
| Legislative changes being introduced by the Government may increase the workload of the electoral services team significantly. Directly elected individuals (Police Commissioners) referendums (including potentially related to the Council Tax under the localism bill) and individual voter registration may add to the workload of the Democratic Services team. |
| Office Accommodation Review  |
| Work is in progress to review options across the Council's office accommodation following the opening of the new Customer Service Centre and the implications of the corporate restructure.  |

## General Fund Area of Uncertainty

### Portfolio: Planning & Sustainable Transport

#### Parking Services

Consultants have and will continue to be used to assist in forecasting income and demand for parking services, as well as with customer surveys. Current projections try and build in potential issues arising from the Grand Arcade and growth in the city and surrounding areas. However, as with all forecasting, there is uncertainty regarding a number of the assumptions made which could impact on the income projections.

- The Council's approach to dealing with 'carbon footprint' issues and the potential for the introduction of congestion charging in the City's boundaries in the longer term could impact on future car park income levels.
- A review of the overall parking portfolio, started in 2008/09, may impact on the future strategy for repair and replacement of car parks and could impact on the need for significant repair and refurbishment work currently required at Park Street Car Park in 2011/12.
- Other issues impacting on Parking services include:
  - The transfer of CCTV and Shopmobility services into Parking Services' management control.
  - Changes in retail occupancy in the city centre
  - Traffic management and transport planning strategies, particularly road pricing

### Portfolio: Environmental & Waste Services

New legislation or changes to existing legislation may have budgetary impacts, including:

- Contaminated Land - The Environmental Health team has limited resources to undertake investigations into the sites on the register. The provision of further funding will need to be considered to ensure work can be undertaken relating both to Council-owned sites and others. Sites owned by the Council may require remediation with associated cost implications.
- Landfill Tax - The Government's drive to reduce landfill disposal has resulted in significant increases in landfill tax. The Council's commitment to recycling should limit the impact of the increased tax on the Council.
- Food Hygiene - There may be a requirement for additional budget provision in order to ensure appropriate enforcement action can be taken in all appropriate cases.
- Licensing -

### Portfolio: Housing

#### Reduction in Home Aid Agency Contributions

Potential reduction in contributions towards the Home Aid Agency from both external sources and fee generation, with a move to a shared service with South Cambridgeshire District Council and Huntingdonshire District Council anticipated to assist in reducing the risk.

#### Community Safety Funding

Potential loss of Community Safety funding via the Community Safety Partnership, resulting in an inability to deliver grant programmes managed previously.

### Portfolio: Arts, Sport & Public Places

#### Parkside Pool

### General Fund Area of Uncertainty

Whilst a legal settlement is under final negotiation, the capital works financial implications arising from this are yet to be quantified

#### Corn Exchange

Income streams are driven by levels of disposable income which are anticipated to remain static or reduce for the foreseeable future. This will impact on show attendances which may be mitigated by a review of the current programme.

#### Olympics 2012

The Council needs to assess the impact and opportunities arising from the Olympics 2012 in terms of adding value to existing service provision, maximising legacy i.e. making sure that city clubs and facilities can cater for the enthusiasm generated by 2012 and managing the potential impact on infrastructure and services.

### Portfolio: Community Development & Health

#### Ongoing revenue funding of Community Development facilities

The impact of growth in the city and surrounding area will require the creation of community facilities. The creation of the facilities will be covered by developer contributions, however the revenue funding of these facilities may require ongoing City Council support.

### Housing Revenue Account - Area of Uncertainty

#### Portfolio: Housing Revenue Account

#### Review of the HRA Subsidy System and Self-Financing for the HRA

Subject to the Localism Bill receiving Royal Assent, self-financing for the HRA will be implemented from April 2012. Although CLG have provided an indication of the level of debt the Cambridge City will be required to take on, this is still subject to change between now and April 2012. At this stage our borrowing route is also unclear, introducing a significant degree of uncertainty in the future financial position for the HRA.

#### Right to Buy Sales

The number of sales remained low in 2010/11. Early indications in 2011/12 suggest that sales are likely to occur at a similar, or possibly slightly lower, level this year. The implications of this for revenue are now significant, as there is no longer the ability to capitalise all of the costs associated with the right to buy service.

#### Independent Living Service – Ditchburn Place Extra Care

Care and support services currently provided in Extra Care housing at Ditchburn Place were subject to formal tender by the County Council last year, with the City being successful in securing the contract for 3 years from January 2011. There are still significant financial risks associated with the delivery of this contract, particularly in light of the County Council's budgetary pressures in this and other areas.

## Housing Revenue Account - Area of Uncertainty

### Independent Living Service – Sheltered and Supported Housing

Funding for the Independent Living Service is at risk in a number of areas. The level of voids, as a result of the sheltered housing investment strategy, is still significant, producing shortfalls in rent, service charge and support income. This is compounded by concerns in the level of future funding from Supporting People for support, combined with the loss of the majority of business from warden agencies as a result of their needs to cut costs. Emergency alarm services provided to owner occupiers are also reducing over time. It is anticipated that the County Council will re-tender support services in these areas in the short to medium term.

### Corporate Restructure and Support Service Review

There is anticipated to be a financial impact on the HRA in respect of the review of Support Services, both in terms of up front costs and anticipated ongoing savings. Work corporately is not yet sufficiently progressed to quantify the impact for the HRA specifically. Any savings realised will contribute to the target required as part of the 2012/13 budget process.

### HRA New Build

Following successful completion of 7 units of new build HRA dwellings with the support of HCA grant, a subsequent bid for funding in principal has been successful. The opportunity to work with a selected developer partner to redevelop the Seymour Court site is now being actively progressed, with the scheme having been successful in securing grant funding. A considerable sum of prudential borrowing will also be required to deliver the anticipated affordable housing.

### HRA Commercial Property

Review of the ownership of some commercial property in the Council's portfolio is required to ensure that both rental income and maintenance liabilities are being correctly accounted for.

### HRA Review of Area Offices

It is anticipated that the review of the future use of housing area offices will be deferred until after the implementation of self-financing, when both the financial position for the HRA and the implications for local authorities of the introduction of universal credit will be clearer. The revenue implications of this review, when undertaken, will be quantified and incorporated as part of a report that will be presented to HMB for decision.

## HRA Capital - Area of Uncertainty

### Portfolio: Housing

#### Sheltered Housing

The existing Sheltered Housing Modernisation Programme is progressing well, with Brandon Court due for completion early in 2012. There is a need to review the decisions made in respect of the latter stages of the programme, to determine the best use of limited resources in the current financial climate, with options currently being considered for Ditchburn Place and revisited for Roman Court.

## HRA Capital - Area of Uncertainty

### Achievement of Decent Homes

- 100% of the stock was considered decent at 1<sup>st</sup> April 2011, however additional properties become non-decent during the year.
- Our target is to maintain the Decent Homes standard in our stock on an ongoing basis in line with current Government expectations, and to respond quickly to any changes in the standard.

### Expansion of Decent Homes to include Communal Areas

The CLG Consultation 'Review of Council Housing Finance' indicated a desire to expand the Decent Homes criteria to include lifts and common parts in flatted accommodation. This change requires both up front investment to survey and ongoing investment to meet and maintain any standards set.

### Sulphate Attacks

Sulphate attack has been identified in a number of council dwellings, resulting in the possible need to invest £3m to eradicate the problem. Currently £1m is allocated in the Housing Capital Programme over the next ten years, allowing remedial works to be undertaken in void properties. There is the potential for similar sulphate attacks in the structures of a number of other council dwellings, which could result in the need for significant additional investment to undertake these works.

### Disabled Facilities Grants and Private Sector Housing Grants and Loans

Council investment in both DFG's and Private Sector Housing Grants and Loans is dependent upon existing capital balances or capital receipts in year. Historic capital balances will to be fully utilised within 10 years, and the level of receipts anticipated on an ongoing basis will not be sufficient to support the desired investment.

### Right to Buy Sales

The number of sales remained low in 2010/11, with only 17 sales completed. Early indications in 2011/12 suggest that the number of completions will remain at this level or possibly reduce further. The negative impact of this fall in available capital resources has been built into the Housing Capital Investment Programme, resulting in an inability to fully fund the programme for a full 10 years.

### Decent Homes – PVCU Windows

Need to consider resources required to replace PVCU windows in HRA stock, where failures in existing installations are emerging, resulting in replacement far sooner than would be anticipated by the Decent Homes Standard.

### Asbestos Removal

Potential to change strategy for asbestos removal, to ensure that blocks / streets are tackled as projects as opposed to in isolation while dwellings are void. This approach may bring forward the need for resources previously anticipated to be spent much later in the programme and also incur the additional costs of decant, but would accelerate the programme and reduce the additional revenue costs of repairs in properties with asbestos. This has begun, with flats in Edgecombe being tackled in this way, over a 3 year programme.

### Easiform Flats – Structural Adaptation & Rendering

#### HRA Capital - Area of Uncertainty

- A programme of internal structural adaptation of flats to ensure internal fire escape routes comply with latest fire regulations is underway in the majority of the Easiform flats.
- Concerns exist with regard to the rendering of some Easiform flats, where a survey will ascertain whether resources will be needed and if so at what level.

#### Energy Efficiency – Boiler Replacement

Legislative requirements / local desire to increase the energy efficiency of boilers, results in a replacement programme with condensing boilers requiring replacement every 8 to 10 years as opposed to every 15 to 20.

#### Stamp Duty Land Tax Liability (and liability on acquisition)

The potential liability in respect of the Eastfield Project is subject to advancement in discussions with Hundred Houses.

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