



Public Document Pack

Cambridge City Council

THE EXECUTIVE

To: Committee Members: Councillors Bick (Chair), Smart (Vice-Chair), Cantrill, Swanson, Ward, Pitt and Smith

Despatched: Friday, 7 September 2012

Date: Monday, 17 September 2012

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 19 JANUARY 2012 *(Pages 1 - 8)*

3 PUBLIC QUESTIONS

4 MEDIUM TERM FINANCIAL STRATEGY 2012 *(Pages 9 - 178)*

Meeting Information

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

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

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THE EXECUTIVE

19 January 2012

6.00 - 6.56 pm

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

Officers Present

Chief Executive – Antoinette Jackson

Director of Resources – David Horspool

Director of Environment – Simon Payne

Committee Manager – Glenn Burgess

Councillors in attendance

Councillor Herbert

FOR THE INFORMATION OF THE COUNCIL

12/1/EX Apologies

None.

12/2/EX Declarations of Interest

None.

12/3/EX Minutes

The minutes of the meeting held on 12 September 2011 were approved and signed as a correct record.

12/4/EX Revenue and Capital Budgets - 2011/12 (Revised), 2012/13 (Proposed) AND 2013/14 (Forecast)

The Executive received a report from the Director of Resources regarding the Revenue and Capital Budgets – 2011/12 (Revised), 2012/13 (Proposed) and 2013/14 (Forecast).

The Director of Resources outlined the role of the meeting within the wider budget-setting context and summarised the content of the report. Minor drafting amendments regarding Climate Change Fund investments, as agreed at the Strategy and Resources Scrutiny Committee on 16 January 2012, were noted.

In response to questions the Director of Resources confirmed that details of the Housing Revenue Account (HRA) would be presented to the Council meeting on 23 February 2012. This would be in the form of three separate documents; the Business Plan, the Asset Management Plan and the Budget Setting Report (BSR).

The Executive and officers received questions from the representative of the Labour Group:

- i. Councillor Herbert asked the Director of Resources for an update on how the self-financing debt would be managed. The Director of Resources responded that, whilst officers were looking at a number of options including internal borrowing, ring-fencing legislation would need to be taken into account. Interest rate projections were being monitored and officers were mindful of the need to balance the needs of both the General Fund and the HRA.
- ii. Councillor Herbert asked the Executive Councillor for Housing if there was an additional option of borrowing against the 'headroom'. The Executive Councillor responded that, whilst there was an option to borrow against the 'headroom', it would not be at the reduced single day rate. The City Council would therefore only commit to this additional borrowing if specific plans were in place to allocate the funds.
- iii. Councillor Herbert asked the Executive Councillor for Housing if any housing priorities had been identified. The Executive Councillor confirmed that options such as management and maintenance of existing housing stock, new builds and increased energy reduction and insulation measures were being looked at but no firm decisions had been taken.
- iv. Noting the Motion agreed by Council in July 2011, Councillor Herbert emphasised the need for appropriate rates of pay and parity of salaries for all staff working with new contractors. The Executive Councillor for Customer Services and Resources responded that terms and conditions for council staff moving to external contractors would be protected by law under Transfer of Undertakings (Protection of Employment) (TUPE) arrangements.

- v. In light of more decisions being delegated to Area Committees, Councillor Herbert asked the Executive Councillor for Arts, Sport and Public Places what additional support would be provided to help them with the increased workload. The Executive Councillor responded that it was important for decisions to be made at a community and local level, and for those decisions to be as open and transparent as possible. Whilst he acknowledged that each Area Committee operated slightly differently it was hoped that good practice learnt through the North Area Pilot could help inform new ways of working. Neighbourhood Plans and the allocation of developer contributions would give more structure to the process and help the public be fully involved in decisions directly affecting their area. For Area Committees with a higher number of planning applications the option of more frequent meetings was being looked into. The Leader and the Executive Councillor for Community Development and Health confirmed that funding for a new Community Engagement Officer post had been allocated in the budget. The new post would provide expertise to help support the Council's approach to the Localism agenda and neighbourhood working. It was also noted that, as the role of the Area Committee Chairs would become more important, senior officer support would be put in place to assist with the increased workload and responsibility.
- vi. Councillor Herbert asked the Executive Councillor for Arts, Sport and Public Places what the process would be for the local allocation of developer contributions and how this would be monitored and scrutinised. The Executive Councillor responded that under the new system allocation would be driven by the Neighbourhood Plans and local priorities, and would therefore be a more open and transparent process.
- vii. Councillor Herbert asked the Executive Councillor for Community Development and Health if additional funds would again be allocated to the Citizens Advice Bureau (CAB) to help support people through the changes in welfare reform. The Executive Councillor responded that, whilst the CAB case load figures had not increased this year as expected, a sum over and above core funding had been allocated to help support them. The Executive Councillor for Customer Services and Resources also noted that two additional desks and an interview room would be installed at the Customer Service Centre, and five additional information kiosks would be installed across the City to help support people through the changes.
- viii. Councillor Herbert asked the Executive Councillor for Environmental and Waste Services if the current recycling contract would be renegotiated to include plastic containers. The Executive Councillor responded that, due to the slump in the market for plastic recycling, the current contractors

were at present unwilling to renegotiate the contract. However negotiations would continue and it was hoped that the contract could be renegotiated if the market picked up.

- ix. Councillor Herbert asked the Executive Councillor for Planning and Sustainable Transport if pressure was being put on the County Council to help contribute to the citywide 20mph scheme. The Executive Councillor responded that he would be meeting with County Council Cabinet Members on Monday 23 January 2012 to further discuss the issue.

Record of Decision

The Executive resolved unanimously (6 votes to 0) to recommend to Council to:

Please note:

All page references relate to the BSR which can be found at:

Link 1:

<http://www.cambridge.gov.uk/democracy/mgConvert2PDF.aspx?ID=8599>

The circulated amendments to the (BSR – Revenue and Capital Budgets 2011/12 (Revised), 2012/13 (Budget) and 2013/14 (Forecast) can be found at:

Link 2:

<http://www.cambridge.gov.uk/democracy/mgConvert2Pdf.aspx?ID=3371&T=9>

General Fund Revenue Budgets and Cash Limit / Savings Target: [Section 4, page 30 of the BSR refers]

Budget 2011/12:

- a) Approve, with any amendments, the revised budget items shown in Appendix D (page 75 of the BSR) - as amended for the attached replacement page 79 in Appendix D (see Link 2 above).
- b) Approve, with any amendments, the overall revised budget for 2011/12, as shown in Section 4 (page 30 of the BSR) and Appendix G(a) (page 109 of the BSR) for General Fund Services.

Budget 2012/13:

- c) Agree any recommendations for submission to the Executive in respect of:
- Bids to be funded from External or Earmarked Funds [Appendix H, page 112 of the BSR, refers] – as amended for the attached replacement page 113 in Appendix H (see Link 2 above).
 - Non Cash Limit items [Appendix E, page 86 of the BSR refers]
 - Revenue Savings and Bids [Appendix F, page 87 of the BSR refers]
 - Priority Policy Fund (PPF) Bids [Appendix I(a), page 116 of the BSR refers] – based on the position as outlined in Section 4 (page 37 of the BSR refers).
- d) Recommend to Council the Council Tax base, as set out in Appendix C (a) (page 74 of the BSR), and the level of Council Tax for 2012/13, based on a 99% collection rate [Section 3, page 27 of the BSR refers].
- e) Recommend to Council to approve:
- (i) the Prudential Indicators as set out in Appendix T(a) (page 193 of the BSR refers) and to confirm that the “Authorised Limit” determined for 2012/13 will be the statutory limit determined under section 3 of the Local Government Act 2003.
 - (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 Annual Borrowing and Investment Strategies set out in Appendices T(b) (page 199 of the BSR refers) and T(c) (page 201 of the BSR refers), particularly:
 - to increase the maximum sum that can be invested with HSBC Bank Plc from £12m to £16m.

- to amend the limit for a single named institution from £6m to £10m; (retaining the existing maximum sum which may be invested with counterparties belonging to the same company group at 1.5 times the level for a single named institution); and
 - to have the flexibility to use other financial means available to the Council, such as bank call accounts, notice accounts, money market funds, treasury bills and gilts. However, use of such financial instruments would be subject to an assessment in conjunction with the Council's treasury management advisors (Sector) to ensure that it would not prejudice the council's deposit priorities.
- (iv) amendments to the Council's Approved Lending (Revised Counterparty) List, shown in Appendix T(c), Annex 3 (page 210 of the BSR refers)
- f) Delegate to the Director of Resources authority to finalise changes relating to the corporate and departmental restructuring and any 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).

Capital: [Section 6, page 47 of the BSR refers]

Capital & Revenue Projects Plan: [section 6, page 50 of the BSR]

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

From the Executive Councillor for Arts, Sport and Public Spaces:

- (i) Cherry Hinton Hall Grounds improvements
- (ii) Coleridge Recreation Ground improvements

From the Executive Councillor for Community Development & Health:

- (i) Centre at St Paul's –Redevelopment of the main hall
- (ii) Clay Farm Community Centre
(separate Report on CD&H agenda)

From the Executive Councillor for Housing:

- (i) Energy Efficiency Grant
- (ii) Landlord Accreditation Grant

From the Executive Councillor for Environmental & Waste Services:

- (i) Vehicle replacements 2012/13

From the Executive Councillor for Customer Services and Resources:

- (i) Content Management System Replacement
- (ii) Introduction of a metered electricity supply on Cambridge Market
- (iii) Electronic Market Management System

h) Agree any recommendations to the Executive in respect of the bids outlined in Appendix O(a) (page 159 of the BSR) – as amended for the attached (see Link 2 above).

From the Executive Councillor for Planning and Sustainable Transport:

Approve the removal of H28 – Park Street Car Park, as identified in Appendix P (page 182 of the BSR refers, from the Council's Hold List, for submission to the Executive.

i) Agree the Capital & Revenue Projects Plan, as shown in Appendix M (page 141 of the BSR) for the General Fund (which will be updated to incorporate rephrasing, new bids and the above recommendations) and Appendix S (*to be included in Version 3 of the BSR – see Note*) for the Housing Capital Investment Programme.

Note that revised Housing Capital Investment Plan for 2011/12 to 2016/17, will be presented to the special joint Housing Management Board and Community Services on 8th February 2012, to include the impact of in year savings in capital budgets, re-allocation of budgets for decent homes works, rephrasing of existing projects and schemes and incorporation of capital bids (as detailed in Appendix O(b), page 177 of the BSR refers).

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

- (i) support the 2011/12 budget
- (ii) support the 2012/13 and future years budgets.
(Appendix G(c), page 111 of the BSR refers)

Recommendation k) - NEW:

Approve contribution to Climate Change Fund in 2012/13 of £129,050. (This was previously included in page 109 of **Appendix G(a) of the BSR** under the line for "Use GF reserves above £5m".

Recommendation l) - NEW:

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 namely:

- PR018 - Bus Shelters
- SC517 - Fuel Tanks Relining
- SC518 - Corn Exchange Lighting Improvement
- SC519 - Wulfstan Way Art Project
- SC520 - Community Olympic Public Art Commission

Also attached are updated tables [Page 51 of the BSR refers] and Appendix Q [page 183 of the BSR] in the BSR reflecting the above changes (see Link 2 above).

Housing Revenue Account [Part 5, page 41 of the BSR refers]

- Whilst there are no changes at this stage, Council will consider the recommendations of the special Housing Management Board and Community Services Scrutiny Committee regarding Housing Self Financing at the meeting on 23rd February 2012.

The meeting ended at 6.56 pm

CHAIR



To:
The Executive

The Leader:
Councillor Tim Bick
Director of Resources

Report by:

Relevant scrutiny committee: The Executive

17 September 2012

MEDIUM TERM STRATEGY SEPTEMBER 2012

Key Decision

1. Executive summary

- 1.1 This report presents and recommends the budget strategy for the 2013/14 budget cycle and specific implications, as outlined in the Medium Term Strategy (MTS) September 2012 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, 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 :

General Fund Revenue

- 2.1 To agree the budget strategy, process and timetable for the 2013/14 budget cycle as outlined in Section 8 [pages 112 to 119 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 112 to 119 refer], of the MTS document.

- 2.3 To authorise the Director of Resources to calculate and communicate final cash limits or savings targets based on the decisions taken in relation to this report, based on the method shown in Appendix H.

Capital

- 2.4 To agree the revised Capital & Revenue Projects Plan, the Hold list and the Funding as shown in Appendix G of the MTS document.
- 2.5 To agree inclusion in the Capital & Revenue Projects Plan of new additional items, listed below, and as set out in Section 8 [pages 119 to 121 refer].
- (a) Stourbridge Common Riverbanks – initial works to stabilise and improve the areas of riverbank for which the Council has responsibility - £100,000, funded from Reserves in 2013/14.
 - (b) City Centre Cycle Parking - to provide additional cycle parking to meet identified need across the City. Total £500,000 comprising £50,000 funded from Reserves in 2012/13 and £450,000 from New Homes Bonus in 2013/14.
 - (c) Cambridge Future Cities Feasibility Report - £50,000 in 2012/13 to be funded from the Technology Investment Fund pending receipt of £50,000 grant funding, following submission of the feasibility report.
- 2.6 To approve the delegation of authority to the Chief Executive, in consultation with the Executive Councillor for Customer Services and Resources, Chair and relevant Spokes of the scrutiny committee to agree the Future Cities bid for submission [Section 4 page 51 refers].

Treasury Management

- 2.7 To approve changes to the Council's Treasury Management Indicators [Section 7, page 103 refers].
- 2.8 To approve changes to the Treasury Management and Investment Strategy to permit the deposit of funds into 95 day and 100 day Notice Accounts offered by financial institutions on the Council's approved counterparty list [Section 7, pages 107 to 108 and Appendix I(a) 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 2013/14 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) September 2012 document appended to this report.
- 3.2 The document considers the General Fund revenue position and the Council's overall Capital & Revenue Projects Plan, which includes an outline of the capital programme and funding for the Housing Revenue Account.
- 3.3 Revenue forecasts are presented for the 5-year projection period through to the year 2016/17, 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-year 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 The MTS also highlights areas of uncertainty, provides a sensitivity analysis of key budget components and presents a high-level risk analysis.
- 3.6 Included are recommendations for approval of specific revenue and capital costs as identified.
- 3.7 The analysis undertaken leads to a recommended integrated financial strategy for the 2013/14 detailed budget-setting process.

4. Implications

- 4.1 These are incorporated in the document and will be taken account of in the subsequent 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 2012/13 and 2013/14 files

6. Appendices

MTS September 2012 - 2012/13 to 2016/17 Document

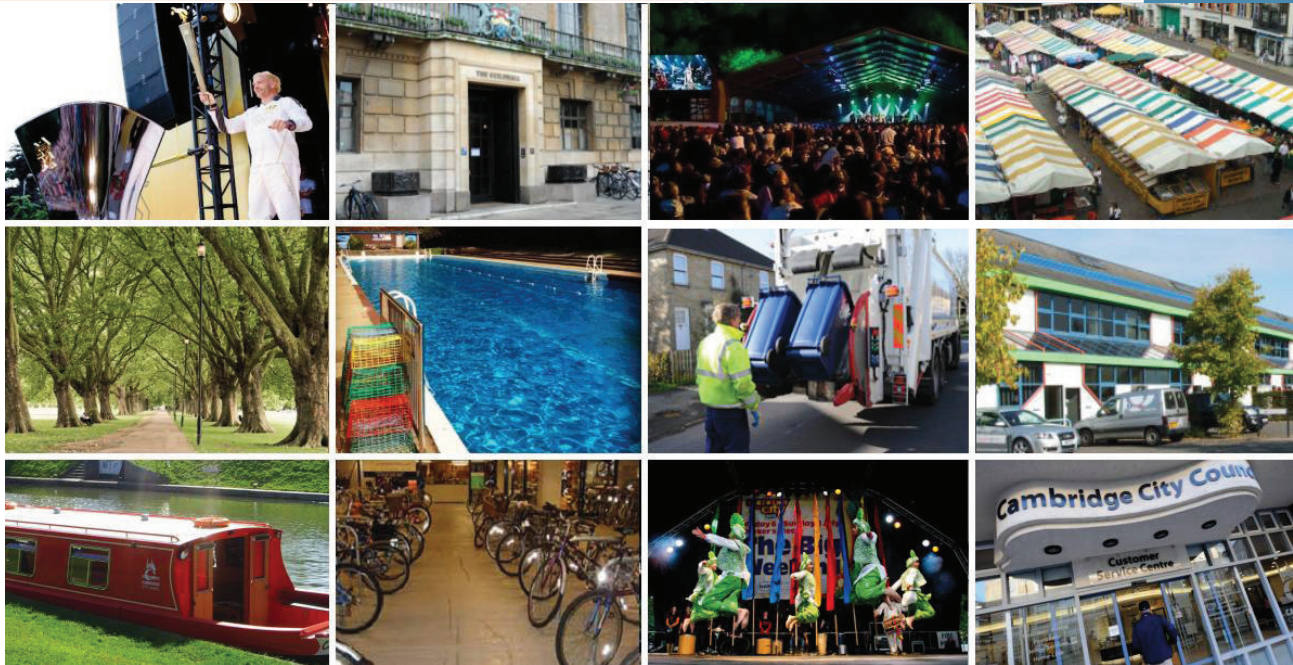
7. Inspection of papers

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

Version 2
The Executive

Medium Term Strategy



September
2012

2012/13 to 2016/17



Version Control

	Version	For	Anticipated Content
	1	Draft	Draft content for consultation
Current	2	The Executive 17 September 2012	MTS and 2011/12 budget process proposals
	3	Council Meeting 25 October 2012	The Executive's recommended budget strategy
	4	FINAL	Final version for publication following Council

Cover Photographs

Arts & Events
Olympic Torch Relay
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Democratic Services
The Guildhall

Arts & Events
Cambridge Folk Festival

**City Centre
Management**
Cambridge Market

Open Spaces
Jesus Green

Sport & Recreation
Jesus Green Pool

Environmental Services
Waste Collection

Commercial Property
Orwell House

**Community
Development**
ChYPS Play Boat

**Cambridge Cycle
Parking**
Grand Arcade

Arts & Events
The Big Weekend
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Customer Services
Customer Service Centre
Mandel House

Cambridge City Council

Medium Term Financial Strategy

2012/13 to 2016/17

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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 2013/14.

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 is not shown within the MTS, but is fundamental in determining the long-term sustainability of the financial planning; particularly in terms of the effects of changes in demographics and Government funding. For the Housing Revenue Account, long term financial planning is informed by a 30-year business model based on the new Self-Financing regime for the HRA.

Scope

The MTS is designed to provide an integrated view of the Council's finances and outlook. It covers both General Fund revenue position and overall capital spending by the Council, highlighting the inter-relationships between the two, and the resultant implications. The General Fund, is the account within which the majority of the Council's services are provided and funded and is the account into which the proceeds of the Council Tax are credited.

Following the introduction (from April 2012) of Self-Financing arrangements for the HRA and the development and approval of detailed 30-year Business and Asset Management Plans for the Council's housing stock, the review of financial prospects for the HRA and the recommendation of a detailed budget strategy will be presented separately from this MTS. The relevant HRA documents will be presented to the Housing Management Board and Community Services Scrutiny Committee prior to recommendation to Council.

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 2012 MTS takes as its starting point the key medium and long-term parameters identified and agreed as part of the 2011 MTS and the February 2012 Budget-Setting Report .

These are:

- A base position of the 2012/13 budgets inflated to 2013/14 prices and adjusted for known / approved changes.
- An annual priority policy fund of £500,000.
- Revenue contributions to capital spending of £1.38m in 2012/13 and future years.
- A second year of freezing the Council Tax at the level of 2010/11 in 2012/13 followed by increases of 2.5% per annum.
- Further reductions in formula grant in 2013/14 and 2014/15 bringing the total reduction over the four-year period starting from 2011/12 to 31%.
- A minimum working balance for reserves of £1.5m, with a medium-term target level of £5m.

All of the items identified in consultation with service managers and Members, will also be considered and the financial implications incorporated, as appropriate, as part of the construction of the 2012 MTS.

Timetable

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

Date	Task
2012	
17 September	The Executive recommends MTS to Council
25 October	Council considers Medium Term Strategy 2011/12 to 2015/16
2013	
21 January	Strategy & Resources Scrutiny Committee considers Budget-Setting Report
24 January	The Executive recommends Budget Setting Report (BSR) to Council
8 February	Special Strategy & Resources Scrutiny Committee considers any budget amendment proposals
21 February	Council sets Council Tax

Section 2

Local Policy Context and Priorities

Annual Statement 2012/13

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 2012 (and reproduced in full below), confirmed a 'Vision for the City' and agreed how the Council would work towards meeting the vision during 2012/13 and beyond.

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 celebrates its diversity, unites in its priority for the disadvantaged and strives for shared community wellbeing
- 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 local economy that benefits the whole community and builds on its global pre-eminence in learning and discovery
- 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.

The strategic objectives we are working towards in 2012-13 are set out in seven portfolio plans which are available in full on the City Council website.

These plans include a range of actions to protect everyday services, protect services for vulnerable people and make sure we do well what we only have one chance to get right. For instance:

- Working on a framework for the City's growth over the next two decades in the new Local Plan;
- Supporting economic development in the City and its surrounding region, in partnership with businesses and other agencies;
- Working with developers, housing associations and others to ensure that the city's social and market housing stock continues to grow, including additional houses for City Homes;
- Improving support to rough sleepers and taking action to prevent homelessness, including completion of the Jimmy's assessment centre project;
- Setting high energy efficiency standards for new homes and helping residents improve the energy efficiency of existing homes
- Planning and delivering community facilities in the new communities being built on the city's fringes;
- Improving facilities for pedestrians, cyclists and public transport users, including consideration of extending areas with a 20mph limit;
- Widening participation in domestic recycling by inclusion of plastic pots, tubs and trays and exploring further opportunities;
- Commencing a programme of providing new recycling bins in streets and open spaces;
- Establishing a model of restorative justice appropriate to Cambridge that helps to reduce re-offending, anti-social behaviour and low-level crime;
- Initiating a health partnership for Cambridge working with GPs and others to improve the health and wellbeing of Cambridge residents;

- Delivering inclusive public events including the Big Weekend and Olympic Torch Relay evening celebrations;
- Devolving decisions on environmental and community projects funded by developer contributions to councillors and residents in their own areas;
- Investing in projects to reduce our carbon footprint and our energy bills;
- Improving the efficiency of council services to maintain high standards and value for money;

In addition to these improvements we will deliver the core services that those who live, learn and work in Cambridge rely on, including housing, planning, waste collection, street cleaning, maintaining the city's open spaces, parking, bereavement services, community development, and arts and recreation.

We will consult residents and others on key issues that affect them and their communities. We will redevelop our website to make more information and data more easily accessible to residents, and to allow residents to do more of their business with us online, at their convenience.

We will continue to speak up for Cambridge; to support diversity, equality, respect and tolerance in the city; to promote a high quality and sustainable environment in all parts of the city; and to work in partnership wherever this will help us achieve our goals more effectively.

Public Consultation

The City Council's budget process includes consulting with Cambridge residents to find out what they think the spending and saving priorities should be for the coming budget year(s). Over the past few years a variety of methods have been used, ranging from focus groups to postal and telephone surveys.

2011 Citizens Survey

The 2012/13 budget was informed by the results of the 2011 Citizens' Survey. In September 3,300 questionnaires were distributed by post to residents across the city, of which 801 were completed and returned.

In broad terms the results reflected those from previous similar surveys. Respondents placed greatest importance on our core services: collecting rubbish from properties within the city (73%), cleaning the streets and public places and removing graffiti (36%) and collecting recyclable items from properties within the city (34%). They also placed high importance on working with the police to tackle anti-social behaviour (35%).

When asked about services that could be stopped all together, the top three responses were managing and maintaining some commercial premises which the Council rents to local businesses (34%), running the Corn Exchange (31%) and providing events such as the Folk festival, Big Weekend and Bonfire Night (30%).

The full report on the 2011 Citizen's Survey can be found on our website:

<http://www.cambridge.gov.uk/ccm/content/consultations/residents-surveys.en>

2012 Budget Consultation

In 2012 consultation on spending and savings priorities will be carried out through a series of focus groups with residents and businesses. Using the results of the 2011 Citizen Survey and earlier surveys as a starting point for discussion, we will explore in more depth why residents and businesses regard certain services as a priority and other as less important. 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
- 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 partnership working in Cambridgeshire is structured has undergone a significant shift in recent years. The end of Local Area Agreements, the National Indicator Set, and central Government's move to greater localism and public service reforms has resulted in the emergence of three, strategic, county-wide partnerships. These are: the Shadow Health and Wellbeing Board; Children's Trust and Local Enterprise Partnership.

Health and Wellbeing Board

The purpose of Cambridgeshire's Shadow Health and Wellbeing Board is to improve the health and wellbeing of Cambridgeshire's residents. It will be preparing a Joint Health and Wellbeing Strategy ("the Strategy") for Cambridgeshire during 2012, which will direct joint commissioning and integrated provision between health, public health and social care.

The basis of the Strategy is a Joint Strategic Needs Assessment (JSNA) of the wider health and wellbeing needs of the people of Cambridgeshire and feedback given to a consultation draft. The Shadow Board will also consider local Clinical Commissioning Groups commissioning plans and ensure they are in line with the Joint Health and Wellbeing Strategy. It will also carry out a duty to involve users and the public in commissioning decisions. The target date for the Shadow Board to become a statutory body is 1 April 2013.

For Cambridge the JSNA, Phase 6 Summary Report 2012, finds the health of the Cambridge population to be generally similar to, or better than the England average. The following issues for Cambridge are identified in the JSNA:

- Local inequalities in health,
- Mental health needs,
- Homeless people and maintaining a focus on prevention,
- Alcohol related harm,
- Smoking,
- Lack of physical activity and obesity.

The Shadow Board sees itself as being the centre of a wider network of local stakeholder "hubs" across Cambridgeshire. These "hubs" will be Local Health Partnerships, which will build on the former local Improving Health Partnerships and be based on each of the five district

council boundaries. The Cambridge Local Health Partnership met for the first time on 3 July 2012 and agreed its terms of reference. It will look to both inform the Shadow Board about the needs of Cambridge's residents and to deliver a small number of actions that will improve joint working and make the best use of assets available to partners to improve the health and wellbeing of local people. An Executive member of the Council chairs the Cambridge Local Health Partnership.

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 is being given to local Children's Trust area partnerships, including the one that covers Cambridge and South Cambridgeshire, to shape and secure local service delivery. One local priority is to improve outcomes for children living in the City in low-income households. The Council is an active member of the local partnership.

The Greater Cambridge Greater Peterborough Local Enterprise Partnership

The Greater Cambridge Greater Peterborough Local Enterprise Partnership (LEP) was established to bring businesses and the public sector together to 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.

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.

Cambridge and South Cambridgeshire Local Strategic Partnership

The Local Strategic Partnership decided to disband. Members of the partnership agreed that, given the emergence of other partnerships with a similar purpose of improving community well-being and the fact that it would have no further reward grant to distribute in the future, it could no longer add value to partnership working across its area.

The partnership has asked Cambridgeshire Community Foundation to manage the distribution of the balance of its remaining reward grant, £100,000, which will look to support local projects that will reduce inequalities in the area and support local people, especially young people, in moving back into work. A first grant round was completed in April, when £40,000 was assigned, and it is expected that the balance will be offered after a second round in September 2012.

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 was drawn up for the period 1 April 2011 to 31 March 2014. This plan is revised every year to ensure the priorities detailed remain relevant. The priorities in the revised plan for 1 April 2012 to 31 March 2013, taking into account the 2011 Strategic Assessment, focus on reducing:

- Alcohol-related violent crime
- Antisocial behaviour
- Repeat victims of domestic violence
- Re-offending

Demographic Factors

General

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

- Changes in total population influence our entitlement to Government funding under the current grant distribution formula and will impact the amount of Business Rates that may be retained locally under the proposed replacement system.
- 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 to be provided by the Council.
- All of the above affect the level of demand for services.

Population

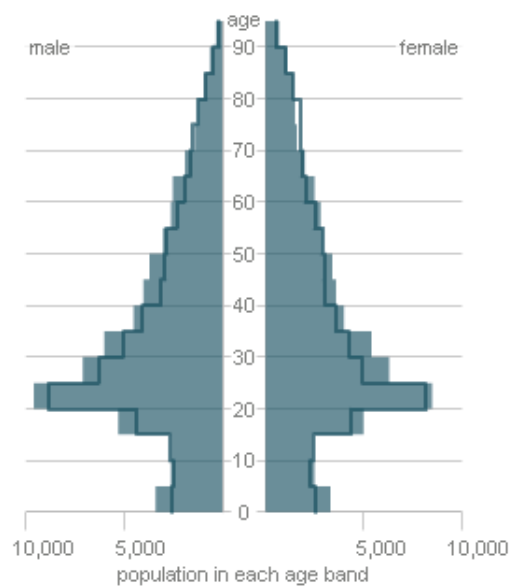
The 2011 Census was carried out on 27 March 2011, and the first release of Census information, Population and Household Estimates for England and Wales, was published on 16 July 2012.

This showed that since 2001, when the last Census was carried out, the usually resident population for Cambridge had increased by 15,000 people or 13.7%, to an estimated 123,900 people. It also showed that the number of households in Cambridge had increased by 4,042 or 9.5% since 2001.

Nationally there has been a comparative increase in the 2011 population of 7% and people over 65 years of age now make up the highest proportion of the national population ever at 16.4% or one in six people. In Cambridge the proportion of people over 65 years of age decreased by 1.4% since 2001 and is almost one person in nine. The number of very elderly people is, however, a similar proportion to that nationally.

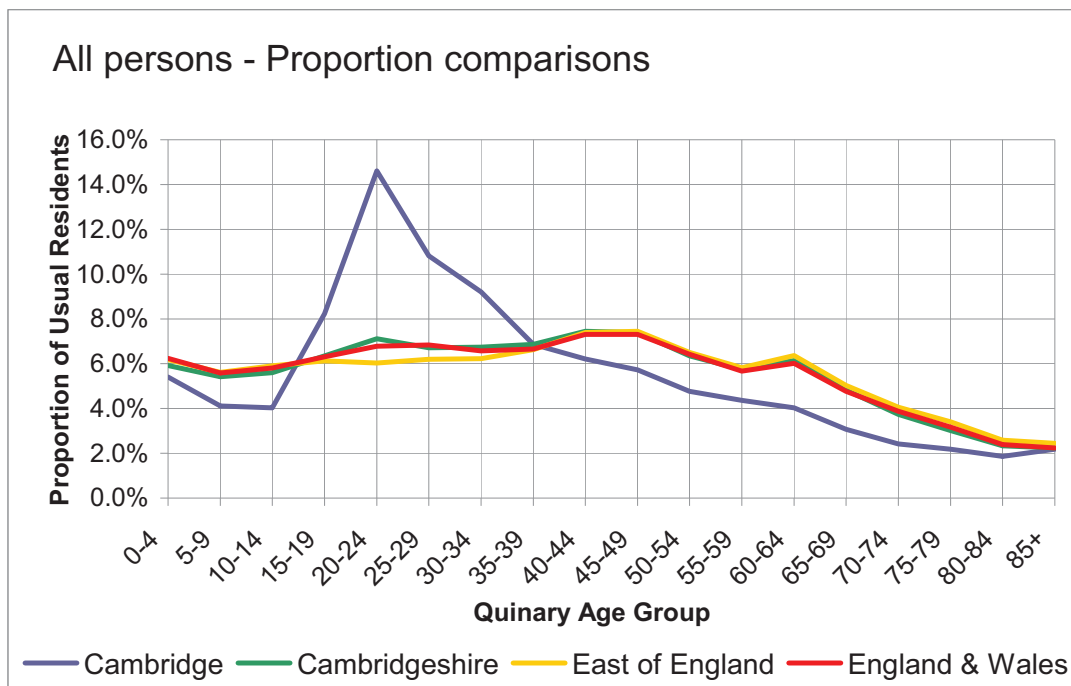
Cambridge's population continues to display its characteristic bulge of younger people, reflecting the large number of students that come to the City to study. This number seems to have increased marginally since 2001. The number of migrants thought to be living in the City for more than a year was about 40,000 people, which included people coming to work, prior to the Office for National Statistics changing its approach to estimating migration. This gives a feel for the dynamism of Cambridge's population where the electoral role changes by nearly one fifth each year. The proportion of young children up to 4 years of age has risen in 2011 to 5.4% compared to 4.7 in 2001.

The chart, below, shows the number of people in each age band in 2011, with 2001 shown as an outline.



Cambridge
Total population: 123,900

The following chart shows the proportion of people in each age band in 2011, with comparisons to other areas. It can be seen how the high numbers of 20 to 24 years olds within Cambridge affects the proportion of other age bands.



The growth of the City, since 2001, is largely in line with the forecasting model used by the County Council’s Research Group (RG), which incorporates the number of new houses completed. The Office for National Statistics’ projections are trend-based, which means that past trends are assumed to continue into the future. The RG model estimated a population of 119,800 people for mid-2010. Forecasts for our population will now need to be re-based, following census 2011 results. The County Council’s Research Group (RG) model, using its mid-2010 estimate as a starting point, forecast a growth in population to 151,800 by 2031.

In November 2011, the Office of National Statistics (ONS) set out what it considered to be improvements for estimating immigration to local authority areas. This new approach, when it was applied to Cambridge, gave an indicative estimate of 105,500 people for the City’s population. Given that all of the Council’s administrative data indicated a substantially higher population, the Council challenged the validity of this new approach and asked for it not be

used in any projections of Cambridge's population in the future or for it to be linked to decisions about spending and funding allocations by Government.

The Council is still pressing this position, supported by the fact that the 2011 Census results provided validation of what we were saying, because the new approach will have the affect of dampening population forecasts for the City as we move further away from 2011. If decisions are made about the allocation of resources based on unrealistic forecasts, public service providers in Cambridge will lose out.

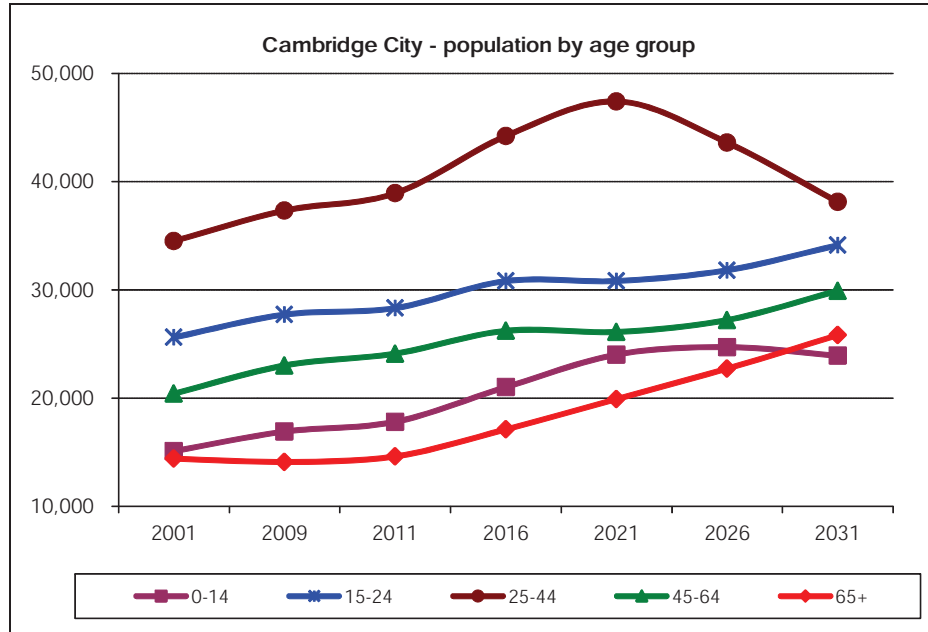
Changing demand for services

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 Adult Care responsibilities, the move to an older society over the longer-term 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 to support the very elderly, with local government as one area of savings.

The RG forecast based on pre-census 2011 population estimates is shown below.

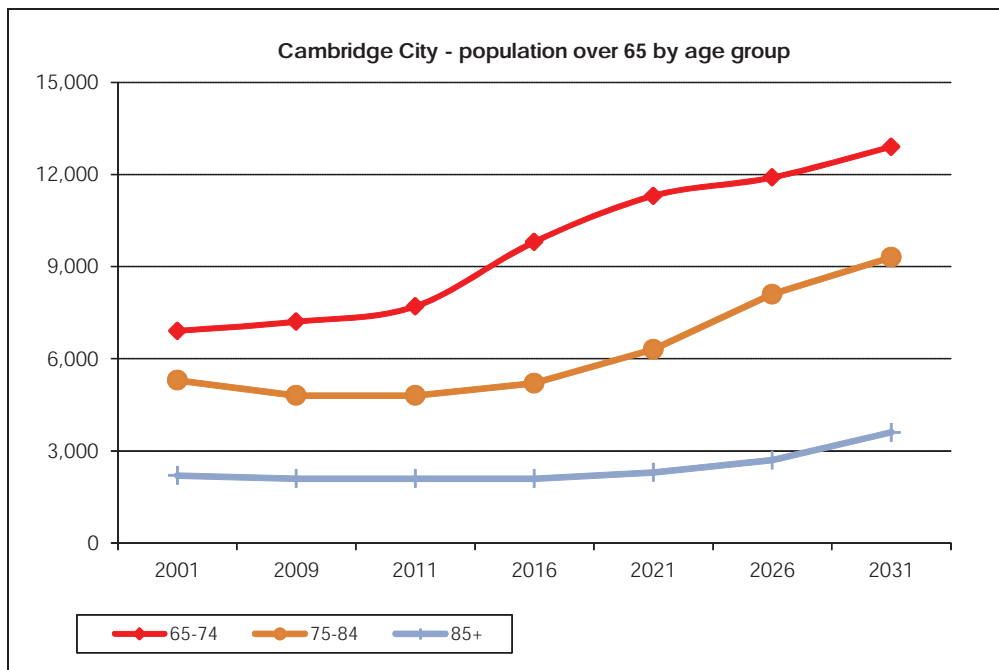
Year	0-14	15-24	25-44	45-64	65-74	75-84	85+	Total
2001	15,100	25,600	34,500	20,400	6,900	5,300	2,200	110,000
2009	16,900	27,700	37,300	23,000	7,200	4,800	2,100	119,000
2011	17,800	28,300	38,900	24,100	7,700	4,800	2,100	123,700
2016	21,000	30,800	44,200	26,200	9,800	5,200	2,100	139,300
2021	24,000	30,800	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

This is shown below in graphical form, which serves to reinforce the fact that whilst the population level is increasing across most age groups through to 2031, there is projected to be a far greater increase in the 25-44 age group from 2011 – although this falls away after 2021, back to 2011 levels by 2031. The other notable projected fall is in the 0-14 age range after 2026.



A growing population by age range

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



This clearly illustrates the magnitude of the increases in each of the over 65 age categories, with increases from 2011 to 2031 of 67.5% for the 65-74 age range, 93.8% for the 75-84 range and 71.4% for the over 85 range. This will have implications for both the level and mix of services that the public sector will need to provide.

Welfare Reforms

The Welfare Reform Act provides for the introduction of Universal Credit to replace a range of existing means-tested benefits and tax credits for people of a working age and proposes other significant changes to the benefits system over the next few years.

At present the Local Housing Allowance sets the level of 'eligible rent' that can be used in the calculation of Housing Benefit for private sector tenants. In Cambridge rents are high, reflecting the demand for accommodation in the City and the scarcity of supply. The broad market rental area covering Cambridge includes a number of areas with lower rents. This has distorted the level at which the maximum level of Housing Benefit was set resulting in a shortfall for many tenants between what they need to pay and what their Housing Benefit will cover. It is a concern that private sector tenants claiming Housing Benefit will be forced to leave Cambridge, despite having local connections, to find cheaper housing.

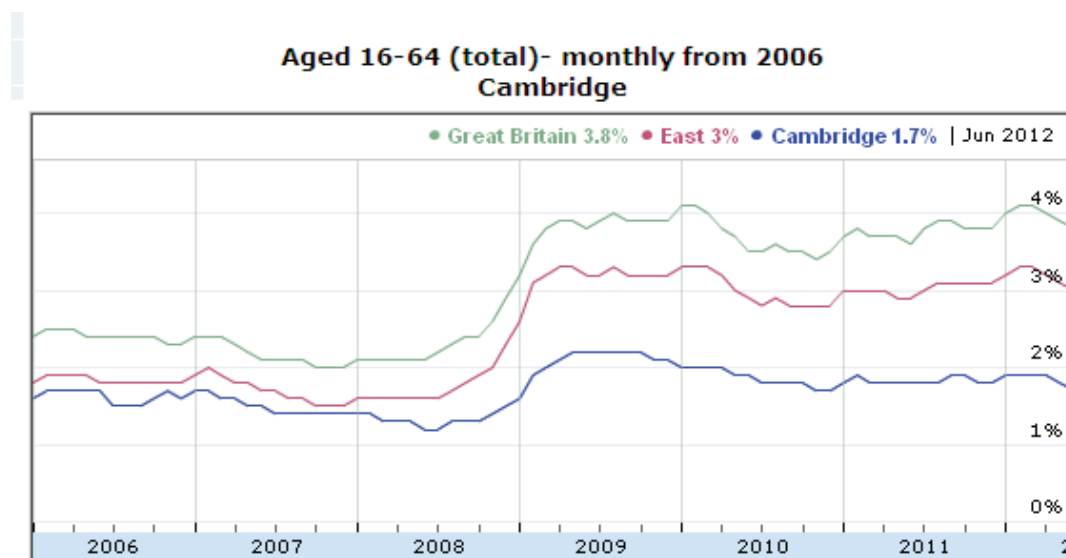
From April 2013 it is planned to apply property size related rules to social tenants of working age, so people who are under occupying properties will face a cut in Housing Benefit. This will have an effect on both individuals and families and combined with other measures such as changes to the Shared Accommodation Rate and the use of a Cap for Housing Benefit Claimants is likely to create more overcrowding in homes, higher levels of debt and arrears and migration to lower rent areas in the county.

Unemployment

Whilst the Cambridge economy is traditionally strong and has been fairly resistant to the worst effects of recession in the past, ongoing government spending reductions aimed at public services could have a proportionately greater impact in the City than elsewhere. This is because 43.5% of people employed in the City work in the public sector (*ONS annual business inquiry employee analysis 2008*).

As noted above, Universal Credit will be introduced in October 2014 and will support people of a working age both in and out of work. It will replace six benefits, one of which will be Job Seekers Allowance (JSA). Income based JSA is presently payable to people who are available for, and actively seeking, work of at least 40 hours a week. JSA claimant count rate is used as a proxy indicator of unemployment.

The chart below shows that the JSA claimant rates increased markedly from June 2008 onwards, with the national rate peaking at the height of the national recession in January 2010. It can be seen that Cambridge's JSA claimant rate has followed the national trend but has been consistently lower by one or two percent. The claimant rate for Cambridge presently stands (June 2012) at 1.7% or 1,650 people compared to the national rate of 3.8%. Young people between 18 and 24 years of age make-up nearly a quarter of all JSA claimants in Cambridge, indicating that young people, who are not students and who are available for work, find it difficult to find employment in the City.



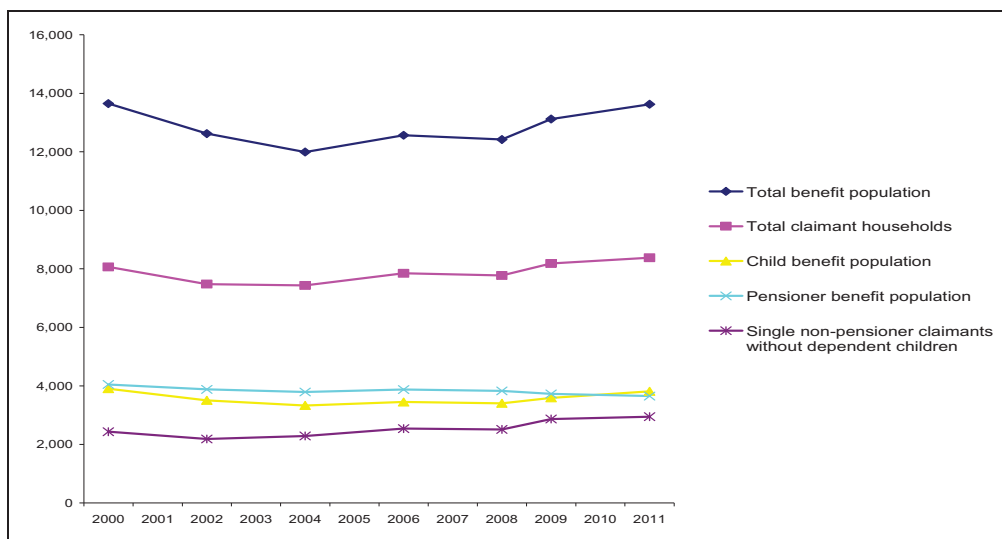
Mapping Disadvantage

Cambridge is relatively, a well off place compared to other local authority areas in England and Wales. The prosperity for Cambridge as a whole, however, does conceal the presence of disadvantaged communities at lower levels of geography.

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 to help identify 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 latest analysis was carried out in June 2011. It showed that since 2009 Cambridge's benefit population (that is a claimant and their dependents living in a household) had increased by 4% (501 people) during the same period. 13,623 Cambridge residents (11%) lived in households in receipt of Housing Benefit and/or Council Tax Benefit including 3,814 (20%) of the city's children, with 8,377 households (17%) claiming benefits in June 2011.

The Chart below shows a relatively stable benefit population over time and seems to incorporate a "lag" when compared to the JSA claimant counts.



The research findings have been 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 4000 new homes, with the first of these new homes being occupied in mid 2012. The pace of development is set to continue to increase in future. The City Council is working hard corporately and with partners to create inclusive and accessible new communities that are worthy of the city and which are leading examples of environmental sustainability and high quality design.

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.
- Leading on the negotiations for significant developer contributions for infrastructure and facilities that support growth
- 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 are extensively involved in planning for growth and now in the 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

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.
- Community activities and engagement to help support and foster
- 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.

Whilst the immediate costs associated with items such as community facilities, open spaces and drainage are typically met through a lump sum received as part of developer contributions, such funding normally only covers up to the first twelve years of costs, after which these costs will fall on the Council.

Resources for Growth

Preparations for new neighbourhoods need to be made in advance if they are to be effective. 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 posts designed to facilitate effective development of these new neighbourhoods. NHB funding is set to continue and will take into account annual rises in the

number of new homes. The scheme in its current form is designed to continue to the end of the current Spending Review period, i.e. 2014/15. The Government has indicated its wish to continue the scheme as part of the next spending Review, however, it is expected that this would need to be financed through the top slicing of funding available for local authority support.

Council Tax revenue is set to increase as new residents move into new homes. The Council's policy has been to earmark this specifically to offset the increase in costs of services resulting from growth. Additional new properties will also result in additional income from the NHB scheme. However, under proposals to move from the existing Formula Grant System to a funding regime based on the retention of a share of local business rates, with effect from 1 April 2013, the current direct link to population levels will be removed.

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. There will be a need to be creative in how resources are secured for supporting growth and share some of that cost with those who are promoting growth.

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.

In March 2011, the City Council agreed a new timetable and approach to reviewing the Cambridge Local Plan. 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 Council's approach to the implementation of the Community Infrastructure Levy will be undertaken in parallel with delivering a new local plan.

The introduction of the duty to cooperate through the Localism Act 2011 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 process of delivering the new Cambridge and South Cambridgeshire Local Plans. A new member governance board has been set up to oversee the delivery of these new plans, known as the Joint Strategic Transport and Spatial Planning Group.

Section 3

The National Policy Context

Public Spending & the Economy

The national economy, the euro-area financial crisis and the impact of global economic factors continue to drive Government policy and decisions on public spending. The Local Government Finance Settlements for 2011/12 and 2012/13 resulted in an overall reduction in the City Council's Formula Grant of 23.1% over the two-year 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.

Further reductions in Government funding are forecast over the MTS period. The extent of impact, particularly for lower-tier local authorities which provide significant discretionary services, will not be known until early December 2012 when the provisional settlement, based on the new arrangements of retention of Business Rates, is expected to be announced.

Inflation and Growth

Disappointing global economic data continues to undermine market and consumer confidence and the impact of weak domestic economic indicators has led the Bank of England (BoE) to lower its forecasts for growth once again. In its August 2012 Inflation Report, the BoE said that it now expected no growth over the course of 2012, compared to the modest 0.8% forecast three months earlier.

On the positive side however, inflation is expected to be lower and to continue to fall further over the next two years, averaging below the 2% target from late 2013 onwards. This projected fall in inflation would make it easier for the BoE to inject more stimulus into the economy and the likelihood of the interest rate being cut below the current level of 0.5% (as being speculated by some) is being rejected by the Bank, at least for the time being.

The table below shows the movement in each of the main measures of inflation over the last 12 months and demonstrates the downward trend from levels in excess of 5% in August 2011:

Period	CPI %	CPIY %	RPI %	RPIY %	RPIX %
August 2011	4.5	3.0	5.2	4.0	5.3
September 2011	5.2	3.7	5.6	4.5	5.7
October 2011	5.0	3.5	5.4	4.3	5.6
November 2011	4.8	3.4	5.2	4.1	5.3
December 2011	4.2	2.8	4.8	3.7	5.0
January 2012	3.6	3.6	3.9	4.2	4.0
February 2012	3.4	3.5	3.7	4.0	3.8
March 2012	3.5	3.5	3.6	3.9	3.7
April 2012	3.0	3.0	3.5	3.6	3.5
May 2012	2.8	2.7	3.1	3.2	3.1
June 2012	2.4	2.4	2.8	2.9	2.8
July 2012	2.6	2.5	3.2	3.2	3.2

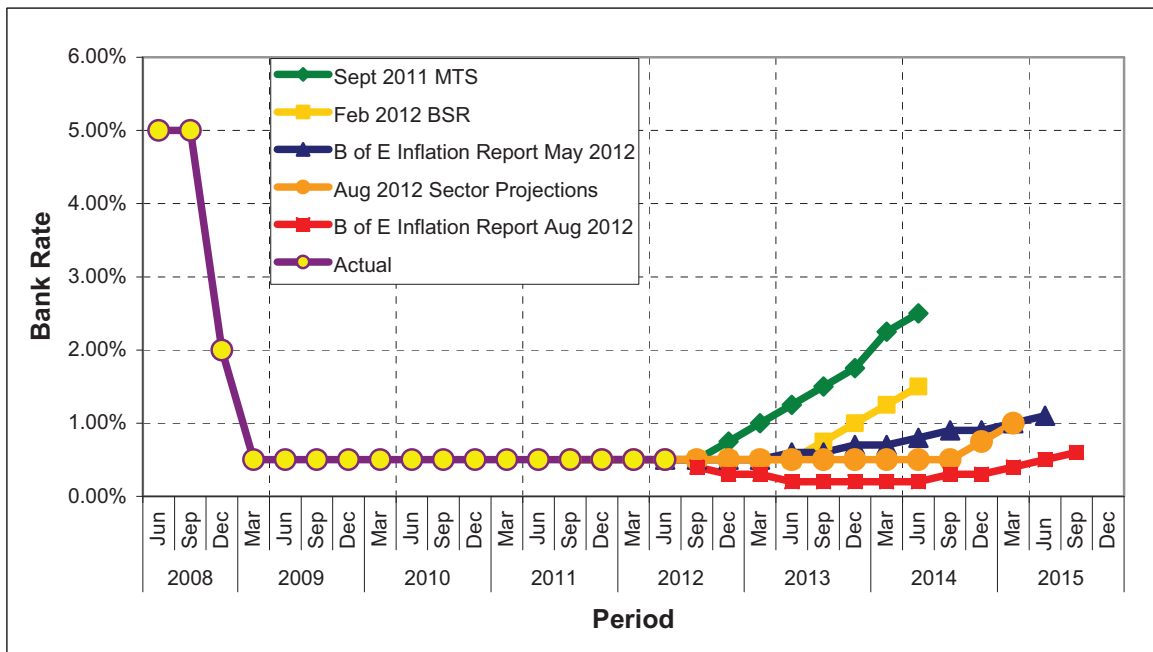
Although the July 2012 figures show an unexpected increase over the previous month, this has been attributed to 'unusual seasonal effects' including annual increases in transport costs. Housing costs also contributed to the increase, reflected in the higher increases in RPI compared with CPI.

Interest Rates

At its meeting on 2 August 2012, the Bank of England's Monetary Policy Committee (MPC) were unanimous in the vote to maintain the official bank rate at 0.5%. The Committee also voted to continue with its programme of asset purchases totalling £375 billion, financed by the issuance of central bank reserves.

Revised projections for interest rates from the Council's treasury management advisors now push back the first anticipated rise in base rate (an increase to 0.75%) to December 2014.

The graph below shows Sector's projections (at mid August 2012) 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. As a result, the latest market projections, when compared with the provisions made in the February 2012 BSR, have required a reduction in the income projected from external investments of £125,000 in both 2014/15 and 2015/16.

At present the markets continue to wait for the central banks to make further moves to stimulate their economies. As they await movement the global economy continues to slow as demand levels slip in reaction to the ongoing downturn.

In the UK the £50b expansion of the quantitative easing programme in July and the announcement of the 'Funding for Lending' initiative has been well received, although the effects will take time to filter through. The markets are currently pricing-in a 0.25% cut in interest rates by the end of the year, but whether that will be realistic in practice remains questionable. If the economy remains sluggish a further round of asset purchases seems a more likely outcome.

Overall the state of the global economy has not changed much with, if anything, a slight worsening in the position. This seems likely to ensure that, for the foreseeable future, interest rates will remain low- though that in itself is unlikely to be sufficient to resolve the problems which policy makers are seeking to address.

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 Localism Act

Main measures

The Localism Bill was introduced to Parliament in December 2010 and received Royal Assent on 15 November 2011, becoming an Act. The Government's aim is that the key provisions of the Act will result in a radical shift in power from central government to local government, but also to neighbourhoods, communities and individuals. The Act includes a wide range of different measures that are intended to bring about decentralisation, some of which came into force in November 2011, and others which will come into effect during the course of 2012. 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

The key measures in The Act that will have significant financial implications for the authority include:

General power of competence

The 'general power of competence' will, for the first time, give local authorities the legal capacity to do anything that an individual can do that is not specifically prohibited by other laws. 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 Act 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 Localism Act includes a number of new rights and powers for communities.

Community Right to Challenge

The '*Community Right to Challenge*', which came into force on 27 June, allows voluntary and community bodies and groups of local authority employees to express an interest in running a local authority service. The Council is required to consider and respond to all expressions of interest. If it accepts an expression of interest (EOI), it must run an open procurement exercise, which the challenging body can participate in, alongside other organisations, including private companies. This procurement exercise must comply with existing legislation and requirements regarding procurement and any decision needs to be consistent with the Duty to achieve Best Value.

Depending on the number of EOIs that the Council receives, the Right to Challenge could result in significant administrative costs for the Council. A significant amount of staff time could also be devoted to processing and assessing EOIs. If any EOIs were accepted, they would trigger procurement exercises that the Council may otherwise not have run.

Community Right to Bid

The '*Community Right to Bid*', which is expected to come into force in Autumn 2012, allows local community and voluntary bodies to nominate land and buildings for inclusion on a list of assets of community value. Should any of these assets come up for sale or change of ownership, community groups will be given a period of up to six months to develop a bid and raise money to buy the asset. However, once this period has passed, the owner of the asset is free to sell it on the open market and is not required to sell it to the community group.

The Council is responsible for administering the Right to Bid process, including maintaining and publishing the list of assets of community value, and managing appeals and compensation claims from the owners of assets included on the list. The Government has recognised that this will place a significant financial burden on local authorities and is committed to meeting these costs, although it is not clear at this stage what this means in practice.

Council Tax Referendums

Local authorities will be required to carry out local referendums if they propose to increase Council Tax above a limit set by the Secretary of State. This is intended to give local people the power to veto rises that they consider to be excessive.

Reforms to the planning system

The Localism Act also 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 power to revoke Regional Spatial Strategies, which were first required by law in 2004. These strategies set out where new development is needed 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 Government is currently in the process of revoking these strategies. Once the Strategies are revoked, all decisions about housing and employment provision will be made at a local level through the Development Plan process.

The Localism Act introduced a new 'Duty to Co-operate', which came into force on 15 November 2011 and is intended to help ensure co-ordination in the absence of Regional Spatial Strategies. The duty requires public bodies to work together on planning matters that cross administrative boundaries, including planning for sustainable development and the use of land for strategic infrastructure.

The Act also introduces a new right for community groups, including businesses, that have been designated as a 'neighbourhood forum' to draw up a 'neighbourhood development plan'. These plans will set out policies on the development and use of land in a particular neighbourhood, but they must comply with the statutory local plan (which a local authority will prepare), national planning policy and EU requirements. Neighbourhood Development Plans are subject to a local referendum in which 50% of those voting must approve the Plan.

Neighbourhood Forums will also be able to bring forward 'Neighbourhood Development Order's which grant permission for a specified development in a particular neighbourhood, and 'Community Right to Build Orders', which enable community organisations to take forward development in their area without the need to apply for planning permission.

The Localism Act also reforms the Community Infrastructure Levy (CIL) and other local finance considerations. The CIL 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 Act introduces a requirement that some proceeds from a levy must go directly to the neighbourhoods where development takes place. The Act also makes local financial considerations, including financial benefits to a local authority or community, a material consideration when deciding planning applications.

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

Financial implications of The Localism Act

It can be seen from the above summaries, highlighting of the main content of the Localism Act, that many of the proposals are 'enabling' and 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 may 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:

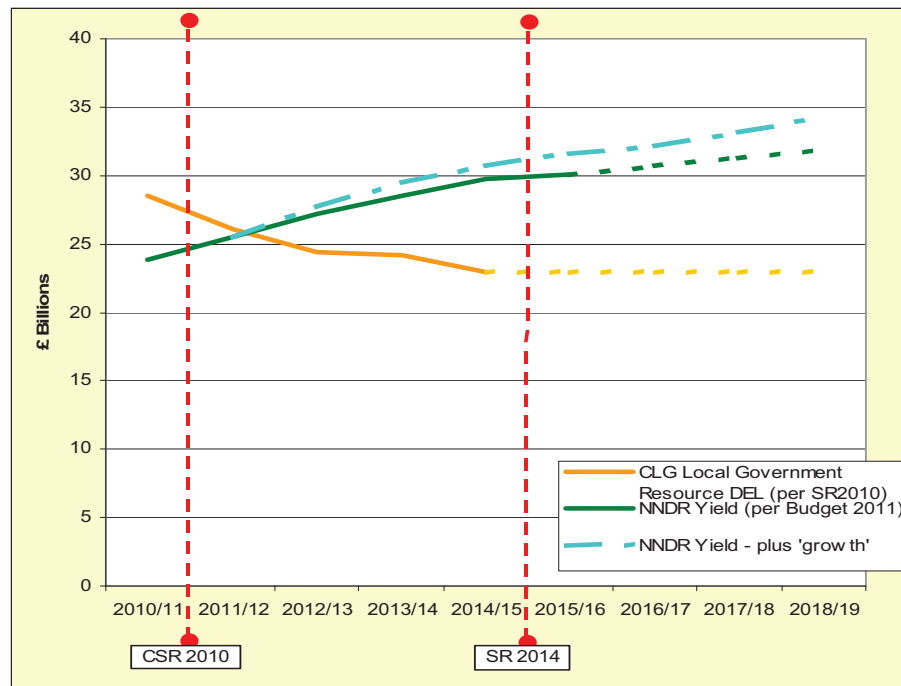
- The best way to allow local authorities to retain their business rates to incentivise growth, whilst ensuring that all have adequate resources to meet the needs of their communities.
- The extent to which these proposal can set councils free from dependency on central funding, along with further financial 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.

Proposals for Business Rates Retention

Initial Consultation

In 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 initial 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 proposal reflected 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 illustrated 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 meant that this could be met solely from the national yield from Business Rates, for this first time. The implication of this was that there was no longer a need to use Revenue Support Grant as part of Formula Grant in the funding mechanism for local government.

The July 2011 consultation paper on scheme design, was 'supplemented' by the publication, in August 2011, of a series of eight papers discussing, explaining and inviting views on how various aspects of the proposed new system would operate in practice. The papers were:

- 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

Responses to these papers were required by 24 October 2011 and have been considered in drafting final proposals for the new scheme.

Consultation on Final Proposals

As anticipated, the Local Government Finance Bill, currently progressing through the House of Lords, contains provisions for the introduction, with effect from April 2013, of the replacement of the Formula Grant regime by a system of Business Rates Retention. The Government's final proposals are based on local authorities retaining a proportion of the Business Rates they collect locally combined with an element of national redistribution of Business Rate yield, through a mechanism of 'top-ups' and 'tariffs'.

Under the new system, Government will calculate an initial 'funding level' for each authority for 2013/14, in much the same way as currently undertaken for the Formula Grant system. If a local authority is estimated to collect more in business rates than this funding level, the Government will keep the difference (the tariff) which will be distributed to local authorities which collect less in business rates than required to match their respective funding levels (the top up). Tariffs and top-ups will be fixed until the business rates system is reset, periodically, but will be updated by RPI each year.

The initial estimate of business rates that will be collected by a billing authority will be known as its 'business rates baseline'. This baseline will be split between the billing authority and its major precepting authorities, in the case of Cambridge these will be the County Council and the Fire and Rescue Authority. It is proposed that an 18% share of the rates baseline will go to the County Councils in two-tier areas and 2% to Fire and Rescue authorities.

The calculation of funding levels and the top-ups and tariffs re-distribution mechanism will initially effectively replicate the current Formula Grant funding position for authorities. However, the scheme then provides for local retention of a share of any additional Business Rates that are generated from growth in the local base position. This aspect of the scheme is intended to incentivise local authorities to encourage and support business growth within their areas, in a similar way that the New Homes Bonus Grant was introduced to encourage housing growth.

The proportion of business rates growth that authorities retain will depend on the relationship between the growth in their local business rate receipts and their baseline funding level. Under

the current proposals, for every 1% increase in an individual authority's business rates income it will only be allowed to retain the equivalent of a 1% increase in its baseline funding level. Any increase in excess of this amount will be paid over to Central Government in the form of a 'levy'.

The Government will utilise the levy amounts to provide a partial 'safety net' for authorities which experience a fall in their business rates, for example through closure of a major business in their area. Proposals are that protection through a safety net will apply if an authority's business rates income falls by more than 7.5% to 10% from their baseline. The exact level from which the safety net will operate is still subject to consultation.

The scheme also provides the opportunity for authorities to come together to form a 'pool' in order to further incentivise them to drive economic growth. By forming a pool that combines tariff and top-up authorities, the levy on growth that is returned to Central Government can be reduced, thereby potentially allowing the local areas to retain a greater share of business rates income than it would without a pooling arrangement. The effects and benefits of this depend upon economic circumstances and business growth levels, and so the City Council is undertaking modelling with potential partners for a local pool to better understand the benefits that may accrue allowing a final decision to be made as to whether to create a Cambridgeshire Pool. the deadline for submission of final pooling proposals is 19 October 2012.

The final phase of consultation is now underway with the issue in July 2012 of a detailed (251 page) 'Technical Consultation' paper on Business Rates Retention. This consultation will end on 24 September 2012.

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 to replace the national Council Tax Benefit scheme with locally determined schemes of support for Council Tax 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. In 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.

A consultation paper 'Localising support for council Tax in England' was published on 2 August 2011 confirming plans that help with Council Tax would not become part of Universal Credit – the new benefit that amalgamates tax credits, out-of-work benefits and housing benefit – but would remain a local authority responsibility. The paper also confirmed the need for local authorities to save around 10% of current expenditure but, importantly, made it clear that in developing local schemes pensioners and the most vulnerable should be excluded from the effect of this cut. Local schemes are also expected to incentivise return to work.

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.

The implications for the Council's Revenues and Benefits Service of these welfare reform changes are highlighted in Section 4.

National Housing Policy

The Coalition Government published its national housing policy 'Laying the Foundations' in November 2011. Many of the housing policy reforms have been enacted through the 2011 Localism Act.

The Government 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. The new national housing policy signalled 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. This equates to approximately 65% of local market rents.

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 (or a minimum of two years in exceptional circumstances). 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 which receive grant from the HCA can also re-let a number of existing homes at 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 Act.

The Council approved its first Tenancy Strategy in June 2012. The Tenancy Strategy is a requirement of the Localism Act and guides housing associations on the level of Affordable Rent that are considered 'affordable' to the Council and the minimum length of tenancy that is deemed reasonable. Housing associations and local authorities, as social housing providers, are required by regulation to publish a Tenancy Policy that demonstrates how they set their rents in keeping with the local tenancy strategies.

The Council launched a review of its Lettings Policy in July 2012, in response to a Government consultation paper that, in turn, interpreted the new national policy to give local housing authorities greater freedom to manage their waiting lists, particularly in the areas of how to manage transfers and who has 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 will be of marginal benefit in Cambridge because of the high demand already for privately rented housing.

HRA Self-Financing

A major reform of the financing of Local Authority Housing became effective from April 2012, following statutory changes introduced as part of the Localism Act. The previous national subsidy system has been replaced by a self-financing system. The initial step under the new arrangements was the requirement for the Council to make a one-off payment of to Central Government of £213,572,000 on 28 March 2012. This payment was funded by the Council through borrowing from the Public Works Loans Board, taking advantage of special preferential interest rates offered to local authorities specifically for this purpose.

Preparations for this major change in housing finance, included the development of a detailed 30-year HRA Business Plan alongside a 30-year HRA Asset Management Plan. These two documents, each covering the period 2012/13 to 2041/42, were approved by Council in February 2012. The two documents, including the assumptions on which financial projections within the plans have been based, will be reviewed twice each year – at mid-year in order to inform and guide the budget strategy for the HRA and in February as part of the rent and capital and revenue budget setting processes. These reviews will be undertaken and presented, for consideration and recommendation to Council, separately from this MTS document although capital spending plans in relation to housing will continue to be included within the Council's overall Capital and Revenue Projects Plan.

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.

Overview of Budget Issues

In drafting the MTS, consideration has been given to all of the budget issues affecting the council, including those outlined in each portfolio area in more detail below. The process of preparing the MTS enables the Council to identify those issues that it is appropriate to include within the council's financial projections at this stage. These items are identified in Appendix B, split between those items which are one-off, or time-limited, in nature and those which are ongoing. Their financial implications are also included in the financial projections considered in Section 8. In some instances there is still insufficient information available to include a specific provision and these items are included in the listing of uncertainties in Appendix L.

Appendix D sets out the key assumptions made in financial modelling for the MTS for matters such as pay and other inflation, income, Council Tax increase, interest rates etc.

Approach to Delivering Savings

The Council has been undertaking a significant programme of reviews to identify the capacity for different ways of delivering services and the opportunities for both reducing running costs and increasing income. The MTS includes assumptions about the savings that have already been identified from those reviews - both to deliver extra savings in the current year and for delivery in 2013/14 and beyond. This provides the basis for considering the achievability of future net savings requirements in Section 8.

The Council will continue to use this structured approach to reviewing individual services and cross cutting to underpin our delivery of savings in future years.

Key areas for focus going forward are:

- A comprehensive review of all our back office support services with a view to maximising opportunities through sharing those services with other local councils, building on the success of existing shared service arrangements. We will be also looking at the potential for sharing front-line services where there is potential to do so.
- A systematic appraisal of council services, and assets, which have the potential to generate income streams for the council to identify how we can develop a more commercial approach to those services and maximise external income.
- A review of our property assets with the view of rationalising our administrative buildings, exploring the potential for a joint operations centre with other agencies to replace the Mill Road Depot and maximising the commercial potential of our holdings on sites such as Northern Fringe East.

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:

- Arts, Sport and Public Places – Executive Councillor Rod Cantrill
- Community Development and Health – Executive Councillor Mike Pitt
- Customer Services and Resources – Executive Councillor Julie Smith
- Environmental and Waste Services – Executive Councillor Jean Swanson
- Housing – Executive Councillor Catherine Smart
- Planning and Climate Change – Executive Councillor Tim Ward
- Strategy – The Council Leader Tim Bick

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 Arts & Recreation service provides a wide range of mainly discretionary activities including management of the Corn Exchange, major events such as the Cambridge Folk Festival, the Big Weekend and Bonfire Night, sport and swimming facilities, arts and sports development, and leisure grant strategy.

Key Objectives for 2012/13

- Ensure all city residents have the opportunity to access arts, sports & public spaces services
- Enhance the City's reputation and identity through provision of well-managed public places and high quality arts and sports services
- Celebrate opportunities to be inspired by the London 2012 Olympic and Paralympic Games
- Protect & enhance the environment and tackle the causes and consequences of climate change
- Engage and involve local communities in shaping services and decision-making

Budget Issues

The 2010/11 restructure of the service delivered a saving of £350,000, by streamlining the staffing structure based around the establishment of four teams and adjustments to programming targets and subsidy at Cambridge Corn Exchange. In the short-medium term, further reviews are being undertaken to investigate more effective ways of working to deliver priorities and opportunities for further efficiencies.

- Publicity and distribution (2012/13)
- Management of the Corn Exchange and the Guildhall (2012/13)
- Box office (2013/14)
- Management of major events (2012/13)
- Sports development (2012/13)

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 in particular, the Guildhall Halls, whilst continuing to pursue opportunities to reduce costs and find more efficient ways of providing services. A business plan will be developed in 2012/13 highlighting in detail how the strategy will be implemented and the anticipated £150,000 saving achieved (£50,000 in 2013/14 and a further £100,000 in 2014/15). The business plan for both buildings will require consideration of priorities for capital investment needed to achieve business targets, and a review of staffing arrangements.

Sport & Recreation - The Council's leisure management contract with SLM expires in September 2013. Savings of £50,000 are anticipated through this process. Consultation on specification requirements is underway. Initial points for focus seem to be the need to drive down utility consumption, and improving access to services. There is an opportunity to consider which other sports services may be appropriate to consider including in the specification, for example, Exercise Referral.

Arts & Events - A review of events will start in 2012. This will focus primarily on understanding the true profit and cost of the City's major events. The review will also consider the advantages and disadvantages of alternate delivery methods, and an assessment of the market's capacity to deliver any of these.

Business & Marketing - The box office service has been reviewed and updated and now offers greater automation (introduction of new telephony to prioritise sales, and software to enable 'select-a-seat' purchasing) and integration with the customer service centre. However, this has significantly increased caller demand (more people are able to get through now more lines are available) and so an even greater focus on automation is required, as well as a £20,000 contribution to increased costs at the CSC. Development of these areas will continue alongside exploration of further opportunities to collaborate and/or deliver services with other providers, and the CSC.

Leisure Grants - The provision of grants totalling £370,000 to voluntary groups and not for profit organisations that deliver services and activities that meet the Council's objectives, administered by the Community Development service.

Impact of major growth - A contribution to the revenue costs of a sports centre in the Clay Farm secondary school (which will open to the public by March 2016) will need to be made from 2015/16, and this has been included in the MTS projections in Appendix B on the basis that contributions would also be requested by the school developer Parkside Federation from the County Council and South Cambridgeshire District Council.

Streets & Open Spaces

Service Description

Open Spaces Management team - providing strategic, development and management functions to support the city's public realm 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.

Project Delivery & Environment team - delivering capital projects funded by developer contributions for open space, play and public art; and other schemes for environmental improvements, toilet refurbishments, bus shelters and cycleways.

Service Delivery team - which covers two portfolios. The main areas of working within this portfolio 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.

Budget Issues

A major investment programme in litter and recycling bins on open spaces is in place, with four years of funding, to increase the levels of recycling and to reduce the number of complaints relating to littering.

Significant investment is required in maintaining the banks of the river Cam in the Council's ownership. This could include a range of both hard and soft landscape solutions. Provision for immediately required works has been included in Section 6.

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. There will still be a requirement to draw down a percentage of developer contributions to cover officer resources on project delivery.

The MTS includes reviews of the effects of land transfers on grounds maintenance and the end of past commuted sums (which typically cease after 12 years).

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

Further investment in the service's IT infrastructure will allow for development of better online and transactional services in relation to booking and purchasing funerals, cremations and commemorations.

The installation and commissioning of mercury abatement equipment has provided the Council with the opportunity to trade its zero emissions, in future years, with other authorities and services that are not yet fully compliant with Mercury abatement requirements.

Planned modernisation of the chapels and other public facilities at Newmarket Road and Huntingdon Road cemeteries will safeguard the quality and competitiveness of current services, and ensure that budget targets are met.

A project to consider the establishment of a trading company or similar commercial entity will be undertaken with a view to identifying further opportunities for the service.

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

Service Description

Key areas of activity are :

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

Voluntary Sector Grants - The management of around £1.2m 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.

Area Working - There are significant amounts of developer contributions for improvements to off-site community facilities within the city. A capital grants programme has been agreed to improve a range of facilities across East Area and similar programmes will need to be established in the other 3 areas of the City. The Council has agreed to devolve decisions about the spending of developer contributions, including contributions to pay for improvements to community facilities. This process will need to be carefully managed to ensure that local people can work with ward councillors to agree local priorities and local projects. Officer time will need to be allocated to supporting the process and delivering the projects.

Neighbourhoods - 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.

Work is underway to explore and evaluate options for the future management of the community facilities currently owned and managed directly by the City Council and the new facilities planned at the Clay Farm and NIAB1 development sites. The drivers for this work include the need for the Council to find efficiencies in a difficult financial climate that is unlikely to improve for the foreseeable future as well as Localism; with the move to encourage local communities to take ownership of their local facilities where this can deliver improved service outcomes

Budget Issues

ChYpPS went through a member-led service review during 2011/12, which set a clear focus for the service. This included a more entrepreneurial approach to service delivery with raised income targets during 2013/14 and 2014/15. The service is developing a 3-year Business Plan which will set out how the service will deliver its income targets. This will be reported to Community Services Scrutiny Committee in October 2012.

The general economic climate means that more people are seeking the support of voluntary sector groups whilst there is more uncertainty about the general availability and levels of voluntary sector funding. This is likely to result in an increased demand for grant aid from the City Council. The Head of Community Development will be undertaking most of this work with some support from staff within the newly formed grants team.

The Council has agreed that the planned community facility and open space at Storey's Field within the University Site in North West Cambridge should be managed by a Joint Venture Company involving the University and City Council as joint owners. A revenue contribution of £100k (based on current prices) has been built into the MTS from 2027.

Further revenue funds will need to be found to cover the net running costs of the planned community facilities at Clay Farm (from 2015) and NIAB1. Cost estimates should be available by April 2013.

As the major growth sites are developed, decisions will need to be taken about whether to make more resources available (so that the new residents receive the current level of service) or whether existing resources should be re-prioritised.

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

One outcome of the recent Council-wide review of business and support services was the decision to centralise input of data into the payroll, accounts payable and sundry debtor systems. In implementing the new arrangements a review of business processes has been being undertaken in order to identify further efficiencies. Some additional funding will be required in order to deliver these changes which include using document scanning and workflow for handling supplier invoices and developing on-line forms for a range of input documents, and bids will be made as part of the 2013/14 process.

The service continues to provide support to other Council services in examining the financial & business cases for shared service and other alternative service delivery models. This work is contributing to significant pressures on staff resources within the service.

Financial pressures continue in relation to the Council's self-insurance arrangements following a number of significant claims to the Insurance Fund. The need to increase annual contributions, in addition to the additional one-off contribution taken into account in this MTS, will be assessed as part of the budget process.

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, environmental services, housing benefit, Council Tax, housing repairs and refuse collections.

Budget Issues

The service will face tough challenges over the next few years with continuing growth in call volumes as a result of increases in the local population, welfare reform and impact of the economic downturn. Financial constraints, competition for human talent and increasing

complexity of call content and customer demands/expectations will also need to be addressed.

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 channels including 'Facebook', and the development of the Council's website to enable customers to report on line using variety of methods and be accessible through the use of 'smart phones', alongside ensuring services are accessible to all by phone and in person at Mandela House.
- Implementation of technology and digital communications to allow customer and residents to self-serve including online access to Council Tax, and greater choice and speed for customer payments with an automated payment machine installed at Mandela House.
- Alignment of Council, agencies and partner services to enable seamless delivery of services.
- Review service processes within the CSC and back offices to ensure staffing and technology deliver efficiencies and improved customer services.

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 introduced by the Government are increasing the workload of the electoral services team significantly. The Police & Crime Commissioner election, referendums (including potentially related to the Council Tax under the Localism Act) and individual electoral registration add to the workload of the service. There may also be other implications arising from the Localism Act.

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 and the Council's human resources policies as well as the Corporate Health & Safety and Emergency Planning team.

Budget Issues

Savings targets of £100k were set for 2010/11, 2011/12 and 2012/13 budgets through the service review process, and have been achieved. The service budget is now £1.1m including Health & Safety and Emergency Planning.

Internal Audit

Service Description

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

- Combat fraud
- Champion good governance
- Improve efficiency; and
- Reduce the risk to the public purse

Budget Issues

The service is provided through a shared services arrangement with Peterborough City Council, which helps deliver cost savings whilst broadening the range of skills available. The service is looking to expand the shared service arrangement, and is discussing opportunities with potential new partners for 2013/14. The processes and procedures of the service, together with greater exploitation of IT, is being reviewed in order to make shared service working even more effective in future.

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 ICT FM contract will end in June 2013, and re-tendering work has started. 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.

To support this the Council is planning to upgrade its telephone system, which was originally implemented in the 1980s. Costs will be in the region of £500,000 and work is currently scheduled for 2014/5.

The service will deliver a major project over the coming year to upgrade all of the Council's desktop PCs. This will include upgrades to MS Office and Windows, and will improve effectiveness and flexibility for staff. Funding is already in place, and work is underway.

The service is leading on work during 2012/13 to develop applications, together with partners, for funding to help deliver its vision of using modern technology to enable the City to become less congested, more vibrant and better connected through the Government's Future Cities and Ultrafast Broadband schemes.

As timescales for the Future Cities submission do not permit a Member decision through the normal scrutiny committee process, it is recommended that authority to agree the bid for submission should be delegated to the Chief Executive in consultation with the Executive Councillor for Customer Services and Resources, Chair and Spokes of the scrutiny committee.

Legal Services

Service Description

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

Budget Issues

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. Some legal work connected with the major growth sites is currently outsourced. There is likely to be a continuing need for some external provision of legal services, particularly in relation to implementation of capital projects and schemes relating to the growth sites. This should be identified as part of the project initiation stage.

Land Charges

Service Description

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

There is uncertainty about the power of local authorities to charge for aspects of the local land charges service, which may result in litigation. An adverse court judgment could result in the Council having 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, which is being held as an earmarked sum against this eventuality.

Property Services

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. Holdings range from interests in the Lion Yard and Grand Arcade shopping

centres to a range of commercial premises. The portfolio generates a significant rental income for the Council.

The Council has large potential development sites for disposal at Orchard Park (K1), Clay Farm and Cowley Road. The Council's ongoing Office Accommodation Strategy review will also consider the potential to move services from the current Mill Road depot site. Whilst site disposals could generate significant capital receipts, they will involve significant projects and require specialist external support. Some sites may also involve the need to facilitate significant infrastructure works and associated costs, the MTS outlines proposals as to how this will be managed in terms of Clay Farm.

Budget Issues

As freehold owner and Superior Landlord of the of Lion Yard shopping centre the Council needs to make contributions of 25% towards the costs of further development. The Capital and Revenue Projects Plan includes provision for the next anticipated phase of works designed to increase and improve the quality of retail space within the centre. The centre has experienced increased voids, reflecting market conditions and vacancies held in preparation for works, in addition to pressures from market conditions. When the remaining capital works have been completed, it is forecast that the total income received will increase. Revised income forecasts have been built into the projections for the MTS.

The current market conditions for commercial property, generally, remain challenging and income growth is expected 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.

Revenue and Benefit Services

Service Description

Revenues & Benefits is responsible for the administration and payment of housing and Council Tax benefit and discretionary housing payments. It is also responsible for the administration and collection of Council Tax and Business Rates, as well as the prevention and detection of fraud.

Budget Issues

The Government's plans to reform the system of welfare payments and elements of Local Taxation have considerable implications for the Council, as do the plans for the localisation of business rates.

As legislation is still pending the Government released a 'Statement of Intent' for each of these areas on 17 May 2012. Officers are working to these statements, but there remain many issues that require further clarification; resulting in a higher level of uncertainty and risk than is usually experienced.

Business Rates Retention Scheme

Under the new scheme the Council have to forecast the amount of business rates that they will receive for financial planning purposes, and processes to support this need to be developed.

Localisation of support for Council Tax

Council Tax Benefit will be abolished from 2013/14 and the determination of the amounts payable under new Council Tax support schemes will be a matter for each billing authority, in consultation with precepting authorities. Government funding for the costs of Council Tax support is expected to be reduced by 10% from that under the old benefit system.

Funding will be by means of a specific grant allocation that will take no account of increasing values or caseloads throughout the year. Hence the billing and precepting authorities will have to take-on the financial risks associated with variations in these factors in practice.

Work is in hand to develop the required local scheme for Cambridge, but the timescale is extremely tight and public consultation on the new proposals is scheduled to commence shortly. Timely receipt of upgrades to relevant IT systems will also be important.

The service will need to work closely with the DWP, DCLG and organisations such as advocacy and support agencies to ensure that the Council makes the necessary changes to its local reduction scheme and meets the Government's timetable for doing this. It will also be important 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.

Currently, the DWP provide reimbursement, not only for benefits paid out via the subsidy mechanism, but also via an administration grant for costs associated with the running of the scheme at a local level. It is unclear what level of reimbursement will be received from DCLG for the administration of a localised Council Tax support scheme as the amount of funding will not be announced until November 2012.

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 through 2012/2013 and beyond. The reduction in the level of support for Council Tax will be expected to lead to a further, significant, increase in workloads in relation to the recovery of Council Tax. Any changes made in relation to the abolition of Council Tax discounts and reliefs in respect of empty properties will also result in a large increase in workloads within the Council Tax billing and enforcement team.

The potential for an increase in bad debts needs to be considered as the reduction in support will result in a large number of relatively small but difficult to collect debts. Projected collection rates will need to be amended to take account of this.

Benefits

In addition to the abolition of Council Tax benefit, housing benefit will gradually be removed from local government administration, becoming part of the Government's new streamlined benefit payment, the Universal Credit, from October 2013. This will start to impact on the Council's spending from 2013/14 onwards as the number of housing benefits cases will gradually diminish though to be completed by 2017/18.

Exactly what these reforms mean for existing benefit delivery remains unclear and poses many challenges. Payments in respect of housing costs will be included in the Universal Credit as one

payment; it will be paid directly to the customer monthly in arrears. This will have a significant impact on work associated with the collection of Council rents, as housing benefit is currently paid directly to a customer's rent account on a weekly basis.

In addition, the levels of housing benefit are gradually being cut through changes to the local housing allowance (LHA), the benefit cap and the social housing size criteria restrictions. Overall people's income from welfare benefits will be reduced, in some cases significantly so, impacting on their ability to pay their rent and Council Tax bills thus impacting on the Council's collection rates and costs

It is unclear whether the formation of a single fraud investigation service will lead to further reductions in the Administration subsidy grant, at this stage.

Additionally, the area of overpayment subsidy will be an issue under the new localisation of Council Tax support, as the grant will not include an element of subsidy for either local authority error (100% currently) or other error (40%).

As a consequence of the current economic downturn, the service has already experienced an increase in its benefit assessment workloads and it is difficult to predict future workloads as welfare reform changes are implemented over the next few years. Whilst the Department for Work & Pensions has funded two additional benefit assessment officer posts to cope with the increase in benefit claims for 2012/13, this additional funding is not expected to continue into 2013/14.

There is a significant risk that as we manage the transition from housing benefit to Universal Credit, experienced staff may be lost as they seek more long-term employment. This in-turn would impact upon our ability to maintain existing standards of service delivery and would be more costly if we become dependent upon the use of relatively expensive agency staff.

City Centre Management

Service Description

The operational side of the City Centre Management team are responsible for managing the markets, street trading 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 users through effective partnership working with local businesses.

Budget Issues

Cambridge has one of the few 7-day markets in the UK and it continues to perform well averaging around 93% occupancy. Maximising occupancy, and the continued support and development of the market continues to be a key focus for the Service in order to support the market traders and ensure that the market continues to thrive and fulfils its potential.

Love Cambridge has now been in operation for 3 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.

In 2010/11 Love Cambridge was successful in securing 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 purpose of a BID is to provide a mechanism for businesses to pool their resources and then to deliver projects, which improve the city centre for all users. The total resulting investment in the city centre would be in the region of £750,000. There will be financial implications for the City Council if a Business Improvement District were to secure a 'yes' vote, but this will not be clear until the BID vote is held in October 2012. Possible implications are included in Appendix L. There is also the opportunity for increased revenue to the Council should the Council successfully tender for some of the services delivered by the BID.

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 a service review, the tourism service is delivering savings reflecting a refocused service operating more commercially - the key objective of the 2010 tourism review. 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 £40,000 per annum in 2013/14 and 2014/15.

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. Visit Cambridge is forging closer links with the neighbouring towns and districts (e.g. South Cambs DC, St Neots, St Ives and Ely) to identify opportunities to work collaboratively on tourism management.

Following the abolition of the Regional Development Agencies and the regional tourism bodies, the tourism landscape is currently very dynamic and tourism services across the UK are having to review their business models with local partners in order to ensure sustainability. Visit Cambridge is actively engaged with networks both regionally and nationally in order to understand and proactively respond to the trends in funding models.

It will be very important for Love Cambridge/ the BID to continue to work very closely with Visit Cambridge in order to develop a joined-up and coordinated approach to destination management for the city and the surrounding area. In addition it will be important to forge strong linkages with the Local Enterprise Partnership and to keep abreast of any new developments in local economic development so that opportunities can be proactively explored and supported with partners as appropriate.

Estates & Facilities

Service Description

Following restructure, the service now delivers the facilities management service in addition to its previous HRA responsibilities. General Fund activities encompass responsibility for facilities management services in the Council's primary office accommodation buildings and management of the depot at Mill Road. Services include, security and maintenance of the building fabric, legislative compliance, energy management and purchase together with Architectural and Engineering services.

Subsequent to the support services review, the service also provides comprehensive financial and other back office support services to departments based at Mill Road depot including the Council's garage, Waste and Fleet, Streets and Open Spaces, stores management. Estates and Facilities also provides reception services at Mill Road.

Budget Issues

A detailed property condition survey is currently underway which aims to confirm the funding requirements and establish an effective planned maintenance programme of all of the Council's administrative buildings.

Environmental & Waste Services Portfolio

Refuse and Environment

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 risk that the County Council may reduce the recycling credit payment to the council, this will not be clear until current negotiations are completed. 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.

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. 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.

From 30 July 2012 further plastics, in the form of plastic pots, tubs and trays, are included in the list of acceptable materials that can be recycled in the household Blue Bin. This material is, at present, low in value and therefore the overall value of the mix of materials may go down as a result, reducing income to the authority. There will be some increase in the quantity of material collected, which will provide increased income from recycling credit payments from the County Council, but this may not fully offset the reduction in income based on the value of the material.

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. Implications are being reviewed.

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 the County and is part of future discussions, this is included In Appendix L. 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 £64 per tonne. The Council will need to review its pricing strategy in light of this change 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 and ongoing. In addition, it will enable strategic mapping of services to deal with the impacts of housing growth from major developments, ensuring service growth is timely and that resources are utilised effectively.

Consideration is also being 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 a number of activities, including:

Street Cleansing - provide manual and mechanical sweeping and litter clearance across the City to include highways, parks, open spaces, cemeteries, and housing areas. The Service also has a number of small contracts with some private sector companies to provide cleansing services.

City Rangers - 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.

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

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

Public Realm Enforcement team - responsible for the prevention, investigation and enforcement of environmental crime within the public realm. The Enforcement Officers carry out regular high visibility patrols and days of action to apprehend offenders and to encourage compliance with the relevant legislation. Both the Ranger service and the Enforcement service have successfully introduced weekend cover for their services.

Dog Warden Service - provides education and enforcement on a broad range of dog issues.

Budget Issues

General issues identified are rising fuel and materials costs, which are unpredictable. The Building Cleaning service is subject to an internal review and market testing. Street Cleansing are reviewing the appropriateness of their vehicle fleet.

In relation to street cleansing, following adoption by the County Council of new highways, there is a requirement for the City Council to clean and keep them safe. It is anticipated that a budget bid will be required in 2014 in light of the significant number of new roads resulting from growth within the City.

Housing Portfolio – General Fund

Strategic Housing – Housing Strategy

Service Description

Housing Strategy - a relatively small team which undertakes a statutory function to assess and plan for housing needs across all tenures including commissioning of support services, and is part funded through the Housing Revenue Account.

Enabling & Development team - undertake a statutory function to plan for and facilitate new housing supply and facilitates, as well as contributing to the Local Plan Review. Led by the Head of Service, the Team is also currently project managing the Clay Farm Community Centre Project (target completion March 2015); and the project to develop the City Council's land at the centre of Clay Farm.

The next 18 months will see the first Affordable Housing on the Growth sites and we are working with our Affordable Housing provider Cambridgeshire Partnerships Limited on the Local Lettings Plan and how new residents are to be introduced to the new community.

By March 2014 the Council's new housing for older people at Seymour Court and the new scheme at Latimer Close will be completed. Other new schemes at such as Barnwell Road and

Colville Road are programmed to be under construction during this period. The team will be reviewing other opportunities to balance a programme of small scale re-generation of existing housing with additional new build on new sites within the financial provision to provide up to 650 Affordable Housing over a period of time.

Housing Options 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. A restructure of the Team was completed in July 2012 to provide a more seamless service to customers across the three main function areas - Home-Link, Housing Advice and Homelessness.

Cambs Home Improvement Agency - performs a statutory function administering grants to adapt and repair homes (Disabled Facilities Grants). Its role is to support older and vulnerable people to live independently in housing that is warm and safe.

From April 2012 the Council's 'home improvement agency' (HIA), Home Aid, merged with similar services run by South Cambridgeshire District Council and Huntingdonshire District Council to create a single HIA called Cambs HIA. HIAs are a service model that is highly valued as central to housing, health and social care agendas and therefore securing the profile of the service with the new Health and Well-being Board and the Local Health Partnership will be important. For Cambridge, Cambs HIA operates in the private housing sector only.

Private Sector Housing - provides private sector housing services, including helping colleges attain Landlord Accreditation standards, promoting energy efficiency and bringing vacant properties into use. The service is responsible for inspections of Houses in Multiple Occupation (HMOs) and is experiencing an increase in both numbers and interest in HMOs.

Budget Issues

Housing Strategy

Housing and other social policy reforms introduced by the Government sets the context for this team's work. A revised Housing Strategy 2012 – 2015 was produced in June 2012, as was the first Council Tenancy Strategy required under the Localism Act. Work is now needed to assess the local impact of the Government's proposals and how the Council's Housing Strategy develops alongside other new sub-regional networks such as the Local Enterprise Partnership,

Health and Well-being Board and Local Health Partnership. There is strong sub-regional partnership work to ensure the coherence of housing strategy across district boundaries and the City Council part-funds a sub-regional housing strategy post.

Enabling & Development

Approximately £20,000 of the annual revenue budget is funded through capital projects. It has been agreed to increase this to £36,000 in 2013/14 now that grant funding has been received to increase the Council's new Council House building programme.

The Clay Farm Community Facility will be under construction during the next 18 months, resulting in design and construction costs. These will be matched by developer contributions, although the Council will be required to provide some initial borrowing to fund the development that will be repaid over the early years of the life of the Centre.

The Council will also be required to pay, during the period to the end March 2014, a significant contribution to the overall infrastructure costs at Clay Farm in order that it can bring its site forward for development. This will be met from the gross receipt on disposal and funded through temporary borrowing in the interim period.

Housing Options

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 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 and early discussions are being held about how partnership revenue budgets can be better aligned at a district level. A feature of the period will be a review of the Lettings Policy in the light of government regulation change.

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 as well as to sustain the Council's own capacity to prevent homelessness. This funding is secure for the next two years and therefore immediate budget

issues will be more about using the grant as effectively as possible during a period of anticipated increasing housing stress.

Cambs Home Improvement Agency

The se- up of the new shared service has already delivered some savings and the aim is now to maximise the economies of scale that the new service will bring without impacting on the quality of the service to customers.

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

Planning & Climate Change Portfolio

Planning

Service Description

The Planning Service has five sections whose work covers the statutory and associated responsibilities for the planning function in its widest sense: Building Control, City Development, New Neighbourhoods, Planning Policy and Urban Design and Conservation.

Cambridge is currently experiencing a building boom and planning application numbers are increasing as well as construction activities associated with the planned growth of the city. The first occupation of new homes on the Southern Fringe took place in early July. Significant amounts of new development are anticipated to gain planning permission over the coming year. At the same time, work is now progressing on a new Local Plan, which will project forward the spatial vision and strategy for the City to 2031.

Budget Issues

The nationally set planning fees have not increased since 2008. 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 Government has just announced that it will not be proceeding with the local discretion over fee setting at the moment but will instead be providing an increase in the nationally set planning fees of 15% from this autumn. This should give an equivalent full first year increase in planning fee income of around £152,000.

Charging for pre-application advice was introduced in autumn 2011 and is working well, delivering modest, but higher than anticipated income levels. The scheme approaches its first year review and opportunities to increase fees and extend the scope of chargeable advice and associated services are being investigated.

As the pace of growth implementation increases, pressures on resources in planning and other specialist services that provide support to delivering growth will need to be addressed creatively, without increasing direct service costs. The use of supplemental staffing contributions from developers promoting major schemes will be investigated and incorporated into the service budget where appropriate.

The new Local Plan is under preparation and is planned for adoption in 2014. The Council's Community Infrastructure levy approach will be developed in parallel with the local plan timetable and introduced concurrently. Experience from the national CIL frontrunner authorities suggests that there are set up and on-going administrative implications in moving to the CIL regime.

Strategy & Partnerships – Climate Change

Service Description

The Strategy and Partnerships Sustainability team provide support, advice and information to colleagues, councillors and the wider community on a range of issues relating to environmental sustainability and climate change.

Budget Issues

The Council has recently adopted a 5-year Carbon Management Plan (2011/12 to 2015/16). The Plan lists specific projects that we plan to deliver to further reduce our energy bills and carbon emissions across a range of services.

It is possible that the Council may fall into Phase 2 of the Carbon Reduction Commitment (CRC) or any successor, depending on any revised criteria that the Government sets (which are not clear yet). If we do we would be liable to purchase CO₂ allowances at £12/ tonne for carbon emissions from our buildings that fall within the scope of the scheme, from 2013/14 (or at least until the start of Phase 3 of the scheme, in 2018/19). This is reflected in the Uncertainties section in Appendix L.

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.

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 future of Park Street Car Park; reconsideration of the investment plan for this site will realise long term benefits but will require further examination.
- potential loss of income from redevelopment will be more significant and over a longer period as a result of works being undertaken;
- ensuring continued investment in the life care planning of the car parks infrastructure
- 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.

Streets and Open Spaces – Drainage

Service Description

The Service provides flood risk management services, including the yearly maintenance of a number of watercourses for which the Council is responsible (riparian and awarded watercourses).

Budget Issues

Drainage

The budget requirements generally remain steady and the extent of watercourses maintained remains unchanged. However, 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 forthcoming 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. External funding may be available to retrofit some open spaces with Surface Water Flooding Mitigation Schemes. Working in partnership with the County Council these schemes will be bought forward for consideration in 2013/14.

Cycling

There is a need for a significant increase in cycle parking within the city centre of Cambridge, reflecting the considerable shortfall in the provision of both casual cycle parking (for instance easy access to individual shops) and long stay provision (for instance at the Grand Arcade and Park Street). The growth of the city will also generate additional demand. A scheme is, therefore, being developed to add between 250 and 1,000 additional spaces in the city centre, and also to identify opportunities for a third long term cycle park which may be subject to a separate funding bid in future.

This project will involve considerable officer time in identifying suitable locations, negotiating with the highway authority and any other land owners, consulting fully with the public, preparing detailed designs and contracting out the implementation work. Feasibility work will

be undertaken during 2012/13, with implementation scheduled for 2013/14, and a scheme totalling £500,000 is recommended for inclusion in the Capital and Revenue Projects Plan.

Strategy 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, councillors and partner organisations.

Strategy and Partnerships team - provide advice to colleagues and councillors on issues such as area working, consultation, external partnerships, corporate plans and performance, equalities, freedom of information and climate change (part of the Planning & Climate Change Portfolio).

Corporate Marketing team - 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.

Corporate Project Manager - based in the service and is responsible for implementation of major corporate projects to deliver organisational and cultural change.

Budget Issues

Cambridge City Council's own approach to Localism has included a move to devolve more decision making to Area Committees. There may be implications from this for the way services engage with and respond to local area priorities, and for the decision making process more widely.

By moving the council's website onto a more flexible and modern platform we plan to enable more services to conduct more of their transactions (both with the public, suppliers and partners externally, and with staff internally) online. This is consistent with the Council's

Customer Access Strategy and if implemented effectively should provide the scope to make further savings.

The Head of Corporate Strategy post is currently fixed-term with funding to the end of April 2013. A decision will need to be taken on the future of the post alongside other potential management structure changes in the second half of 2012, with possible budgetary implications.

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 demand on the General Fund through cost reduction or increased income streams.

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.

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 and the next period will see the election of the local Police Commissioner. 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 period to March 2104 is also covered by the Council's pilot project in respect

of Restorative Justice. The Team will need to build into its thinking now on how it will respond to any Community Safety or anti-social behaviour issues that may emerge as new communities rapidly form on the Growth sites.

Section 5

Resources

Introduction

The availability and levels of external funding are key factors for revenue projections for the General Fund. Up until the current year, 2012/13, Formula Grant has represented the main source of Government Funding and in 2012/13 will meet approximately 50% 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 Government has not yet given any indication of grant levels for 2013/14 or 2014/15.

The Secretary of State expects to notify local authority associations and make an announcement in the House of Commons in early December of the proposed level of support for 2013/14. As noted above, this will be based on the introduction of the new Business Rates Retention scheme, but support in the first year is expected to be broadly similar to that which would have been receivable under the old Formula Grant scheme as part of the transition arrangements. This notification will mark the start of the period of consultation on the proposed settlement before the final settlement can be approved by Parliament.

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%)

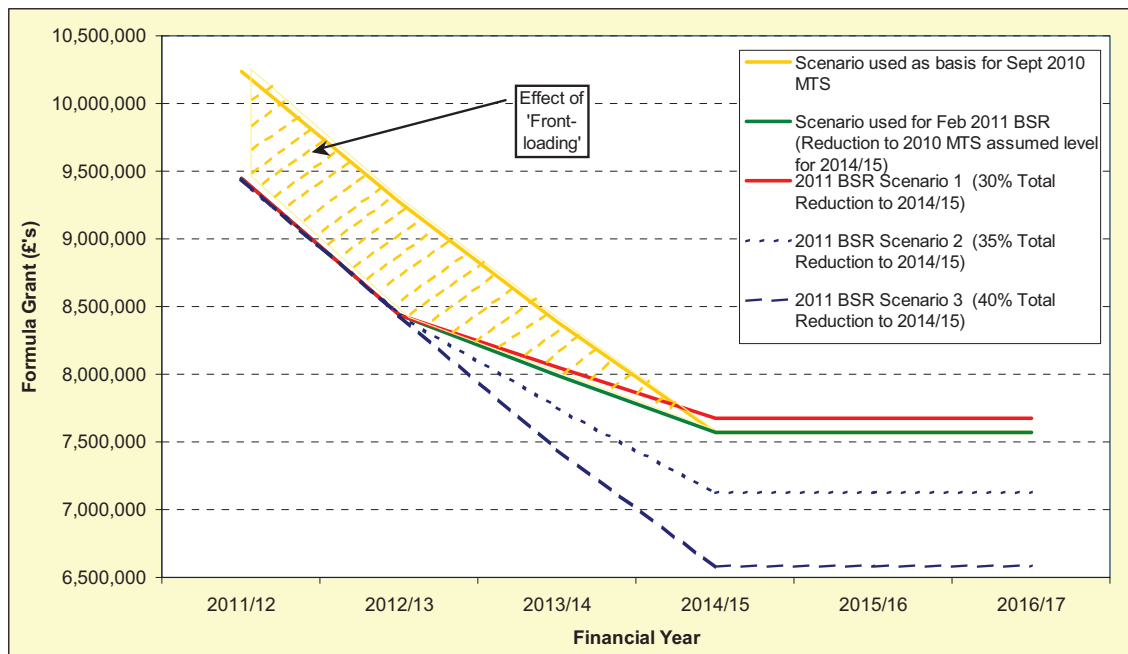
Excluding 2011/12 Council Tax Freeze compensation of £169,647, rolled into Formula Grant from 2012/13

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 support levels 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.

This is shown graphically below, together with possible alternative profiles:



Local Government Resource Review

The final outcome of the Local Government Resource Review will be a key factor in being able to effectively predict future base levels of external income for the General Fund. Section 3 of this MTS set out in some detail the final proposals for the scheme of Business Rates Retention currently being consulted on. Legislation to introduce the new scheme from April 2013 is contained within the Local Government Finance Bill currently being progressed through parliament.

The initial financial implications for the City Council will not become clear until the announcement of the Local Government Settlement. The provisional settlement announcement is expected in early December 2012 and the final settlement in January 2013.

More difficult to predict, though, will be the level of growth in business rates that will be achieved in future years and the amount of any increase that will be retained by the Council.

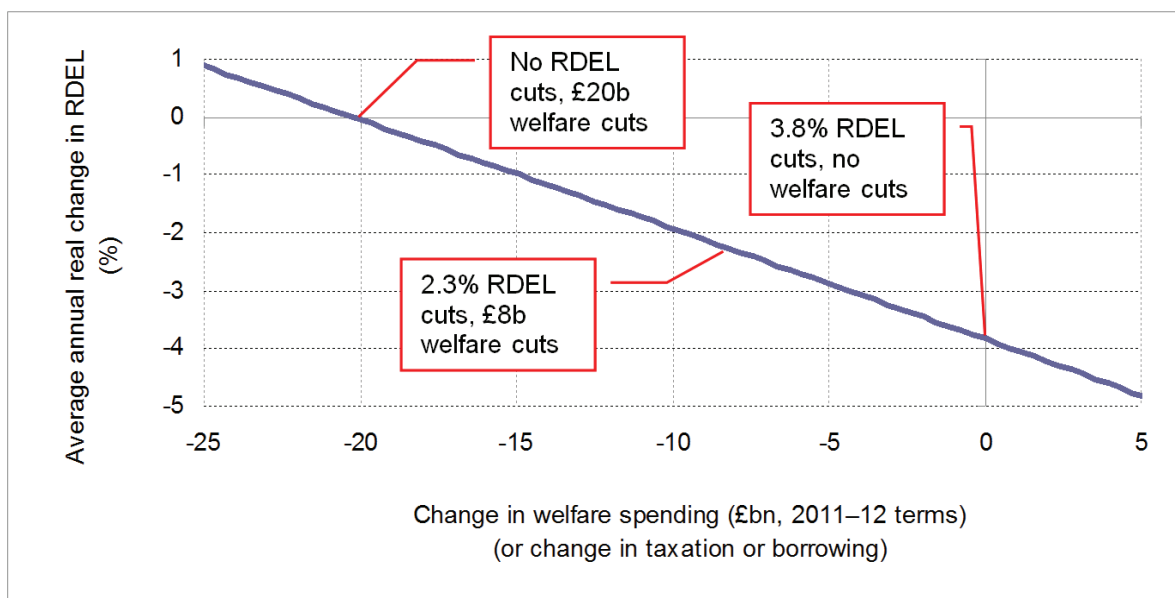
Whilst there remains considerable uncertainty regarding the level of Government support which will be received during the last two years of the current Spending review period (i.e. up to 2014/15), there is even greater uncertainty about funding levels in future years.

The analysis contained within the Government’s 2011 Autumn Statement and March 2012 Budget highlighted the continued pressures on the national economy and the adverse impact for their financial consolidation plan.

Since the March 2012 Budget the consolidation plan has come under further pressure as the economic downturn continues to affect the UK and world economies.

The projections contained within these most recent Government publications clearly indicate that additional spending reductions will be required in the first two years of the next Government Spending Review period (i.e. 2015/16 and 2016/17).

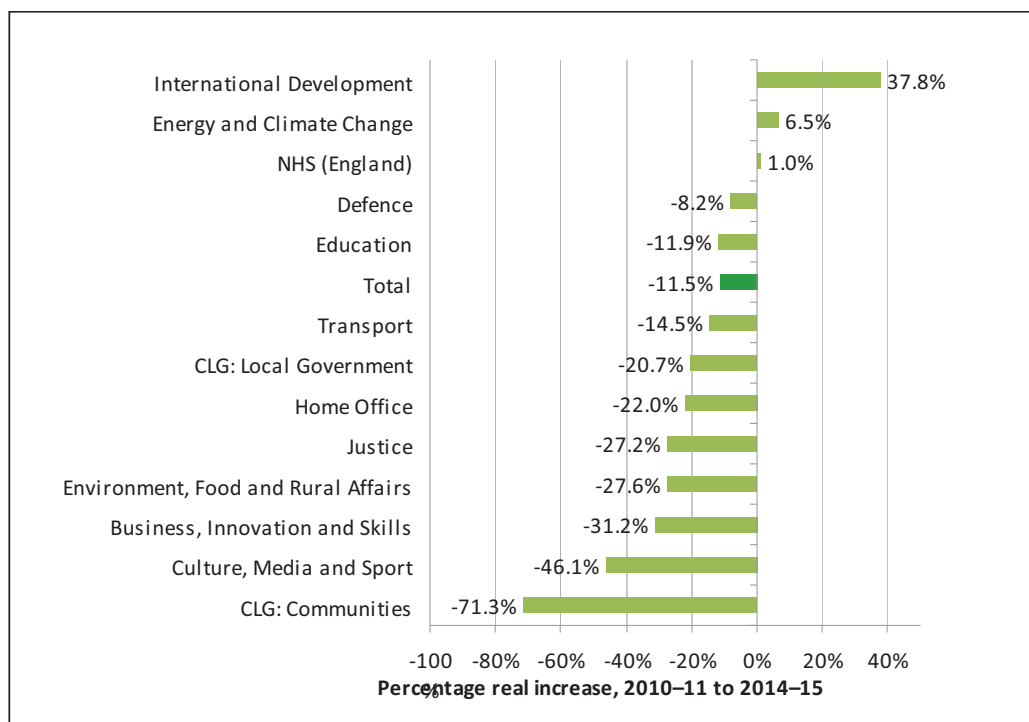
How much of these additional reductions will come from public sector spending plans will depend on the decision of how much to take from welfare spending, and therefore suggests a wide range of potential scenarios. This is illustrated below:



If the Chancellor adopts the same balance of spending cuts between the two categories then this would imply something like an £8b reduction for welfare spending in current terms and a 2.3% reduction in public services spending. If welfare spending were protected then a 3.8% reduction in public services spending would be required.

The February 2012 BSR had assumed that Government support from 2015/16 onward would be on a cash standstill basis. Clearly this assumption needs to be revised in light of the indications for 2015/16 and 2016/17.

Whilst the prospects at national control total level have been indicated in Government publications, in considering the impact for the City as a District Council consideration also needs to be given to the uneven level of reductions seen under the last Spending Review and reflecting the relative priorities placed by the Government on each spending area. The relative impact of the last Spending Review is shown graphically below:

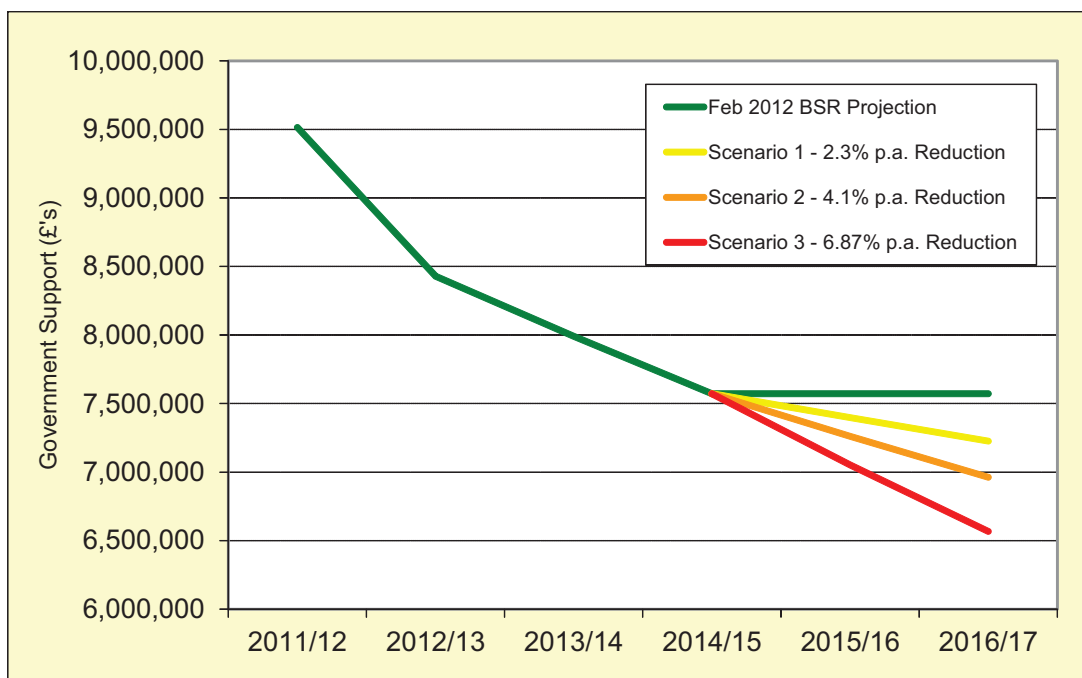


The updated national projections suggest that it would be appropriate at this time to review and update the projections for Government Support in respect of 2015/16 and 2016/17, but the challenge remains in determining what level of support should be assumed.

The following table outlines a range of potential scenarios, from the above analysis:

Annual Reduction	Ongoing Reduction in Gov't Support		Basis for Assumption
	2015/16	2016/17	
0.0%	0	0	£8b of welfare spending reductions, with no requirement for reductions on LG spending.
2.3 %	174,130	170,130	£8b of welfare spending reductions, impact on LG spending as average.
3.8 %	287,700	276,770	No welfare spending reductions and proportionate impact on LG spending as for SR2010.
4.1%	310,410	297,690	£8b of welfare spending reductions, impact on LG spending as average.
6.8 %	520,130	484,400	No welfare spending reductions and proportionate impact on LG spending as for SR2010.

This is represented graphically below, showing the relationship to the reductions under the last Spending Review period:



For the purposes of the MTS the assumption has been made that Government support for both 2015/16 and 2016/17 will be reduced by 2.3%. This assumption will be reviewed as part of the February 2013 BSR, in light of the next Provisional Settlement announcement – expected in early December 2012.

Other Government Grants

Under both the current Formula Grant system and its planned replacement of a new business rates retention system, the Council also receives a number of other revenue grants from central government. The number of such additional grant streams has, however, significantly reduced over recent years as Government has incorporated them into the overall Formula Grant settlements. In addition the majority of grants have now been removed from 'ringfencing' arrangements under which grants conditions required them to be used for specific purposes and within specific timescales.

The City Council has been notified, or is anticipating, that it will receive the following grants in the period 2012/13 to 2014/15.

Specific Grants	2012/13 £	2013/14 £	2014/15 £	2015/16 £
New Homes Bonus	1,521,544	2,335,544 ¹	3,456,144 ¹	3,456,144 ¹
Housing & Council Tax Benefits Administration Grant	759,704	587,590 ¹	499,450 ¹	424,530 ¹
2012/13 Council Tax Freeze Grant	170,784	0	0	0
Preventing Homelessness Grant	575,470	575,470 ¹	575,470 ¹	?
New Burdens Grant – Implementation of local Council Tax support arrangements	84,000	0	0	0
New Burdens Grant – Community Right to Challenge costs	8,547	8,547	8,547	?

¹ Council projections pending settlement announcements

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 entitlement for 2011/12 and 2012/13 have 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 was explicitly provided for the period of the Spending Review, i.e. to 2014/15.

The scheme in its current form is designed to continue to the end of the current Spending Review period, i.e. 2014/15. The Government has indicated its wish to continue the scheme as part of the next spending Review, however, it is expected that this would need to be financed through the top slicing of the overall level of funding available for local authority support.

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

	2012/13 £	2013/14 £	2014/15 £	2015/16 £
2011/12 allocation (Housing Completions & Empty Homes)	(786,646)	(786,646)	(786,646)	(786,646)
2012/13 allocation	(734,898)	(734,898)	(734,898)	(734,898)
Confirmed New Homes Bonus Funding at September 2012 MTS	(1,521,544)	(1,521,544)	(1,521,544)	(1,521,544)
<i>add</i>				
Projected NHB Receipts for 2013/14 and 2014/15 based on projection of future housing completions & empty homes	0	(814,000)	(1,934,600)	(1,934,600)
Potential New Homes Bonus Total	(1,521,544)	(2,335,544)	(3,456,144)	(3,456,144)

Given the uncertainty about the continuation of this scheme in the longer-term the Council has adopted a prudent approach by putting the funding received into an earmarked fund so that its use can be effectively considered in terms of fixed-period funding requirements, rather than

using it to fund ongoing commitments in the base budget. The section on earmarked funds below contains further detail on the planned use of these funds.

The approach to the use of these earmarked funds together with specific bids as part of the MTS are detailed later in Section 5 and Appendix D.

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 2012/13 was made up of two components - £691,279 main administration subsidy plus an additional subsidy of £68,425 in recognition of the increased 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 introduction of major welfare reforms and the introduction, from April 2013, of local Council Tax Support schemes in place of the current national system of Council Tax Benefits. For the purposes of the financial modelling undertaken for this MTS, it has been forecast that this grant will reduce year on year by 15%.

Council Tax Freeze Grant

Council Tax Freeze 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 an annual 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 and was payable for a period of four years (the Spending Review period). The 2011/12 grant was incorporated into Formula Grant in 2012/13 and it is not clear at this stage whether this funding will continue after 2014/15 as part of the new Business Rates Retention scheme.

A further grant scheme was announced in November 2011 for authorities that froze their Council Tax for 2012/13. The grant was equivalent to the income forgone had an increase of 2.5% in Council Tax been implemented. However, unlike the scheme for the previous year, the Council Tax Freeze Grant for 2012/13 was awarded for a single year only.

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.

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 Lottery funding for a major project to reconfigure Cherry Hinton Hall Park which may also be subject to a Lottery bid. The Council has received significant funding in 2012/13 for both Capital and Revenue items from other organisations including:

- Football Foundation
- Cambridgeshire Primary Care Trust
- Rural Payments Agency - Single Farm Payment
- Cambridgeshire Local Public Service Agreement (LPSA)

Reserves

General Fund Reserve

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 have replenished reserves and are helping to meet savings requirements going forward.

As part of the annual budget-setting process the Section 25 of 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 is incorporated in the Budget-Setting Report in February each year. The last Section 25 report was part of the BSR approved by Council in February 2012.

Each year an integral part of the Medium-Term Strategy and Budget-Setting Report process for the Council is reviewing the level of risk faced by the Council's Housing Revenue Account and General Fund and determining whether any changes are appropriate to the Minimum and / or Target levels which are set for each Fund.

The review for the General Fund has highlighted two areas where the level of risk could be materially different. The first is the uncertainty regarding the funding and cost pressures associated with the new Local Council Tax Benefit scheme, which will come into effect from 1 April 2013. The Council's scheme is currently being consulted upon and will not be finalised until 31 January 2013. The second is the move from Formula Grant to the new Business Rates Retention scheme, details of which will not be clear until provisional settlement announcement in early December 2012.

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

Earmarked & Specific Funds

In addition to General Reserves, the Council maintains a number of earmarked or specific funds which are held to meet major expenditure of a non-recurring nature or where income has been received for a specific purpose but not yet spent. Appendix D provides details of the balances for each of the main earmarked funds. The nature/purpose of each fund is described briefly below:

Asset 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.

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.

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.

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.

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.

In preparing the MTS earlier than anticipated expenditure relating to the Development Plan and CIL consultation has been identified for 2013/14. It has been confirmed that the additional £150,000 of funding that would be required in that year can be met through reductions in the contributions scheduled for 2014/15 and 2015/16. The cash flow implications of this change have been included in the MTS projections, and are reflected in the Development Fund table in Appendix D.

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

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.

New Homes Bonus

In light of the scale of additional funding projected to be available in future years, coupled with uncertainty as to the future funding source for this grant, as part of the September 2011 MTS approval was given to hold uncommitted funds from New Homes Bonus grant in an

earmarked reserve (rather than general reserves) enabling more effective consideration of their application.

Forward projections of NHB have been based on estimated housing completions and are, therefore, dependent on achieving the anticipated growth rates each year. As a result, the Council approach has been to only commit funding at the point where each year's grant determination is confirmed. It was agreed as part of the 2012/13 Budget Setting Report to use this sum to support capital spending. On this basis, at the time of publication the Council has a balance of funding unapplied for 2013/14 of £703,164.

As the city grows in population, New Homes Bonus provides the opportunity to fund work or projects which help the City accommodate it both sustainably and with sensitivity to the City's Character.

An initial commitment on the fund is the retention of capacity in the Planning Department over the growth phase, which is necessary to shape development in accordance with the City's planning policies. Additional funding available in 2012/13 was used to support the programme of capital investment in the city, including investing in energy efficiency for owner occupied and rented housing in the city, improving recycling with new bins in our streets and open spaces, refurbishing the Lion Yard toilets, reducing the Council's energy bills and making streets safer with 20mph speed limits.

Future projects under development include investment in more energy-efficient technologies and services (to deliver our Carbon Management Plan and cut our carbon footprint by 25% as the city grows), contribution to the Green Deal to help residents and tenants improve the energy efficiency of their homes and improving alternatives to using the car in Cambridge. As a reflection of the latter aim, this MTS includes approval for the use of NHB from the funding available in 2013/14 for a scheme to enhance cycle parking provision within the City to meet current identified need as well as future new demand.

Pension Fund Reserve

As part of the February 2011 Budget Setting Report, approval was given for inclusion of a provision equivalent to an annual increase in employers pension contributions of 0.75% in each of the six years from 2011/12 to 2016/17. This was in recognition of the adverse impact that the economic downturn would undoubtedly have on investment income to the Fund and in

anticipation of future increases in employer contributions being required, following the triennial review of the Pension Fund and outcomes of the fundamental structural review of public service pension provision by the Public Services Pensions Commission, Chaired by Lord Hutton.

Project Facilitation Fund

One of the conclusions derived from the work undertaken to review the reasons for slippage in programmes and schemes contained within the Council's Capital and Revenue Projects Plan for 2012/13 was that the significant number of schemes scheduled in that year and the fact that many related to the same service areas had led to resource pressures in those services.

The number of revenue and capital projects to be delivered could be expected to increase, particularly as the City benefits from developer contributions from Growth Sites, and this is felt likely to exacerbate the pressure on some service areas over the next few years.

Given the irregular nature, and timing, of major projects it is recommended that additional resources to ensure that these schemes and programmes can be delivered as planned should be provided through the creation of a Project Facilitation Fund.

The Fund is designed to operate on a similar basis to the Efficiency Fund, with the Chief Executive having delegated authority to consider and approve bids against this Fund. Bids must be for one-off, or time-limited, costs that are cannot be funded from alternative sources. Priority is given to bids that deliver the greatest level of contribution to the Council's objectives.

An initial contribution to the Fund of £500,000 is included in the MTS 2012, funded from the net revenue underspend from 2011/12.

Property Strategy Fund

The Council makes an annual contribution to the Property Strategy Fund, which enables consultancy and feasibility work to be undertaken which can contribute to the ongoing development of the Council's property portfolio. Recent examples of the use of the Fund have included cost and fees associated with early work relating to Orchard Park K1, Clay Farm and the Northern Fringe East.

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.

Council Tax

In 2012/13, income to the City Council from Council Tax is projected to be £6.8m and will meet 40% 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, the same as for 2010/11, having been frozen at that level for two years.

As described in the Government Grants section above, a special Council Tax Freeze Grant was announced which compensated authorities by an amount equivalent to a 2.5% increase in their band D Council Tax for 2011/12. For the City Council this amounted to a grant of £169,647. Under the scheme announced, it was the Government's stated intention to provide similar funding to eligible authorities in subsequent years of the Spending Review period. The 2011/12 Freeze Grant has now been subsumed within Formula Grant. For 2012/13 a single year Council Tax Freeze Grant was received amounting to £170,784, again equivalent to the loss of Council Tax income had an increase of 2.5% been made.

Council Tax Projections

In terms of future year tax increases, the financial modelling for the MTS has been drawn up based on Council Tax increases from 2013/14 of 2.5% per annum throughout the modelling period, as set out in the February 2012 BSR. This level of increase, whilst above the Governments' inflation target (using CPI) of 2% per annum, reflects both the pressure on resources in future years and the erosion of the Council Tax base that has resulted from implementing a tax freeze over the last two years in particular in 2012/13 where Government support was only for a single year.

The planned level of increase, and the financial impact for the Council, will be reviewed in light of the Local Government settlement announcement and the announcement, at that time, of the principals against which an excessive proposed Council Tax increase will be measured.

Projections are based on the assumption of no future compensation beyond that relating to the 2011/12 freeze (now subsumed into Formula Grant). Council Tax Freeze Grant for 2012/13 was awarded for a single year only.

It is currently unclear whether the Government will introduce a scheme to influence the level of Council Tax set by local authorities for 2013/14. 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 2013.

The Council Tax Collection Fund was reviewed as part of the process of closing the 2011/12 Accounts. This identified an overall deficit on the Fund of which the City Council's share in excess of existing provision was £70,930, which will be met in 2013/14.

Council Tax Increase Referendums

New legislation introduced as part of the Localism Act 2011 abolished Central Government's previous capping powers and instead requires any billing or precepting authority which proposes an excessive Council Tax increase to hold a referendum, giving local electors the power to veto or accept such increases.

Under the arrangements Central Government will propose, at around the same time as the provisional Local Government Settlement announcement, in early December, the principles against which an excessive proposed Council Tax increase would be measured. The main principle to be determined relates to the increase in Band D council tax (subject to certain adjustments) from one year to the next. 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 'substitute calculations' (effectively a shadow budget) which would result in a non-excessive increase (based on the approved principles) and to hold a referendum of all registered local electors on 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. The result of such a referendum would be binding.

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 subject to a right for council taxpayers to request a refund on demand.

For 2012/13 the threshold above which proposed increases would be considered excessive was set at 3.5% for single tier, county councils and shire district authorities. Going forward it is likely that the level of increase above which a budget would continue to be set at relatively low levels.

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 2012)

Category	Value £000	%
Operational Assets :		
Council dwellings	491,714	67.5
Other land and buildings	110,940	15.2
Vehicles, plant and equipment	8,096	1.1
Infrastructure assets	1,583	0.2
Community assets	894	0.1
Total Operational Assets	613,227	84.1

Category	Value £000	%
Non Operational Assets :		
Investments properties	111,373	15.3
Assets under construction	4320	0.6
Total Non-Operational Assets	115,693	15.9
Overall Total	728,920	100.0

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 officers in all departments of 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 seeks to gain better asset information to improve decision-making and to provide an appropriate forum to facilitate more effective partnership working.

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

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

Work through MAC has helped to deliver the scheme for Seymour House, and joint feasibility work is currently being undertaken to consider the potential for a shared operations centre in the south of the county, which could provide an alternative to the current depot sites for a number of partners.

There are regular meetings based around the City and South Cambridgeshire area of the county, which enable the identification of further opportunities to rationalise and enhance the public sector estate at a more detailed local level. MAC is also looking to develop a shared public sector asset management strategy which will facilitate effective collaborative working.

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, and to recommend a new Office Accommodation Strategy. The drawing up of a new strategy 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 the Council to both maximise our return from this asset and also utilise our office space more efficiently.

Asset Disposals & Acquisitions

The Council has a small portfolio of development land that could be sold to generate capital receipts. 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.

Receipts from asset disposals are only recognised in the Council's reserves at the point of receipt and after all relevant costs have been provided for.

The following sites owned by the City Council's General Fund are being considered for market disposal:

Anticipated disposal	Asset	Comment
2012/13	Site K1, Orchard Park	Update on proposal for self build being reported to October 2012 Strategy & Resources Scrutiny Committee.
2013/14	Land at Clay Farm, Trumpington	Within Southern Fringe development, subject to Collaboration Agreement with adjoining land owner
2014/15	Former Park & Ride Site and Golf Driving Range, Cowley Road	Subject to Local Plan Review Process

Housing Revenue Account Asset Management

The new Self-Financing system was introduced for the Housing Revenue Account with effect from 1 April 2012. In managing the HRA's finances to maximise the benefits that can be obtained in the provision of social housing a key factor is the effective assessment and management of the assets deployed as part of the HRA.

As a result, in addition to the HRA Business Plan document, the Council now produces a specific Asset Management Strategy document for the HRA. The latest version of the Strategy can be viewed at :

<http://www.cambridge.gov.uk/public/docs/hra-asset-management-plan2012.pdf>

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

Capital & Revenue Projects

The Council's Capital and Revenue Projects Plan shows anticipated expenditure for the next 5 years, where relevant, for each programme or scheme. This allows the Council to review cashflow, interest calculations and also helps to identify 'pinch points' in workload. The Strategic Leadership Team review progress against the plan quarterly and recommend action where necessary. The Capital & Revenue Projects Plan is shown at Appendix G(a).

Following the significant slippage experienced in the delivery of Capital and Revenue Project Plan items during 2011/12 a review has been undertaken to determine the reasons for this degree of slippage and to identify what measures or changes might be appropriate in order to better ensure that the Plan can be delivered as scheduled in future years.

Whilst some detailed work is still to be completed, this review has already identified a number of recommendations:

- **Provisions** - a number of items relate to provisions which have been approved in anticipation of the need for future expenditure, but where the actual timing of the spending cannot accurately be controlled or estimated. Examples include provisions for Compulsory Purchase Orders and contributions to further development phases at Lion Yard. It is recommended that these items be incorporated within a new separate section within the Plan, entitled Provisions.
- **Project Facilitation Fund** - the review identified that the significant number of schemes scheduled in a particular year and the fact that many relate to the same service areas has led to resource pressures in those services, which were not anticipated when each individual project appraisal was considered. Given that the number of revenue and capital projects to be delivered could be expected to increase, particularly as the City benefits from developer contributions from Growth Sites, this is felt likely to exacerbate the pressure on some service areas over the next few years. As a result, approval of a new

Project facilitation Fund is recommended in order to ensure that such resource pressures can be effectively dealt with and project timetables achieved.

- **Risk Assessments** - all schemes will in future be assessed in terms of risks to their timely delivery so that any appropriate mitigations can be determined and implemented
- **Re-phasing** - when the detailed work, at scheme level, is complete there may be a need to re-schedule some existing schemes where they are affected by third party involvement which is beyond our control. It is intended that any such changes are included as part of the detailed budget work and reported as part of the February 2013 BSR.

There are three new projects which have been submitted for approval as part of the MTS, and so are not currently included in the Plan as shown at Appendix G(a). These are :

- a) **Stourbridge Common Riverbanks** – work with the National Rivers Agency has identified the need for works to stabilise and improve the areas of riverbank for which the Council has responsibility. The works have been divided into those required to provide emergency works, and those which can be undertaken over the longer term, on a phased basis. The most immediate works are projected to cost £100k and will need to take place during 2013/14. These works are recommended for inclusion in the Plan at this stage. The further works need to be planned in detail, and may be eligible for grant support. These are being included as an uncertainty, shown in Appendix L, at this stage.
- b) **Cycle Parking Scheme** – one of the planned uses of unapplied NHB funding is to implement a scheme to provide additional cycle parking to meet identified need across the City, leveraging resources from other parties where possible. It is intended that this will be undertaken through a feasibility and planning stage during the current year, with implementation taking place during 2013/14. As a result, £50k of funding is to be provided in 2012/13, with the additional £450k for implementation being included in 21013/14 funded from the NHB Earmarked Reserve.
- c) **Cambridge Future Cities** – the City was successful in obtaining Government backing for its vision to become a 'Future City'. This results in a £50,000 grant enabling the Council to explore innovative solutions for integrating the City's vital networks with partners, including the County and South Cambridgeshire District Council. The work will result in the submission of a proposal as a 'Future Cities Demonstrator', showing how modern

technology can be used to enhance people's lives by sustaining business and housing growth and improving transport and energy efficiency. One successful city will be awarded £24m of funding by the Government to allow them to implement their proposals. Expenditure incurred during the feasibility stage will be made for the Technology Investment Fund in the first instance. On submission of the feasibility report, due to be submitted on 14 November 2012, the Council will receive the grant of £50,000 which will then repay the fund.

The Council is working with partners to bring forward the development of land at Clay Farm. This involves a collaboration agreement covering the joint provision of, and sharing of costs for, required infrastructure to service the site. Under this agreement, the Council will be required to contribute its share of the costs, and the stream of associated payments is expected to commence prior to the disposal, and hence capital receipt, from the Council's land.

The intention is that collaboration costs will initially be met through use of temporary internal borrowing until such time as the capital receipt for sale of the Council's land is paid over, and this has been reflected in the projections built into the MTS. This assumption will need to be revisited in light of the profile of payments which comprise the successful bid for the site.

The table below details the currently anticipated profile of payments in respect of the collaboration agreement costs, which total £5,535m.

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Projected Clay Farm collaboration agreement costs	2,523	1,092	786	582	229	323

Availability of Capital & Revenue Projects Funding

The following table details the available Capital and Revenue Projects funding available, based on the position following approval of the February 2012 BSR.

The table also includes details of requests for new scheme approvals detailed above and changes proposed to funding which are contained within the MTS.

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Projects	8,802	2,282	1,870	0	0
Programmes – GF	7,943	3,387	3,214	1,463	765
Programmes - HRA	27,047	25,298	27,511	18,145	14,922
Total Spend	43,792	30,967	32,595	19,608	15,687
Available Funding	(45,017)	(30,047)	(32,759)	(20,470)	(17,067)
(Surplus) / Shortfall in Funding as at February 2012 BSR	(1,225)	920	(164)	(862)	(1,380)
New Capital approvals in MTS	50	100	0	0	0
Additional Revenue Contributions	(150)	0	0	0	0
Re-phasing of Revenue Contribution	1,325	(1,325)	0	0	0
(Surplus) / Shortfall in Funding	0	(305)	(164)	(862)	(1,380)

Capital Hold List

The Council maintains a Capital Hold List for items that have received approval but for which an appropriate funding stream has yet to be identified. The Capital Hold List is presented in Appendix G (b).

No changes to these items are recommended at this stage, but the schemes will be reviewed as part of the forthcoming budget process.

Capital & Revenue Programmes

In addition to individual one-off schemes, the Council has longer-term capital and revenue programmes covering investment relating to a number of areas, including:

- 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 2012/13 are required as part of the budget process to identify progress to date against the agreed remits and whether there is any requirement for bids to extend the funding of the programmes in future years.

Area Project Programmes

The Council has agreed to devolve to Area Committees decision-making for projects funded by developer contributions (Section 106) relating to the following contribution types: community facilities, play and open space projects (including informal open space, provision for children & teenagers, and indoor and outdoor sports provision), public art and public realm. The initial aim is for several priority projects to be delivered in each area within the next couple of years.

Local communities and groups are being consulted this autumn on the need for new or improved facilities within each area (as part of Area Needs Assessments), so that Area Committees can then identify their project priorities.

As part of the Budget Setting process, it is envisaged that Members will be recommended to approve the remits and setting up of four Section 106 Area Project Programmes within the Council's Capital & Revenue Projects Plan, from which priority projects in each area will be funded, in line with the contribution types and other conditions set out in Section 106 agreements. Developer contributions (both new and existing, unallocated, ones) will be assigned to the relevant area fund, normally on the basis of 100% of contributions arising from planning applications determined by the Area Committee, or by officers, and 50% of contributions arising from planning applications determined at Planning Committee.

Alongside this devolved decision-making to Area Committees, decisions on city-wide projects (including priorities) will remain with the relevant Executive Councillors following reports to the appropriate Scrutiny Committee, as necessary. These decisions will be informed by the development of a Strategic Needs Assessment (picking up the city-wide needs emerging from

the Area Needs Assessment process). As part of the Budget Setting process, it is also envisaged that Members will be recommended to approve the remit and setting up of a Section 106 City-Wide Project Programme. This programme will operate in a similar way to the area programmes and will be funded by the other 50% of contributions arising from planning applications determined at Planning Committee.

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 deposits 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 its Treasury Management Strategy the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice (Revised November 2011). The Council must set prudential and treasury indicators, including an authorised limit for borrowing, for a three year period and must ensure that its capital plans are affordable, prudent and sustainable.

In addition, deposit guidance, issued by Department for Communities and Local Government (DCLG) 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 deposits will be managed in order to meet its twin priorities of the security of capital and the liquidity of those deposits.

The Council's current 'Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2012/13', was adopted by Council on 23 February 2012 as part of the Budget-Setting process for 2012/13.

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, deposit and borrowing interest rates and the economy.

Borrowing & Minimum Revenue Provision (MRP) Policy

Borrowing Policy

The Council is permitted to borrow under the Prudential Framework, introduced with effect 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 investments 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 servicing of debt (to meet interest payments and provide for repayment of debt).

The Council was debt-free until 28 March 2012 when, as part of the implementation of new Self-Financing arrangements for the Housing Revenue Account (HRA), it was required to make a one-off payment to central Government of £213.572m. This payment was financed through borrowing from the Public Works Loans Board (PWLB), at favourable rates of interest available exclusively for this requirement.

Furthermore, the Council anticipates the need to borrow £3.533m (during 2013/14) and £8.542m (during 2014/15) for the Affordable Housing Project. These schemes are contained within the HRA Investment Programme within the overall Council's Capital and Revenue Projects Plan. These resulting borrowing requirements may be met through internal borrowing (for example utilising earmarked reserves set aside for future use) rather than through external prudential borrowing. In addition, it has been assumed that the Clay Farm collaboration costs will be met through use of temporary internal borrowing until such time as the capital receipt is paid over to the Council, and this has been reflected in the projections built into the MTS. This assumption will need to be revisited in light of the profile of payments which comprise the successful bid and may require consideration of prudential borrowing.

Minimum Revenue Provision Policy

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. As the Council's General Fund is currently debt-free, and has no immediate plans to borrow externally to finance any General Fund capital expenditure, there has been no requirement for this Council to determine a MRP policy to date.

With the introduction of Self-Financing for the Housing Revenue Account with effect from April 2012, the Council is required to charge depreciation on its assets, which will have a revenue impact. In order to address any possible adverse impact, regulations will allow the Major Repairs Allowance (as assessed in arriving at the Self-financing settlement payment) to be used as a proxy for depreciation for the first five years.

HRA Self-Financing Borrowing Requirement

To meet the required payment to the DCLG of £213,572,000 in relation to the Self-Financing of the HRA. This borrowing took the form of 20 PWLB fixed rate maturity loans each of £10.678m. The first loan will mature on 28 March 2038, and the last on 28 March 2057. This approach was adopted in order to minimise the risk that the Council might face unusually high interest rates at the point of loans maturing if it were seeking to continue prudential borrowing for these amounts by way of re-financing, Annual interest of around £7.494m will be borne by the HRA.

The borrowing transactions with the PWLB and payment of the HRA Self-Financing settlement to the DCLG, on 28 February 2012, were successfully undertaken within the timescales required by the Government.

The Council's Authorised Borrowing Limit is currently set at £250m, which leaves the Council with £36.428m headroom to undertake further borrowing if required.

Changes to Prudential & Treasury Management Indicators

Since approval as part of the Budget Setting Report in February 2012 a review of the Council's Prudential and Treasury Management Indicators has been undertaken and updated indicators are presented in the table below. The reasons for the changes required are detailed in the table and approval to the changes and resulting revised indicators are sought as part of this MTS.

The Council's revised Prudential and Treasury Management Indicators are as follows: -

Capital Financing Requirement & Cumulative External Borrowing Requirement	2012/13 Probable Outturn £000	2013/14 Estimate £000	2014/15 Estimate £000
Total Capital Financing Requirement (from Feb 2012 BSR):	213,571	216,097	224,335
Amendment to internal borrowing requirement	283	283	283
Potential borrowing for Clay Farm Collaboration Agreement	2,523	1,092	786
Additional borrowing for Affordable Housing Project	0	1,007	304
Revised Total Capital Financing Requirement (for MTS):	216,377	218,479	225,708
Movement in the Capital Financing Requirement since BSR:	2,806	2,382	1,373
Estimated External Debt (Including HRA Reform)	213,572	213,572	213,572
Deposits	(60,487)	(62,689)	(64,570)
Cumulative Net External Borrowing Requirement:	153,085	150,883	149,002
Authorised Limit for external debt	250,000	250,000	250,000
Operational Boundary for external debt	216,377	218,479	225,708

Deposits

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

The interest earned on these deposits is credited to the General Fund and Housing Revenue Account respectively and helps to fund the provision of services. This interest currently earned amounts to around £0.7m a year based on current deposit and interest rate levels.

At 1 April 2012, the Council had deposits of £64.578m. The table below provides a breakdown of the funds deposited at that time.

Funds Deposited as at 1 April 2012	£000	£000
Working capital		9,616
General Fund:		
General Reserve	9,458	
Asset Renewal Reserves	13,928	
Other Earmarked Reserves	5,779	29,165
Housing Revenue Account:		
General Reserve	6,974	
Asset Renewal Reserves	1,988	
Major Repairs Reserve	1,171	
Other Earmarked Reserves	485	
Capital Financing Requirement (Including HRA Reform)	(213,854)	
PWLB Borrowing for HRA Reform	213,654	
Debt Redemption Premium	(301)	10,117
Capital:		

Funds Deposited as at 1 April 2012	£000	£000
Capital Contributions Unapplied	5,260	
Usable Capital Receipts	10,420	15,680
Total Deposited		64,578

Icelandic Bank Deposits

The Council was one of many local authorities directly affected by the collapse of Icelandic banking institutions during 2008/09. 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.

Based on the latest revision (June 2012) of CIPFA's Local Authority Accounting Panel Bulletin 82, the Council is anticipating that it will recover up to 90% of its claim against Heritable Bank Ltd and 100% of its claim against Landsbanki Islands hf. Provisions have been made within the Council's accounts to reflect this position.

Heritable Bank Plc

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

At the end of 2011/12, the distributions received from the administrators of Heritable Bank plc totalled £2.766m representing 67.9 pence in the pound of the total claim. A further £270k has been received so far in the current financial year (2012/13), bringing the total distributions to the end of July 2012 to £3.036m (74.5 pence in the pound).

Landsbanki Islands hf

The Council had a total of £5m deposited with Landsbanki Islands hf.

During 2011/12, the Council had received an initial distribution of £1.518m (on 17 February 2012) from the Landsbanki Islands hf Winding-up Board, equating to approximately one third of the Council's claim. A further distribution was received on 29 May 2012 increasing the percentage recovered to date to 40%.

The Council's Counterparty List

The Council's Investment Strategy is governed by Department for Communities and Local Government (DCLG) guidance, which was followed in compiling the Annual Investment Strategy approved by this Council on 23 February 2012. This strategy sets out the approach for choosing deposit counterparties, which is based on credit ratings provided by the three main credit rating agencies (Fitch, Moody's and Standard and Poors), supplemented by additional market data (such as rating outlooks, credit default swaps, and bank share prices).

The deposit activity during the years covered by this Report will comply with this approved strategy, and there are no envisaged liquidity difficulties.

In terms of the day-to-day placement of surplus funds, the current economic climate presents two main difficulties for the Council. The limited number of counterparties meeting the Council's criteria to be on its lending list frequently leads to scenarios on individual days where the Council has funds to place but there are no counterparties seeking funds at that level. This is often exacerbated by the level of placements with counterparties already being at their individual limits.

In light of the current economic climate, Sector continues to advise that deposits with non-nationalised banks and building societies be limited to 3 months duration, whilst deposits with semi-nationalised UK banks and building societies should be limited to 12 months duration.

The Council takes a cautious approach in its Treasury Management Strategy limiting the available counterparties at the Council's disposal for the deposit of its funds, at reasonable rates of interest, and the ability to spread funds, without prejudicing the Council's assessment of the risk associated with those deposits.

The interest earned on deposits contributes to funding available to providing essential Council Services. This policy of risk adverse deposits, at the short-term end of the market, means that the rates of interest received on the Council's deposits are not as high as they could otherwise be, but provides a high degree of assurance in terms of security.

To allow the Council to improve the rate of return from its deposits, whilst continuing to maintain the security of its funds, work is regularly undertaken to review and evaluate further options for inclusion in the Council’s Investment Strategy.

Work since the February 2012 BSR has included consideration of opportunities through the growing number of notice accounts that are being offered by banks.

95 Day & 100 Day Notice Accounts

These are relatively ‘new’ products offered by the high street banks, being deposit accounts offering a higher return but requiring a period of notice before funds can be accessed. Most of these accounts do, however, require a minimum balance to be maintained. Whilst our Treasury Management advisors currently suggest a maximum duration of 3 months for the non-nationalised banks that operate these accounts, the additional risk faced by the Council in extending this in the case of notice accounts to allow 95 day and 100 day accounts is felt to be minimal. It is therefore recommended that the Strategy be amended to accommodate 95 and 100 day notice accounts. These would still be controlled by the overall limit per counterparty as set out below.

Whilst adopting these products would not extend the range of counterparties available to the Council, their nature means that we would be able to make deposits (subject to counterparty limits) at will rather than being dependent on the counterparty seeking funds at any particular point in time.

The comparative rates available for these types of accounts compared with other options on the counterparty list are outlined in the table below:

Institutions	Range of Typical Rates
Debt Management Account Deposit Facility	0.25%
Bank Rates for 3 Month Deposits	0.30% to 0.60%
95 & 100 Day Notice Accounts	0.85% to 1.25%

The overall impact of adding this option to the Council’s Investment Strategy is hard to accurately determine in advance, however, as an indication if the Council used notice accounts with three of the banks of the counterparty list and placed half of the limit for each

institution in those accounts then in a full financial year this could generate an additional £75,000 in additional interest. This level of additional interest has been reflected in Appendix B as part of the projections for the MTS.

Further work is being undertaken to identify and evaluate the risk and reward factors associated with other types of deposit/investment together with the potential for a structured broadening of the current criteria used in determining the Council's counterparty list.

Examples of other instruments being considered include:

Gilts

Gilts are longer term Government Securities. The Gilt rate is determined by the Government at the time of issue, but this rate of return will not be realised until the predetermined redemption date is reached.

Treasury Bills

These are similar to gilts, but on a shorter-term basis (up to 6 months). These bills are allotted to bidders at weekly tenders.

Certificates of Deposit (CD)

These are certificates issued by a bank to raise funds. They are evidence of a deposit with a specified bank or building society repayable on a fixed date. These are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before its maturity date.

With all of the above negotiable instruments, if the owner wants to liquidate the deposit, to gain access to the funds, the instrument can be traded on the market. Until the time of redemption the instrument is worth what the market will pay, and the return may bear no relationship to the redemption rate, and may potentially result in a negative yield.

Custodian of Funds

The Council's treasury advisors have recommended Custodian Fund Managers to be used. A fee is normally charged for this service, but customers of Sector would have this fee waived. Customers can purchase gilts, treasury bills and certificates of deposit from them, and obtain a

better interest return, and not compromise the risk towards these investments. This Council would only deal with Custodians that are AAA rated.

Money Market Funds (MMF)

These are funds managed by Fund Managers for a range of organisations to invest in a range of counterparties, effectively spreading the risk for the Council. The resources available to the MMF are pooled from all investors, thus increasing cash available for investing. These larger sums should potentially give the opportunity for better rates of return. There are many funds available offering different levels of return and risk.

Any resulting changes to the Treasury Management and Investment Strategy will be reflected in the February 2013 BSR.

Counterparty Limits

The table below sets out the current counterparty limits (as agreed at Council on 23 February 2012): -

Institutions	Limit
HSBC Bank (the Council's banking services provider)	£16m
All UK Local Authorities	£10m
All UK Passenger Transport Authorities	£10m
All UK Police & Fire Authorities	£10m
All UK Nationalised Industries	£10m
Debt Management Account Deposit Facility	Unlimited
UK Nationalised & Semi-Nationalised Banks	£10m
Other UK Banks & Building Societies	£10m
UK Subsidiaries of Foreign Institutions	£10m
Banking Group Limit	£15m (1.5 times £10m)

A full counterparty list is included at Appendix I(a).

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 deposits. 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%. Short-term money market interest rates are normally guided by the bank rate, which has now remained at 0.5% since March 2009.

Due to the continuing adverse conditions in the economy, Sector have changed their forecast for the Bank of England Base rate. It is not now anticipated that interest rates will increase until December 2014 at the earliest.

A summary of interest rate projections, as provided by Sector, is shown in the following table: -

Month	Bank Rate %	Money Rates %: 3 month	Money Rates %: 1 year	PWLB Borrowing Rates %: 5 year	PWLB Borrowing Rates %: 25 year	PWLB Borrowing Rates %: 50 year
Sep-12	0.50	0.90	1.70	1.63	3.90	4.10
Dec-12	0.50	0.90	1.70	1.70	3.70	3.90
Mar-13	0.50	0.90	1.70	1.50	3.70	3.90
Jun-13	0.50	0.90	1.80	1.50	3.70	3.90
Sep-13	0.50	0.90	2.00	1.60	3.80	4.00
Dec-13	0.50	1.00	2.00	1.70	3.80	4.00
Mar-14	0.50	1.10	2.20	1.80	3.90	4.10
Jun-14	0.50	1.30	2.40	1.90	4.00	4.20
Sep-14	0.50	1.50	2.60	2.00	4.10	4.30
Dec-14	0.75	1.60	2.70	2.10	4.20	4.40
Mar-15	1.00	1.80	2.90	2.30	4.30	4.50

As noted in Section 3, The National Policy Context, the latest market projections, when compared with the provisions made in the February 2012 BSR, have required a reduction in the income projected from external investments of £125,000 in both 2014/15 and 2015/16.

The Council continues to monitor carefully the projections for economic recovery, and an updated position will be reflected as part of the February 2013 Budget-Setting Report.

Section 8

Budget Strategies

General Fund Budget Strategy

The Budget Process

For many years the Council's revenue budget process was based on agreeing cash limited budgets for each service portfolio based on a standard percentage saving requirement. This approach was successful as a means of control, allowed a degree of discretion within portfolios and enabled balanced budgets to be set. However, the use of standard percentage savings targets at Portfolio level resulted in a 'salami-slicing' approach, in many instances, as managers looked to exemplify that level of savings for each of their particular service areas.

Whilst this served to provide a level of efficiency challenge to all service areas it is was 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 and programme particular service areas for detailed review work. This arrangement facilitates an earlier start to review work in these areas, so that changes with longer-lead times for consideration, approval and implementation can be more readily incorporated. In the last three years this has made significant contributions in meeting the identified net savings requirements.

Work has been undertaken during 2012 to review all of the Council's services using an approach known as Resource Optimisation. The aim of this has been to ensure that there is a consistent degree of scrutiny across all areas of service, and to determine the range of opportunities available for consideration. Areas of work identified through this means have

been included in the programme of review work which will contribute both to the delivery of net savings in 2013/14 and future years.

Budget Timetable and Key Events

In reviewing the budget process this year 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 this year has been how best 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 2013/14.

No further changes to the process are anticipated and the overall budget and decision making process is broadly similar to that for 2012/13.

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 2012/13 revised budget and 2013/14 budget proposals takes place during one cycle of Scrutiny Committee meetings, in January 2013. Portfolio Plans and budget reports will be sent out for all scrutiny committees in December 2012, 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.

The 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 £1,287,860 in 2012/13 was achieved together with additional sums which served to reduce the target set for the following three years. This was the second year that the Council had been able to overachieve the required net savings levels, and has represented a significantly earlier contribution toward the longer-term net savings targets.

As part of the 2011/12 Budget process the net savings requirement was exceeded by a total of £603,350, last year the target for 2012/13 was overachieved by a total of £288,280. This demonstrates the consistent robustness of the process by which the Council reviews services.

More significantly this has also 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 continue to 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 spending needs 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.

For 2013/14 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. 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 reflected in 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 2013/14 was outlined earlier, and results in the determination of the overall level of net savings required, as shown in Appendix H.

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

The cost pressures and savings which have been identified since the February 2012 BSR are shown in Appendix B, split between those items which are time-limited in nature and those which have an ongoing effect.

The February 2012 BSR established the principle of seeking to reduce the level of reserves at the end of each budget year to no more than the target level through planned use of any surplus reserves. This principle has been maintained in constructing the financial projections for the MTS.

The result of this has been to change the profile of net savings requirements over the period to 2016/17, rather than to reduce the overall amount (a relatively small overall reduction from £4.867m to £4.751m). The effect on the profiling has been to significantly reduce the net savings requirement for 2013/14, although there have been material increases in both 2014/15 and 2016/17.

A summary of the overall changes to the net savings requirements outlined in the September 2012 MTS is shown below:

	Factor	2013/14 (£'s)	2014/15 (£'s)	2015/16 (£'s)	2016/17 (£'s)
	Net Savings Requirement (February 2012 BSR)	1,505,320	1,515,260	887,350	959,450
add	Increase in Net Savings identified in Sept 2011 MTS	(935,620)	431,190	14,380	373,900
	MTS 2010 Net Savings Requirement	569,700	1,946,450	901,730	1,333,350

As part of the MTS, consideration needs to be given to the achievability of the savings targets for 2013/14 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.

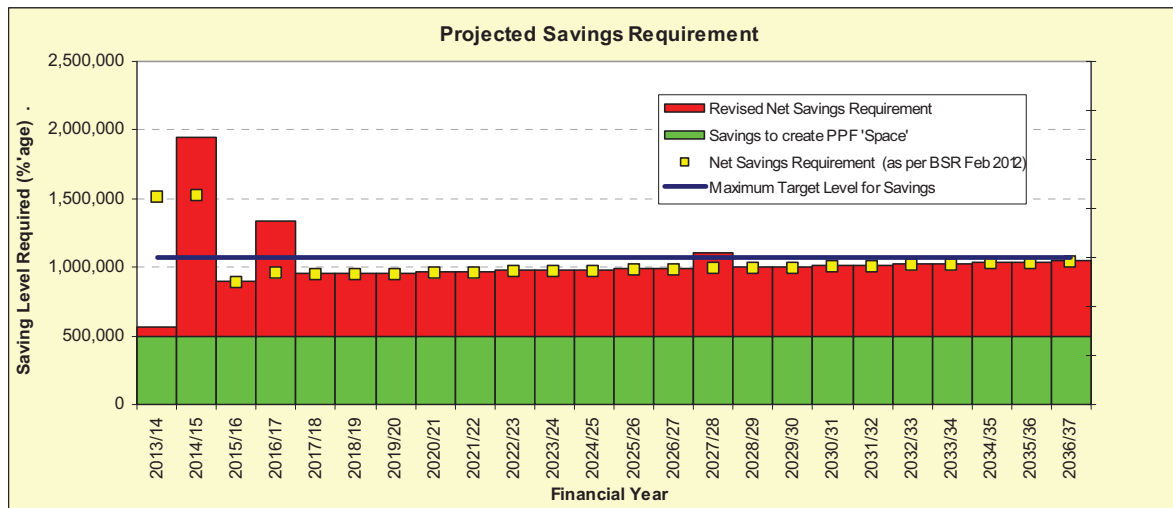
Although the current round of Service Reviews are not yet complete, and have not reported back final recommendations at this stage, current indications are that they are expected to realise a greater level of net savings than the revised target for that year, together with significant amounts towards the 2014/15 requirement.

Any savings identified during the budget process above the level of the net savings requirement would be available to cover any unavoidable bids or to reduce future year net savings requirements, as in previous years.

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 creation of the Council's Efficiency Fund, which will be receiving a planned additional contribution of £200k in 2012/13.

The longer-term profile of savings requirements and the comparison with the levels projected in the February 2012 BSR are shown graphically below :



This shows that after the four-year period to 2016/17 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 2013 BSR, based on the latest information then available

Council Tax

In arriving at the overall financial framework the February 2012 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 2.5% increase in each year from 2013/14.

General Fund Reserves

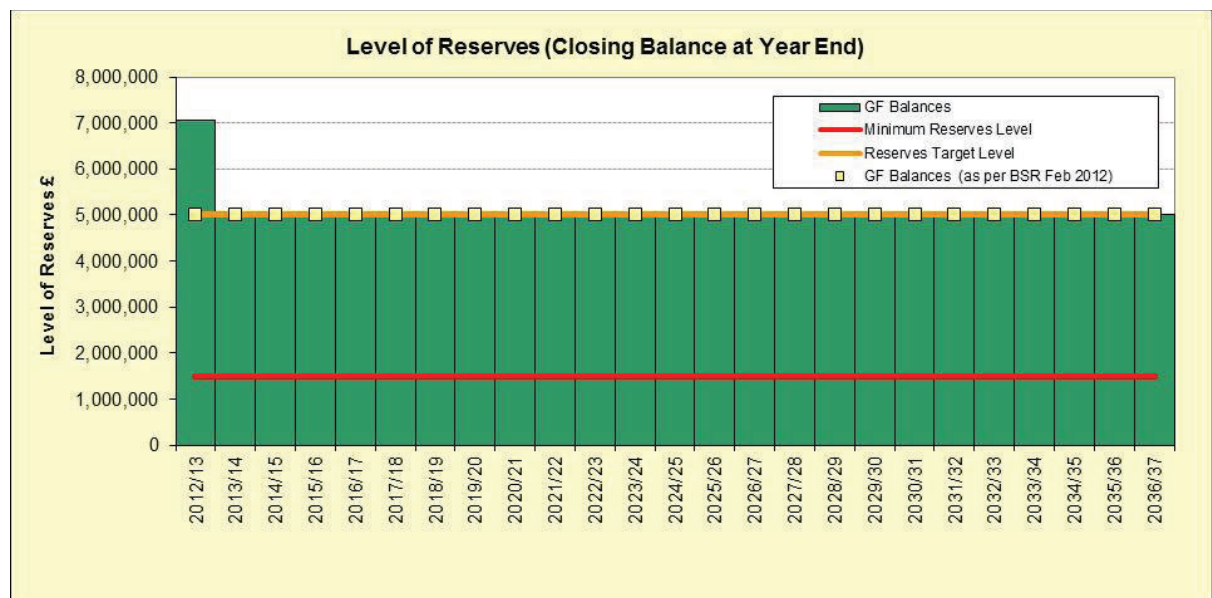
The anticipated General Fund net spending for the period 2012/13 to 2016/17 is set out in Appendix E (a), and funding for the period is set out in Appendix E (b).

The original budget for 2012/13 approved net General Fund spending at a level of £17,637,700 which included a net use of reserves of £601,490. This reflected a contribution of £1,381,000 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 2011/12.

The revised projection of the use of reserves in the current year (2012/13) now indicates that there is expected to be a net use of reserves of £2,408,750, 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 2012 was £9,458,490. This includes £632,970 which will be used to fund approved General Fund revenue 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. 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 areas of potential additional risk facing the Council, as identified in this document. The Minimum and Target levels for reserves will be reviewed as part of the February 2013 BSR, when more information on these items should be available.

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 F.

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 schemes/projects 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 – funding 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 for projects which contribute to meeting the remit of the programme.
- 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 overall Capital & Revenue Projects Plan.

Capital Bidding Process

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. Approval at this stage would give the committee / department approval to fully work up the scheme in detail.

Stage	Process
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. 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 may be used to secure funding where a previously 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. Consideration of any bids referred from committees. 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. Review of current Hold List. 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. Council confirms new Capital & Revenue Projects Plan.

The Council's Asset Management Group (AMG) plays an important role in 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
2012			
✓		24-May	Council adopts the Annual Statement setting out a 'Vision for the City'
	✓	by 13 Jul	Managers' input for MTS & forecasting returned to Accountancy for consideration / inclusion
		7-Sep	MTS published for The Executive meeting
✓		17-Sep	The Executive meeting to consider/recommend MTS to Council
	✓	24-Sep	Budget Process Guidance and Budget Proposals pro-forma issued
	✓	15-Oct	Budget Working Papers issued
	✓	October	Budget Process Workshops for Managers
✓	✓	October	Accountable Officer discussions with Portfolio holders on the content of Portfolio Plans, budget issues and proposals for 2013/14
	✓	19-Oct	Budget Proposal Forms to be returned
✓		25-Oct	Council considers/approves Medium Term Strategy 2012/13 to 2016/17
	✓	w/c 29-Oct	Officer Working Groups consider budget proposals
	✓	01-Nov	Budget proposal details sent to each Executive Councillor
✓	✓	6-Nov	Strategic Leadership Team / Executive Councillors review: - 2012/13 Budget variances - the latest position against Cash Limit, priorities for Capital Bids, savings proposals and the validity of "unavoidable" revenue budget bids
✓	✓	7-9 Nov	Executive Councillors meet Heads of Service to agree final budget proposals
✓		20-Nov	Strategic Leadership Team / Executive Councillors consider overall budget position
		Early Dec	Provisional Government Settlement Announcement
✓	✓	04-Dec	Strategic Leadership Team / Executive Councillors final review of Budget-Setting Report

Members	Managers	Date	Major Stage
2013			
✓	✓	January committee cycle	See table below for Committee dates and deadlines for 2013/14 budget proposals
✓		21-Jan	Strategy & Resources Scrutiny Committee consider Budget Setting Report
✓		24-Jan	The Executive meeting to consider Budget Setting Report and Council Tax requirements
		January	Final Government Settlement Announcement
✓		08-Feb	Special Strategy & Resources Scrutiny Committee to consider any budget amendment proposals
✓		21-Feb	Council meeting to approve: <ul style="list-style-type: none"> Budget Setting Report & to set Council Tax Housing Revenue Account Business Plan
✓	✓	29-Mar	Final approved budget reports circulated

Officer Working Group Meeting dates 2012 [to consider Budget proposals]

Papers prepared	Cambridge Urban Growth Group (CUGG)	ICT Steering Group (ICTSG)	Asset Management Group (AMG)	Environmental Strategy Group (ESG)
24 October	26 Oct	26 Oct	1 Nov	31 Oct

January 2012 Scrutiny Committee Cycle

Topic	Housing Management Board	Environment	Community Services	Strategy & Resources	Executive Budget Meeting
2013/14 Portfolio Drafts	3 Dec 2012 (Mon)				
2013/14 Budget-Setting Report	17 Dec 2012 (Mon)				
Final Agenda Publication	published: 21 Dec 2012 (Fri) (final papers due on 17 Dec 2012)				published: 16 Jan 2013 (final papers due 15 Jan)
Committee Date	8 Jan	15 Jan	17 Jan	21 Jan	24 Jan
Final Agenda Publication				published: 5 Feb 2013 (final papers due 4 Feb)	
Special Strategy & Resources				8 Feb 2013	

Appendix B

New Unavoidable Spending Pressures (£'000)

Name	2012/13	2013/14	2014/15	2015/16	2016/17
One-off or time limited budget pressures:					
Lion Yard - revised rental income projections - due to delay of bringing new units on stream	0.0	98.0	181.5	0.0	0.0
External investment income - implications of latest market projections and sums available for investment	(140.0)	0.0	125.0	125.0	0.0
Building Cleaning - 12-month delay in market testing exercise	38.0	38.0	0.0	0.0	0.0
Electricity and Gas - prices for latest contacts below budget provision	(22.0)	(36.0)	(22.0)	0.0	0.0
Markets - delay in scheme to meter and recharge electricity due to lack of suitable technology	7.5	7.5	0.0	0.0	0.0
Insurance Fund - additional contribution based on latest review of liabilities	250.0	0.0	0.0	0.0	0.0
Earlier requirement for funding for Development Plan and CIL consultation	0.0	150.0	(25.0)	(125.0)	0.0
TOTAL	133.5	257.5	259.5	0.0	0.0

Ongoing budget changes:					
Lion Yard - revised rental income projections - base	0.0	0.0	22.5	45.0	45.0
Business Rates - projected shortfall in budget due to the predicted increase in the business rates multiplier to 3.5%	0.0	53.8	53.8	53.8	53.8
Reintroduce weekly food waste collection from flats - net cost after end of Government grant	0.0	0.0	0.0	0.0	130.0
Loss of Anglia Ruskin Waste collection contract	0.0	20.0	35.0	35.0	35.0
Planning application fees income - proposed 15% increase from 1 October 2012	(76.5)	(153.0)	(153.0)	(153.0)	(153.0)
Reinstatement of Customer Service Centre employee budgets - required following decision not to proceed with electronic switchboard	30.0	30.0	30.0	30.0	30.0
The Council has agreed the planned Community Facility and open space at Storey's	0.0	0.0	0.0	0.0	0.0

Name	2012/13	2013/14	2014/15	2015/16	2016/17
Field will be managed by a Joint Venture Company involving the University and City Council. Council contribution to net running costs from will apply from 2027					
Departmental Business Support Service Review (DBSSR) - net savings above the £80k target level included in the February 2012 BSR	0.0	(177.1)	(201.0)	(205.6)	(205.6)
Pay Review - cashflow implications of the implementation of the review outcomes	139.0	(26.0)	6.0	17.0	25.0
Pay - reduction of provision for 2013/14 from 2.5% to 1.0% in line with Government's indicated expectations for the public sector	0.0	(315.0)	(315.0)	(315.0)	(315.0)
Pay - reduction of provision for 2014/15 from 2.5% to 1.0% in line with Government's indicated expectations for the public sector	0.0	0.0	(315.0)	(315.0)	(315.0)
Property Services - rent projections (excluding Lion Yard) indicate 1.63% increase compared to 2% standard inflation assumption	0.0	18.4	18.4	18.4	18.4
Rent Allowances/Rent Rebates/Council Tax Benefits (see separate line)/DWP Admin Subsidy Grant - net subsidy forecasts. [The estimates are based on information available as at July 2012]	(20.1)	115.9	112.4	133.1	174.1
Council contribution re: public access to sports centre at Clay Farm Secondary School	0.0	0.0	0.0	26.0	26.0
Grounds Maintenance - commuted sums agreements coming to an end after 12 years	6.9	15.7	15.7	15.7	15.7
Retention of current fixed-term capacity to support partnership and project development work	0.0	78.0	85.0	85.0	85.0
External investment income - implications of introducing use of 95 & 100 Day Deposit Accounts	(31.3)	(75.0)	(75.0)	(75.0)	(75.0)
Revenue savings resulting from new Carbon Management Plan schemes	0.0	75.0	75.0	75.0	75.0
Ongoing savings identified from analysis of 2011/12 underspends	50.0	50.0	50.0	50.0	50.0
TOTAL	(2.0)	(539.3)	(805.3)	(729.6)	(550.6)
Net effect of proposed changes:	131.5	(281.8)	(545.8)	(729.6)	(550.6)

Appendix C

Budget Assumptions

Ref.	Assumption for 2013/14					
1	Base – 2012/13 Approved Budget, as amended, with known changes for 2013/14					
2	General inflation on income and expenditure has been included from 2013/14 onwards 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 2013/14 ongoing following 0% for 2011/12 & 2012/13					
5	Employee budgets include:					
	<table border="0"> <tr> <td>- cost of pay award allowance</td> <td>1.00% ¹</td> </tr> <tr> <td>- allowance for incremental progression</td> <td>1.90% ²</td> </tr> <tr> <td>- total allowance for pay and increments</td> <td>2.90%</td> </tr> </table>	- cost of pay award allowance	1.00% ¹	- allowance for incremental progression	1.90% ²	- total allowance for pay and increments
- cost of pay award allowance	1.00% ¹					
- allowance for incremental progression	1.90% ²					
- total allowance for pay and increments	2.90%					
	¹ Government guidelines for pay cap for 2013/14 and 2014/15. A pay inflation provision has been made for 2014/15 and future years at 2.5%.					
	² 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 0.82% for 2012/13 & 2013/14/15, 1.25% for 2014/15 & 2015/16 and 1.50 for 2016/17).					
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 resource optimisation and 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 D

Earmarked & Specific Funds (all figures in £'000s)

Asset Repairs & Renewals

General Fund Portfolio	Balance at 1 April 2012	Contributions 2012/13	Expenditure to July 2012	Closing Balance at July 2012
Arts, Sport & Public Places	(822.2)	(437.4)	69.5	(1,190.2)
Community Development & Health	(767.3)	(238.1)	21.3	(984.0)
Customer Services & Resources	(4,794.6)	(906.2)	6.4	(5,694.5)
Environmental & Waste Services	(5,469.1)	(383.6)	22.7	(5,829.9)
Housing - General Fund	(359.0)	(39.1)	0.0	(398.1)
Planning & Climate Change	(1,252.3)	(408.2)	7.6	(1,652.9)
Strategy	(484.9)	(78.1)	24.4	(538.5)
Totals *	(14,126.3)	(2,524.9)	185.8	(16,465.2)

* The Capital & Revenue Projects Plan includes schemes totalling £4.6m to be funded from Repairs and Renewals Funds in the current financial year

Climate Change Fund

	2012/13	2013/14	2014/15	2015/16	2016/17
(Surplus) / Deficit Balance b/f	(396.3)	(370.3)	(370.3)	(370.3)	(370.3)
Contributions	(129.1)	0.0	0.0	0.0	0.0
Total surplus available	(525.3)	(370.3)	(370.3)	(370.3)	(370.3)
Expenditure approvals *	155.0	0.0	0.0	0.0	0.0
(Surplus) / Deficit Balance c/f	(370.3)	(370.3)	(370.3)	(370.3)	(370.3)

* Further projects totalling £138,700 are currently under consideration

Council Tax Earmarked for Growth

	2012/13	2013/14	2014/15	2015/16	2016/17
(Surplus) / Deficit Balance b/f	(319.9)	(398.1)	(588.1)	(1,030.6)	(2,736.3)
Contributions	(263.2)	(436.4)	(688.8)	(1,942.1)	(970.5)
Total surplus available	(583.1)	(834.5)	(1,276.9)	(2,972.7)	(3,706.8)
Expenditure approvals	185.0	246.4	246.4	236.4	236.4
(Surplus) / Deficit Balance c/f	(398.1)	(588.1)	(1,030.6)	(2,736.3)	(3,470.5)

Development Plan Fund

	2012/13	2013/14	2014/15	2015/16	2016/17
(Surplus) / Deficit Balance b/f	(418.2)	(267.1)	(4.2)	(11.2)	(14.2)
Contributions	(150.0)	(317.0)	(142.0)	(42.0)	(167.0)
Total surplus available	(568.2)	(584.1)	(146.2)	(53.2)	(181.2)
Forecast expenditure	301.1	579.9	135.0	39.0	39.0
(Surplus) / Deficit Balance c/f	(267.1)	(4.2)	(11.2)	(14.2)	(142.2)

Efficiency Fund

	2012/13	2013/14	2014/15	2015/16	2016/17
(Surplus) / Deficit Balance b/f	(483.9)	(396.0)	(337.5)	(337.5)	(337.5)
Contributions	(200.0)	0.0	0.0	0.0	0.0
Total surplus available	(683.9)	(396.0)	(337.5)	(337.5)	(337.5)
Expenditure approvals	287.9	58.5	0.0	0.0	0.0
(Surplus) / Deficit Balance c/f	(396.0)	(337.5)	(337.5)	(337.5)	(337.5)

Fixed-Term Posts Costs

	2012/13	2013/14	2014/15	2015/16	2016/17
(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	-	-	-	-	-
(Surplus) / Deficit Balance c/f	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)

New Homes Bonus

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
2011/12 allocation	(787)	(787)	(787)	(787)	(787)	(787)			
2012/13 allocation		(735)	(735)	(735)	(735)	(735)	(735)		
New Homes Bonus Total	(787)	(1,522)	(1,522)	(1,522)	(1,522)	(1,522)	(735)	0	0
Funding of Growth Posts	818	818	818	818	818	818	818	818	818
Use of available funding	(32)	703	450	0	0	0	0	0	0
By 2012 MTS - Balance unapplied	0	0	(253)	(703)	(703)	(703)	84	818	818
Projection of 2013/14 NHB entitlement			(814)	(814)	(814)	(814)	(814)	(814)	
By 2013 BSR - Balance unapplied			(1,067)	(1,517)	(1,517)	(1,517)	(731)	4	818
Projection 2014/15 NHB entitlement				(1,121)	(1,121)	(1,121)	(1,121)	(1,121)	(1,121)
Potential net NHB funding available	0	0	(1,067)	(2,638)	(2,638)	(2,638)	(1,851)	(1,116)	(302)

Pension Fund Reserve

	2012/13	2013/14	2014/15	2015/16	2016/17
(Surplus) / Deficit Balance b/f	(164.3)	(492.8)	(985.5)	(1,642.5)	(2,463.8)
Contributions	(328.5)	(492.8)	(657.0)	(821.3)	(985.5)
Total surplus available	(492.8)	(985.5)	(1,642.5)	(2,463.8)	(3,449.3)
Expenditure approvals	0.00	0.00	0.00	0.00	0.00
(Surplus) / Deficit Balance c/f	(492.8)	(985.5)	(1,642.5)	(2,463.8)	(3,449.3)

Project Facilitation Fund

	2012/13	2013/14	2014/15	2015/16	2016/17
(Surplus) / Deficit Balance b/f	(0.00)	(500.0)	(500.0)	(500.0)	(500.0)
Contributions	(500.0)	0.0	0.0	0.0	0.0
Total available	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)
Expenditure approvals	0.00	0.0	0.0	0.0	0.0
(Surplus) / Deficit Balance c/f	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)

Property Strategy Fund

	2012/13	2013/14	2014/15	2015/16	2016/17
(Surplus) / Deficit Balance b/f	(176.9)	(40.0)	(74.2)	(108.4)	(142.6)
Contributions	(34.2)	(34.2)	(34.2)	(34.2)	(34.2)
Total surplus available	(211.1)	(74.2)	(108.4)	(142.6)	(176.8)
Expenditure approvals	171.1	0.0	0.0	0.0	0.0
(Surplus) / Deficit Balance c/f	(40.0)	(74.2)	(108.4)	(142.6)	(176.8)

In addition to the above resources, it was agreed in July 2010 that the proceeds of the sale of one of the Council's commercial premises, £385,000, be made available to reinvest in an alternative commercial property.

Technology Investment Fund

Description	2012/13 £ '000	2013/14 £ '000	2014/15 £ '000	2015/6 £ '000
(Surplus) / Deficit b/f	(213.1)	(84.9)	(84.9)	(84.9)
Existing Commitments	128.2	0.0	0.0	0.0
New commitments	0.0	0.0	0.0	0.0
(Surplus) / Deficit c/f	(84.9)	(84.9)	(84.9)	(84.9)

Developer Contributions at July 2012

Category	Completed agreements		Future Forecast ¹		Approvals ³	Projected Balance Available
	Balance at 1 April 2012	Apr-Jul 2012 (Actual)	Non Growth Sites	Growth Sites ²		
Affordable Housing	(67.9)	0.0	0.0	(704.0)	68.0	(703.9)
Community Facilities	(1,758.8)	(219.0)	(591.5)	(461.0)	862.0	(2,168.3)
Formal Open Space / Outdoor Sport	(879.8)	(449.2)	(110.3)	(826.2)	894.0	(1,371.5)
Informal Open Spaces	(1,429.2)	(233.2)	(251.0)	(612.3)	509.0	(2,016.7)
Children / Teenagers Play Provision	(439.0)	(211.0)	(210.5)	(456.5)	434.0	(883.0)
Indoor Sports Facilities	(21.8)	(6.4)	(112.9)	(51.3)	0.0	(192.4)
Public Art	(606.1)	0.0	(135.0)	0.0	295.0	(446.1)
Public Realm	(247.7)	0.0	(135.0)	(50.0)	0.0	(432.7)
Miscellaneous	(71.8)	(18.1)	0.0	(14.2)	0.0	(104.1)
Total	(5,541.5)	(1,142.5)	(1,668.5)	(3,221.2)	3,062.0	(8,511.7)

¹ Includes forecasted 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.

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

³ Includes only those approved capital projects that are in the Capital Plan (2013/14 - 2016/17) to be financed from Developer Contributions.

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

Category	Cambridge City £000	Cambridgeshire CC £000	South Cambs DC £000	TOTAL £000
Affordable Housing ¹	0.0	0.0	0.0	0.0
Community Facilities ^{2 3}	6,606.8	2,155.9	0.0	8,762.7
Formal Open Space ³	983.7	745.8	0.0	1,729.5
Informal Open Space ^{2 3}	3,810.2	0.0	0.0	3,810.2
Children & Teenagers ^{2 4}	2,093.2	0.0	0.0	2,093.2
Allotments ^{2 4}	221.0	0.0	0.0	221.0
Indoor Sport ³	1,454.0	0.0	0.0	1,454.0
Public Art ¹	0.0	0.0	0.0	0.0
Public Realm ^{1 2}	82.5	0.0	0.0	82.5
Waste & Recycling ^{2 4}	25.6	0.0	0.0	25.6
Ecology ³	564.3	0.0	0.0	564.3
Miscellaneous ³	398.0	0.0	35.9	433.9
Section 106 monitoring ²	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	1,514.4
Transport	0.0	35,698.1	0.0	35,698.1
TOTAL	17,654.3	92,128.7	35.9	109,818.9

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

² 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

³ Indicates off-site contribution towards named project specified in S106 agreement

⁴ Formula contributions to be calculated

Appendix E (a)

General Fund Projection 2012/13 to 2016/17

Name	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Net spending - Committee totals	16,877,180	19,801,930	18,765,800	18,784,040	20,014,800
MTS 2012 Proposals (Appendix B)	131,520	(281,810)	(545,750)	(729,610)	(550,640)
Capital Adjustment Account	863,790	863,790	863,790	863,790	863,790
Minimum Revenue Provision Adjustment	(4,459,590)	(4,459,590)	(4,459,590)	(4,459,590)	(4,459,590)
Sub-Total	13,412,900	15,924,320	14,624,250	14,458,630	15,868,360
Contribution to Efficiency Fund	200,000	0	0	0	0
Project Facilitation Fund	500,000	0	0	0	0
Contribution to Climate Change Fund	129,050	0	0	0	0
Revenue Contribution to Capital	5,115,370	2,807,170	3,288,320	1,283,770	1,380,000
Sub-Total	19,357,320	18,731,490	17,912,570	15,742,400	17,248,360
Council Tax Earmarked for Growth	86,910	202,210	454,620	1,699,730	699,730
Future Years Priority Policy Fund	-	500,000	500,000	500,000	500,000
Sub-Total	19,444,230	19,433,700	18,867,190	17,942,130	18,448,090
<i>Net Savings Requirement</i>	-	<i>(569,700)</i>	<i>(1,946,450)</i>	<i>(901,730)</i>	<i>(1,333,350)</i>
Net Spending Requirement to Appendix E (b) below	19,444,230	18,864,000	16,920,740	17,040,400	17,114,740

Appendix E (b)

General Fund – Funding Statement 2012/13 to 2016/17

	Name	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
	Total Net Spending Requirement From Appendix E (a) above	19,444,230	18,864,000	16,920,740	17,040,400	17,114,740

less	External Support					
	Formula Grant / Retained Business Rates	(8,598,810)	(8,161,400)	(7,720,670)	(7,396,890)	(7,226,760)
	Council Tax Compensation Grant 2012/13	(170,870)				
	New Homes Bonus	(1,521,540)	(1,521,540)	(1,521,540)	(1,521,540)	(1,521,540)
	Council Tax Collection Fund deficit	87,110	70,930			
	Income from Council Tax	(6,831,370)	(7,202,250)	(7,658,530)	(8,121,970)	(8,366,440)

	Contribution (to) / from Reserves to Appendix E (c) below	2,408,750	2,049,740			
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<i>Memorandum Items</i>						
	Council Tax Taxbase	41,012	42,185	43,763	45,278	45,504
	Band 'D' Council Tax	£166.57	£170.73	£175.00	£179.38	£183.86
	Implied annual Council Tax increase	-	2.50%	2.50%	2.50%	2.50%

Appendix E (c)

General Fund - Reserves Projection 2012/13 to 2016/17

Name	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Balance at 1 April brought forward	(9,458,490)	(7,049,740)	(5,000,000)	(5,000,000)	(5,000,000)
Contribution (to) / from Reserves from Appendix E (b) above	2,408,750	2,049,740			
Balance at 31 March carried forward	(7,049,740)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)

Appendix F

Key Risk Analysis

Ref.	Risk Area & Issue arising	Controls / Mitigation Action
(1)	Effects of Legislation / Regulation	
	<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"> • Effective processes are in place across the Council to ensure that implications are identified and raised. • Additional / specific funding enhancements for new services are earmarked for that purpose, to ensure effective implementation • The Council has processes in place to manage the demands of local and national agendas, including the Vision Statement and the MTS.
(2)	Portfolio & Spending Plans	
	<p>The Council approves Portfolio Plans which are not sustainable into the future, leading to increasing problems in balancing budgets.</p>	<ul style="list-style-type: none"> • 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 • Council has a policy of requiring R&R Funds to be in place to cover all major assets with a finite life, with long-term programmes for key areas • The MTS includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications • 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
(3)	Growth Agenda	
	<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"> • 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 • The additional income from Grant and Council Tax resulting from Growth have been earmarked to offset associated costs • Growth projections continue to be examined closely in light of the recent impact of the economic downturn, and where appropriate budgets being adjusted.

Ref.	Risk Area & Issue arising	Controls / Mitigation Action
(4)	Financial planning lacks appropriate levels of prudence	
	<p>Financial policies, in general, are not sufficiently robust</p> <p>Funding to support the approved Capital & Revenue Projects Plan is not available</p>	<p>Council has adopted key prudence principles, reflected in :</p> <ul style="list-style-type: none"> • Policy on applying capital receipts only at point of receipt • Ongoing revenue funding for capital is reviewed for affordability as part of the 25-year modelling process • Adoption of strict medium / long-term planning
(5)	External income / funding streams	
	<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 mechanism of Government support adversely affect the Council :</p> <ul style="list-style-type: none"> - The baseline for the new scheme is lower than anticipated - Future increases in support are lower / decreases greater than anticipated - Other changes in methodology have an adverse effect <p>b) Population figures between Census rebasings affect the Council's funding eligibility</p> <p>The projected levels of car park usage, and hence income, are not achieved.</p> <p>Possible adverse affect on usage of car parks due to changes in County Transport policies, e.g. Congestion charging is introduced</p> <p>Fees and charges income is adversely affected by the economic downturn</p> <p>The economic downturn:</p> <ul style="list-style-type: none"> i) results in higher than anticipated voids in Council commercial property, leading to underachievement of income ii) reduces the ability to fund capital pressures from the sale of assets 	<ul style="list-style-type: none"> • Modelling over the medium and long-term is conducted for key income sources including Government support, including sensitivity analysis on potential changes • Council seeks to influence national settlements through provision of information to negotiation bodies such as LGA and SDCT • Government support projections are based on a relatively prudent level of increase • Proposed changes in Government support methodology are carefully reviewed. • The Council considers the interim projections of the County Group to identify actual underlying population trends, and changes to the ONS population methodologies • Specialist consultancy support is used to model car park income over the medium-term, in light of the significant level of income involved • Commercial property income projections are regularly reviewed to identify trends in the local economy • Regular reviews of income projections and achievement are undertaken by all services.

Ref.	Risk Area & Issue arising	Controls / Mitigation Action
(6)	Use of resources including Projects and Partnerships	
	<p>There is ineffective use of the resources available to the Council</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 Enterprise Partnership) is not recognised or shared with our key Partners</p>	<ul style="list-style-type: none"> • Council employs robust business planning in key activity areas • Council has adopted a standard project management framework • All services are required to contribute to Portfolio Plans, linked directly to resources • The Council's vision statements are used to prioritise available resources ensuring best match with objectives • Performance and contractor management procedures have been updated • Organisational development and workforce planning activity is being targeted • Partnership review by the Local Enterprise Partnership • The Council has established a Project Facilitation Fund, to ensure that the resources are available to deliver items on the Capital and revenue Projects Plan

Ref.	Risk Area & Issue arising	Controls / Mitigation Action
(7)	<p>Localisation of Council Tax Support</p> <p>Government funding support for the new scheme is less than had been anticipated, resulting in pressures on Council funding</p> <p>The growth in the number and / or value of claims is higher than projected, resulting in funding shortfall</p> <p>Software provided by suppliers does not meet the requirements for the new scheme</p> <p>Increased numbers of accounts with small sums due result in increased collection costs and potentially losses on collection</p> <p>The Government reduces Administration Subsidy support at a greater rate than expected</p>	<p>The Council has been working with partners and professional bodies to develop an appropriate and timely response to the changes</p> <p>The Council software is provided by one of the national market leaders, who have a strong track record in delivering changes to time</p> <p>Analysis of implications and client groups has been undertaken to ensure the best projections can be used from the start of the new arrangements</p> <p>Prudent assumptions have been included for future Administration Subsidy eligibility</p>
(8)	<p>Business Rates Retention</p> <p>The level of business growth in Cambridge falls significantly below the Government-set baseline position</p> <p>The Council is unable to accurately project changes in future levels of business growth, leading to inaccurate medium and long-term financial planning.</p> <p>The Council opts to be part of a local polling arrangement, but this results in disadvantage, over time, compared to not being in the pool</p>	<p>The Government's scheme includes provision of a Safety Net system to protect authorities against loss in funding compared to their baseline position</p> <p>The Council is adopting a prudent approach to additional funding from future growth in business rates as the basis for its financial planning</p> <p>The national framework for polling arrangements allows any authority to identify an intention to withdraw at any time, which will become effective from the next financial year</p>

Appendix G (a)

Capital & Revenue Projects Plan – General Fund (£'000s)

General Fund – Projects

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to March 2012	Budget				
					2012/13	2013/14	2014/15	2015/16	2016/17
SC033B	CCTV Street Lighting	A Preston	47	7	40	0	0	0	0
SC072	Poster Boards	N Jones	33	32	1	0	0	0	0
SC163	Compulsory Purchase Orders (CPOs)	R Lord	411	11	400	0	0	0	0
SC192	Development Land on the North Side of Kings Hedges Road	P Doggett	5,568	5,173	182	74	140	0	0
SC221b	Lion Yard - Contribution to Works Phase 2	P Doggett	1,583	76	1,817	0	0	0	0
SC234	Histon Road Cemetery Landscaping (S106)	A Wilson	31	24	5	0	0	0	0
SC282	Kettle's Yard	D Kaye	40	0	40	0	0	0	0
SC283	City Centre Youth Venue (S106)	T Woollams	100	0	100	0	0	0	0
SC312	Automated Energy Monitoring System	J Stocker	35	12	23	0	0	0	0
SC329	Corporate Document Management (DIP & EDRM)	J Nightingale	978	542	435	0	0	0	0
SC335	Customer Access Strategy - IT Workstream	C Bolton	773	539	76	0	0	0	0
SC348	Allotment Improvements (S106)	A Wilson	34	18	17	0	0	0	0
SC351	Memorial Choice	T Lawrence	110	110	0	0	0	0	0
SC361	Disabled Access and Facilities - Guildhall Halls	S Bagnall	80	0	80	0	0	0	0
SC362	Lighting and Power in Committee Rooms	J Stocker	15	0	15	0	0	0	0
SC379	Mercury Abatement	T Lawrence	2,023	1,712	100	0	0	0	0
SC385	Energy Efficiency Programme - Meadows	T Woollams	62	48	14	0	0	0	0
SC386	HMOs - Management Orders	R Lord	50	0	50	0	0	0	0
SC391	La Mimosa Punting Station	P Doggett	10	0	10	0	0	0	0
SC396	Ravensworth Gardens - Remedial & Improvement Work	A Wilson	25	0	25	0	0	0	0
SC406	The Junction Development Programme (S106)	T Woollams	130	128	2	0	0	0	0
SC410	Mill Road Cemetery	A Wilson	50	25	25	0	0	0	0
SC414	Property Accreditation Scheme	J Dicks	100	100	50	0	0	0	0
SC416	UNIFORM e-consultee Access Module	P Boucher	15	5	10	0	0	0	0
SC417	Development of UNIFORM System	P Boucher	15	1	14	0	0	0	0
SC423	Recycling Bins for Flats	J Robertson	185	95	90	0	0	0	0

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to March 2012	Budget				
					2012/13	2013/14	2014/15	2015/16	2016/17
SC427	Oracle Financials Server	J Minns	67	44	6	0	0	0	0
SC429	Telephony System Upgrade	J Nightingale	70	23	50	0	0	0	0
SC432	Mill Road Cemetery Memorial Artwork (S106)	A Preston	62	10	53	0	0	0	0
SC433	Snowy Farr Memorial Artwork (S106)	A Preston	70	29	41	0	0	0	0
SC436	Pye's Pitch Rec Facilities (S106)	I Ross	100	15	85	0	0	0	0
SC439	LED Lighting - Grand Arcade Annex Car Park	S Cleary	120	105	15	0	0	0	0
SC440	King George V Rec Ground (consolidated) (S106)	T Woollams	458	427	31	0	0	0	0
SC441	Sheeps Green Canoe Clubhouse Extension (S106)	I Ross	195	231	(5)	0	0	0	0
SC445	Monitors for use with Document Management System	P Boucher	30	33	2	0	0	0	0
SC449	Holy Trinity War Memorial Shelter	G Richardson	24	12	11	0	0	0	0
SC450	Changing Facilities at Cherry Hinton Village Centre (S106)	I Ross	70	0	70	0	0	0	0
SC456	Coldhams Common LNR Extension (S106)	G Belcher	62	3	54	5	0	0	0
SC460	Kings Hedges Learners Pool Electricity	I Ross	25	0	25	0	0	0	0
SC461	Jesus Green Skatepark Upgrade (S106)	I Ross	65	61	5	0	0	0	0
SC469	Vie Public Open Space (S106)	I Ross	175	134	41	0	0	0	0
SC471	Parkside Changing Rooms	D Kaye	350	392	0	0	0	0	0
SC474	Cherry Hinton Hall Grounds Improvements - Phase 1 (S106)	A Wilson	75	35	40	0	0	0	0
SC476	Water Play Area Abbey Paddling Pool (S106)	I Ross	130	0	130	0	0	0	0
SC477	Coleridge Paddling Pool Enhancement (S106)	I Ross	165	0	90	0	0	0	0
SC478	Water Play Area Kings Hedges "Pulley" (S106)	I Ross	130	0	130	0	0	0	0
SC479	Abbey Pool Play Area Facilities (S106)	A Preston	114	1	88	0	0	0	0
SC492	Jesus Green Play Area (S106)	A Preston	178	1	151	0	0	0	0
SC493	Jesus Green Tennis Court (S106)	A Preston	92	8	84	0	0	0	0
SC494	Kings Hedges "Pulley" Play Area (S106)	A Preston	75	1	74	0	0	0	0
SC496	Petersfield Play Area (S106)	A Preston	78	1	77	0	0	0	0
SC497	Peval Road Play Area (S106)	A Preston	88	1	87	0	0	0	0
SC499	Outdoor Fitness Equipment in Parks (S106)	A Preston	120	0	120	0	0	0	0
SC500	Trumpington Rec Outdoor Space (S106)	A Preston	48	1	47	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	3	397	0	0	0	0

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to March 2012	Budget				
					2012/13	2013/14	2014/15	2015/16	2016/17
SC507	Visit Cambridge Website	E Thornton	30	20	10	0	0	0	0
SC508	E-Benefits	A Cole	47	42	5	0	0	0	0
SC511	Route Optimisation Software	C Hipwood	15	8	7	0	0	0	0
SC512	Hobbs Pavilion Refurbishment (S106)	I Ross	240	0	240	0	0	0	0
SC514	Petersfield Area Play Equipment	A Wilson	55	0	55	0	0	0	0
SC516	Relocation Grand Arcade Car Park Control Room	S Cleary	70	25	45	0	0	0	0
SC519	Wulfstan Way Art Project (S106)	N Black	45	2	43	0	0	0	0
SC520	Community Olympic Public Art Commission (S106)	N Black	129	23	106	0	0	0	0
SC521	Creation of New Allotment Site	A Wilson	15	1	14	0	0	0	0
SC522	New Sound Equipment at Cambridge Corn Exchange	D Kaye	200	0	200	0	0	0	0
SC523	Refurbishment of Newmarket Rd Cemetery Buildings	T Lawrence	120	2	118	0	0	0	0
SC524	Cambridge Crematorium - Chapels & Public Areas Refurbishment	T Lawrence	120	0	120	0	0	0	0
SC525	Cambridge Crematorium - Staff Room Refurbishment	T Lawrence	30	0	30	0	0	0	0
SC526	Clay Farm Community Centre - Phase 1 (S106)	A Carter	650	6	420	230	0	0	0
SC527	Energy efficiency improvements to private sector housing	J Dicks	150	0	150	0	0	0	0
SC528	Changes to office layout for Hsg Options/Choice Based Lettings	A Carter	10	0	10	0	0	0	0
SC529	Upgrade facilities at 125 Newmarket Road	A Carter	100	0	100	0	0	0	0
SC530	Street Cleaning Planning Software	B Carter	15	0	15	0	0	0	0
SC531	In-cab Technology for Trade Waste Service	J Robertson	16	0	16	0	0	0	0
SC532	Cambridge City 20mph Zones Project	P Dell	400	0	200	200	0	0	0
SC533	Improvement to St Lighting Mill Rd - Railway Bridge to Perne Rd	A Preston	60	0	60	0	0	0	0
SC534	Refurbishment of Park Street Car Park	S Cleary	3,400	0	0	1,700	1,700	0	0
SC535	Repairs to Grafton West Car Park	S Cleary	150	0	150	0	0	0	0
SC536	Replace obsolete Shopmobility stock	S Cleary	15	0	15	0	0	0	0
SC537	Additional Desks & Interview Room in Customer Service Centre	C Bolton	25	0	25	0	0	0	0
SC538	Information Kiosks to be installed in local area	C Bolton	25	0	25	0	0	0	0
SC539	Metered system for the supply of electricity on the Market	A White	50	0	50	0	0	0	0
SC540	Electronic Market Management Software	A White	22	0	22	0	0	0	0
SC541	Corporate PC Replacement Programme	J Nightingale	350	0	350	0	0	0	0

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to March 2012	Budget				
					2012/13	2013/14	2014/15	2015/16	2016/17
SC542	Solar Thermal Panels/Energy efficiency measures on non-hsg properties	D Kidston	140	0	140	0	0	0	0
SC543	Voltage Optimisation Roll-out	D Kidston	33	0	33	0	0	0	0
SC544	Coleridge Recreation Ground Improvements (S106)	A Wilson	289	0	289	0	0	0	0
SC545	Parkside Pool Variable Speed Drive	I Ross	44	0	44	0	0	0	0
SC546	Abbey Pool Variable Speed Drive	I Ross	46	0	46	0	0	0	0
SC547	Corn Exchange Lift Replacement	S Bagnall	15	0	15	0	0	0	0
SC548	Southern Connections Public Art Commission	N Black	107	0	4	73	30	0	0
Total Capital & Revenue Projects			23,272	10,358	8,802	2,282	1870	0	0

General Fund – Programmes

Capital Ref	Description	Lead Officer	Budget				
			2012/13	2013/14	2014/15	2015/16	2016/17
PR010	Environmental Improvements Programme	A Preston	0	0	0	0	0
PR010a	Environmental Improvements Programme - North Area	A Preston	118	59	59	0	0
PR010b	Environmental Improvements Programme - South Area	A Preston	167	42	42	0	0
PR010c	Environmental Improvements Programme - West/Central Area	A Preston	181	43	43	0	0
PR010d	Environmental Improvements Programme - East Area	A Preston	146	56	56	0	0
PR010di	Environmental Improvements Programme - Riverside/Abbey Road Junction	A Preston	25	0	0	0	0
PR010j	Environmental Improvements Programme - Fitzroy/Burleigh Street	A Preston	87	0	0	0	0
PR010k	Environmental Improvements Programme - Wulfstan Way Local Centre (S106)	A Preston	0	0	0	0	0
PR027	Replacement of Parks & Open Space Waste/Litter Bins	A Wilson	75	75	75	75	0
PR006	Safer City Programme	L Kilkelly	0	0	0	0	0
PR007	Cycleways	A Preston	338	100	100	0	0
PR014	Environmental Safety Fund	A Preston	16	0	0	0	0
PR018	Bus Shelters	A Preston	267	0	0	0	0
PR019	Car Parks Infrastructure and Equipment Replacement Programme	S Cleary	995	244	789	0	0
PR003	City Centre Management Programme	E Thornton	20	20	20	0	0
PR020	ICT Infrastructure Programme	J Nightingale	1,029	211	300	220	0
PR023	Admin Buildings Asset Replacement Programme	W Barfield	121	40	70	48	0

Capital Ref	Description	Lead Officer	Budget				
			2012/13	2013/14	2014/15	2015/16	2016/17
PR024	Commercial Properties Asset Replacement Programme	W Barfield	129	347	20	230	0
PR016	Public Conveniences	B Carter	799	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	884	960	750	0	0
PR028	Litter Bin Replacement Programme	B Carter	125	125	125	125	0
PR001	Housing Capital Investment Programme (General Fund)	J Hovells	1,876	765	765	765	765
PR026	Community Development Grants Programme (S106)	T Woollams	429	300	0	0	0
PR025	New Town Community Development Capital Grants Programme (S106)	T Woollams	116	0	0	0	0
Total Programmes			7,943	3,387	3,214	1,463	765
Total General Fund Capital & Revenue Projects Plan			16,745	5,669	5,084	1,463	765

Housing Revenue Account

Capital Ref	Description	Lead Officer	Budget				
			2012/13	2013/14	2014/15	2015/16	2016/17
PR001	Housing Capital Investment Programme (HRA)	J Hovells	27,047	25,298	27,511	18,145	14,922
Total Housing Capital Investment Plan			27,047	25,298	27,511	18,145	14,922

Appendix G (b)

Capital & Revenue Projects Hold List

Portfolio	Capital Ref	Description	Lead Officer	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Arts, Sport & Public Places	SC453	Upper River Cam Biodiversity Project (Developer Contributions)	G Belcher	118	0	0	0
Arts, Sport & Public Places	SC455	Logans Meadow LNR Extension (Developer Contributions)	G Belcher	188	0	0	0
Arts, Sport & Public Places	SC465	Upper River Cam Biodiversity Public Art (Developer Contributions)	A Preston	29	0	0	0
Arts, Sport & Public Places	SC472	Cherry Hinton Hall Grounds Improvements (previously SC472 Vending Kiosk & SC473 Pond & Lake Restorations) (Developer Contributions and Heritage Lottery Fund)	A Preston	0	0	982	0
Arts, Sport & Public Places	SC475	Nightingale Rec Pavilion Refurbishment (Developer Contributions)	I Ross	228	0		0
Total Hold List				563	0	982	0

Appendix G (c)

Capital Financing

Category	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
External Support					
Basic Credit Approval (BCA)	£0	£0	£0	£0	£0
Specified Capital Grants (SCG)	(£3,478)	(£6,558)	(£1,788)	(£2,222)	£0
Supplementary Credit Approvals (SCA)	£0	£0	£0	£0	£0
Deferred Capital Contributions	£0	£0	£0	£0	£0
Other Sources	(£250)	(£74)	(£56)	£0	(£262)
Major Repairs Allowance (MRA)	£0	£0	£0	£0	£0
Developer Contributions	(£3,232)	(£584)	(£24)	£0	£0
Prudential Borrowing	£0	(£2,526)	(£8,238)	£0	£0
Total External Support	(£6,960)	(£9,742)	(£10,106)	(£2,222)	(£262)
Cambridge City Council					
Direct Revenue Financing (DRF)					
- Housing Revenue Account	(£10,482)	(£8,778)	(£9,918)	(£8,183)	(£6,741)
- General Fund Services	(£55)	£0	£0	£0	£0
- Use of Reserves	(£4,981)	(£1,412)	(£2,334)	(£1,062)	(£1,380)
- Temporary Use of Reserves	(£50)	£0	£0	£0	£0
- HRA Capital Balances	(£6,967)	(£503)	(£503)	(£503)	(£503)
Use of Earmarked or Specific Funds					
- Repair & Renewals Funds	(£4,648)	(£1,802)	(£1,929)	(£498)	(£300)
- Technology Investment Fund	(£112)	£0	£0	£0	£0
- Capital Contributions	(£2,152)	£0	£0	£0	£0
- Major Repairs Reserve	(£7,673)	(£7,398)	(£7,529)	(£7,702)	(£7,881)
Other					
Usable Capital Receipts	(£937)	(£412)	(£440)	(£300)	£0
Total City Council Support	(£38,057)	(£20,305)	(£22,653)	(£18,248)	(£16,805)
TOTAL AVAILABLE FINANCE	(£45,017)	(£30,047)	(£32,759)	(£20,470)	(£17,067)

Appendix H

Cash Limit Calculation 2013/14

			Inflated Base Budget £ '000s
	General Fund Portfolio Totals		20,004
Add	Priority Policy Fund	500	
	Unavoidable costs (from Appendix B)	(282)	
	Contribution to capital	2,807	3,025
	Cash Requirement		23,029
Less	Capital Adjustments Account	3,596	
	Use of Reserves	2,050	
	Council Tax income	7,131	
	Total External Support	8,161	
	New Homes Bonus	1,521	
	Cash Availability		22,459
	Reduction Target		570

Appendix I (a)

Treasury Management – Current 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 & Semi-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:
Australia, Canada, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, United Kingdom, United States.

A proposed amendment to the maximum investment period for colour band 'Green' is highlighted in bold italic text.

Sector Creditworthiness Service - colour duration bands

Colour	Maximum Investment Period
Yellow	5 years (this category is for AAA related Government debt)
Purple	2 years
Blue	1 year (only applies to nationalised or semi-nationalised UK Banks)
Orange	1 year
Red	6 months
Green	3 months <i>for fixed-term deposits</i>
Green	100 days for Notice Account deposits
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, the appropriate deposit limit and current duration limits. Proposed amendments to maximum deposit periods are highlighted in bold italic text:

Name	Council Maximum Deposit Period	Colour as at 16 July 2012	Category	Limit
All UK Local Authorities	N/A	N/A	Local Authority	£10m
All UK Passenger Transport Authorities	N/A	N/A	Passenger Transport Authority	£10m
All UK Police Authorities	N/A	N/A	Police Authority	£10m
All UK Fire Authorities	N/A	N/A	Fire Authority	£10m
All UK Nationalised Industries	N/A	N/A	Nationalised Industry	£10m
Debt Management Account Deposit Facility	N/A	N/A	DMADF	None
Barclays Bank Plc	3 Months & <i>100 days for Notice Accounts</i>	Green	UK Bank	£10m
HSBC Bank Plc	3 Months & <i>100 days for Notice Accounts</i>	Green	UK Bank	£16m
Standard Chartered Bank	3 Months & <i>100 days for Notice Accounts</i>	Green	UK Bank	£10m
Bank of Scotland Plc	1 Year	Blue	UK Nationalised Bank	£10m
Lloyds TSB Bank Plc	1 Year	Blue	UK Nationalised Bank	£10m
National Westminster Bank Plc	1 Year	Blue	UK Nationalised Bank	£10m
The Royal Bank of Scotland Plc	1 Year	Blue	UK Nationalised Bank	£10m
Ulster Bank Ltd	1 Year	Blue	UK Nationalised Bank	£10m
Nationwide Building Society	3 Months	Green	UK Building Society	£10m

For banks within the same Banking Group there is an additional Group limit of £15m (1.5 times the individual limit).

Appendix I (b)

Treasury Management – Glossary of Terms and Abbreviations

Term	Definition
Authorised Limit for External Borrowing	Represents a control on the maximum level of borrowing
Bank Call Accounts	Bank accounts from which deposits can be withdrawn without notice
Capital Expenditure	Expenditure capitalised in accordance with regulations i.e. material expenditure either by Government Directive or on capital assets, such as land and buildings, owned by the Council (as opposed to revenue expenditure which is on day to day items including employees' pay, premises costs and supplies and services)
Capital Financing Requirement	A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been paid for from either revenue or capital resources
CIPFA	Chartered Institute of Public Finance and Accountancy
Counterparties	Financial Institutions with which funds may be placed
DCLG	Department for Communities & Local Government
Headroom	Difference between the Authorised Limit for External Borrowing minus total current loans outstanding i.e. the amount available for further approved borrowing
HRA	Housing Revenue Account - a 'ring-fenced' account for local authority housing account where a council acts as landlord
HRA Self-Financing	A new funding regime for the HRA introduced in place of the previous annual subsidy system
Liquidity	A measure of how readily available an investment is
MCP	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate
Money Market Funds	Investment funds which provide depositors with a spread of risk over a number of financial institutions, on a short or longer term basis
MRP	Minimum Revenue Provision - the amount set aside to repay debt in the future
MRA	Major Repairs Allowance – the HRA budget provision to pay for repairs and maintenance of dwellings
Net Borrowing Requirement	External borrowing less deposits
Operational Boundary	Limit which external borrowing is not normally expected to exceed
PWLB	Public Works Loans Board - an Executive Government Agency of HM Treasury from which local authorities & other prescribed bodies may borrow at favourable interest rates
Security	A measure of the creditworthiness of a counterparty
Yield	Interest, or rate of return, on an investment

Appendix J

Significant Events

Topic	Indicative Value	2012/13	2013/14	2014/15	2015/16	2016/17
Spending Review	£8.6m	The timing of the next Spending Review is yet to be announced by Government but is unlikely to be before autumn 2013				
VAT Partial exemption	c. £250k if breached	Potential liability if limit is breached over a 7 year moving average				
Elections	n/a	Police & Crime Commissioner (PCC) 15 November 2012	County: 2 May 2013	City: 1 May 2014 but may be as below European: 5 or 12 June 2014	Parliamentary & City Council: 7 May 2015	City and PCC: 5 May 2016
National Census	n/a	Census 2011 results will feed into the government funding settlement for 2013/14 and will inform the next Spending Review				
Pension Fund Triennial Actuarial Review	+/- 1% is GF c. £210k HRA c. £60k for 2013/14	Triennial revaluation on position at 31 March 2013	Additional contributions payable by employees from 1 April 2013	First anticipated change in employer contributions resulting from revaluation		
Lion Yard (Commercial Property)	£1.8m	Works started June 2012	Anticipated completion by March 2014			
Cherry Hinton Hall Park redevelopment	c. £1.0m	Heritage Lottery bid	Improvement works			
ICT Contract	c. £2.0m pa	Full tender options appraisal	Contract expires June 2013			
Leisure Contract Renewal	c. £0.6m pa	Full tender options appraisal	Leisure Contract expires September 2013			

Appendix K

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 +/- 1% is GF c. £270k HRA c. £80k for 2013/14	In line with Government guidance, 0% in 2011/12 and 2012/13, 1% in 2013/14 and 2014/15, followed by 2.5% ongoing.	Actual pay award settlements are agreed as part of national negotiations. Actual awards may be higher than provided for.
Developer Contributions	c. £8.5m	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. The Council has contracts for electricity and gas which run from October each year and takes specialist consultant advice in determining the most advantageous terms to contract for.
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. £600k for 2013/14	Assumptions are shown in Appendix C. 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	+/- 1% is GF c. £284k spend and c. £320k income for 2013/14	General inflation on income and expenditure is included at 2.0% from 2013/14 ongoing (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
General Fund			
Housing Benefits	£42m	Officer assessment of current conditions and trends	Council funded element of provision of the service. Potential increase in Housing Benefit fraud
Council Tax Income	£7.0m p.a.	2.5% for 2013/14 and ongoing are built into projections	Criteria for triggering referendums for proposed excessive increases will be published each year. The requirement for rebilling and associated costs, together with the loss of Council Tax income, effectively provide a strong disincentive for high increase proposals. Economic climate may require an increase in enforcement activity.
Car Parking Income	c. £9.0m	Based on Officer and external consultants' projections of usage	Economic downturn reduces usage and/or increased use of Park & Ride and impact of guided bus.
Bereavement Services Income	c.£1.5m	Current mortality rates built into BSR assumptions	Falling mortality rate [yet ageing population in Cambridge] Opening of competitor facilities 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. Success of Commemoration scheme (Positive)
Planning Fee Income	c. £1.2m	Income projections are consistent with the basis for the 2012/13 budget	Impact of economic downturn is greater or longer than anticipated
Building Control Fee Income	c. £0.4m	Based on break-even full cost recovery position for the Building Control Service	Impact of economic downturn is greater or longer than anticipated Increased competition from approved inspectors leading to smaller market share New LABC fees guidance leads to significant over or under-recovery of costs
Corn Exchange Income	c. £0.5m	Based on Officer projections of attendance	Economic downturn leads to fall in attendances. Social change leads to lower attendance at live concerts Product offer does not meet client expectation
Folk Festival Income	c. £1.5m	Based on assumption that all tickets will be sold	Economic downturn leads to fall in attendances (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.

Topic	Quantum	MTS Assumption	Risk
Commercial Property Income	c. £6.6m	Officer assessment of current market conditions and future trends	Economic conditions lead to increase in voids, increased level of unrecoverable debts and less significant rent increases.
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. Potential limitation of ability to charge for searches as a result of threatened legal challenge

Appendix L

Areas of Uncertainty

All Portfolios / Cross-Cutting

Rating Revaluation Appeals

The Council is currently pursuing challenges to the 2010 rating list which may result in lower business rates being payable by the Council. Whilst it is not anticipated that the converse will apply, there is a risk that a challenge will give rise to an additional payment becoming due.

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

HMR&C have introduced a 'new' 7-year average effective from 1st September 2011, for calculating the Council's 5% VAT Partial Exemption limit. This has reduced the risk of the Council breaching the 5% limit over a 7-year period (i.e. the year of a potential breach, the 4 previous actual year calculations, and an estimate of 2 years after a potential breach). However, careful monitoring of this limit will still be required and may still necessitate actions to 'opt to tax' selected land and buildings. Opting to tax will give the Council more scope to recover Input Tax which was previously irrecoverable.

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 General Fund provision is maintained through the Council Tax for Growth fund and is available for projects and other costs arising directly from the impact of growth.

Joint Working and Services Funded Jointly with Other Organisations

The future funding plans and decisions by partner organisations can result in pressures for the City Council, for example where government or other external funding has been removed or is under threat.

Electricity & Gas prices

The Council is re-tendering its energy contracts which are likely to be renewed on an annual basis only.

All Portfolios / Cross-Cutting

External Legal Costs

Council services require infrequent access to expert witnesses or barristers for which there is no budget provision. Legal action may also result in costs awards which are also unbudgeted.

Climate Change

The impact of climate change may have broad ranging consequences across the council including 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.

Community Right to Challenge

The 'Community Right to Challenge', which came into force on 27 June 2012, allows voluntary and community bodies and groups of local authority employees to express an interest in running a local authority service. The Council is required to consider and respond to all expressions of interest. Depending on the number of 'Expressions of Interest' that the Council receives, the Right to Challenge could result in significant administrative costs for the Council.

Municipal Mutual Insurance (MMI)

In 1992/93 the Council's then insurers, MMI, ceased taking new business and are now being managed under a 'scheme of arrangement'. City Council claims under this arrangement have totalled £1,034,649. It is possible that a proportion of this may need to be repaid, or not be receivable, by the Council if the scheme of arrangement triggers insolvency, but the amount cannot be quantified at this stage.

Greater Cambridge – Greater Peterborough Enterprise Partnership

The Council currently contributes £8,000 to the Greater Cambridge-Greater Peterborough Enterprise Partnership to support its running costs. The LEP is asking local authorities to consider making a bigger annual contribution and discussions are continuing about whether this may be appropriate and, if so, at what level those contributions should be.

Tour de France

The City and County Councils have given in principle support to a Yorkshire-led bid to bring 3 stages of the Tour de France to England in 2014 or 2017. The current proposal is that the third stage would start in Cambridge. If the bid were successful there would be costs to the council in hosting the event. Final commitment to the bid will depend on the scale of those costs and the practicality of delivering the requirements of the Tour de France in a Cambridge setting.

Future Cities and Urban Broadband Funding

Government funding of £50,000 has been secured to enable a Future Cities Demonstrator bid to be made to the Technology Strategy Board by 14 November 2012, seeking to achieve a funding award of £24m to implement the proposal. A decision on the successful bidding local authority is due in January 2013.

An application for funding under the Super-Connected Cities Urban Broadband scheme is being developed for submission by 17 September 2012. This would facilitate the provision of fixed ultrafast broadband and ubiquitous wireless coverage for the City. Successful bids are expected to be announced as part of the Autumn Statement 2012.

All Portfolios / Cross-Cutting

City Deal

An initial wave of potential City deals was announced by the Government in December 2011, aimed at giving city regions more powers and freedoms to support local economic growth. This phase was based on the eight largest English cities. There are indications that a further phase will be announced based on 'growth cities' which would be likely to include the City Council. The Council has undertaken some initial work with the County Council and South Cambridgeshire District Council to establish the opportunities that this might provide.

This would involve agreeing arrangements for the pooling of funding and the establishment of acceptable governance arrangements in return for enhanced freedoms and flexibilities.

Area of Uncertainty

Portfolio: Strategy

Impact of Welfare Reforms

The introduction of major welfare reforms from April 2013, including the replacement of the national scheme for Council Tax Benefit by a locally determined scheme of Council Tax support, is likely to have implications for the Council in relation to future rates of collection of Council Tax. The extent of the financial impact, and any consequent need to increase the allowance made for non-collection in setting the Council Tax Base, cannot be estimated at this time and will need to be assessed as part of the budget setting process, following approval of the local scheme.

Benefit Processing

Projections are based on a continuation of current performance levels. If performance was to fall, and the Council breached the thresholds (upper and/or lower) set by the DWP for local authority error overpayment subsidy, then this could materially affect the level of subsidy receivable on such amounts down from 100% to either 40% or 0%.

Council Tax Collection Fund deficit / surplus contributions

Any surplus or deficit on the Collection Fund must be taken into account in setting the level of Council Tax. The likely year-end position is assessed in January each year. Projections for 2013/14 have been provisionally included in the Medium Term Strategy and will be reassessed as part of the budget process.

Travellers

In March 2012 the Government adopted a new statement on Planning Policy for Travellers. This statement sets out how Local Planning Authorities should plan to meet the needs of travellers. Budget issues will be considered in the next 12 months.

The Council, jointly with South Cambridgeshire District Council, has been awarded capital grant funding from the Homes and Communities Agency to provide ten Traveller pitches in or around Cambridge by 2015, subject to a suitable site being found and appropriate member approval being in place by December 2012. Arrangements for funding the management and maintenance of such a site will need to be agreed between the two authorities.

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.

Area of Uncertainty

Office Accommodation Review

Work is in progress to review options across the Council's office accommodation following the opening of the Customer Service Centre and the implications of the corporate restructure.

Portfolio: Planning & Climate Change

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 by 2014.
- 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.
- Prosecutions - There may be a requirement for additional budget provision in order to ensure appropriate enforcement action can be taken in all appropriate cases.

Refuse Recycling Credits

The payment of recycling credits to Waste Collection Authorities is a statutory duty for the County Council. The County rate has been fixed since 2009/10 and there is a risk that the County Council may reduce the recycling credit payment to the City. The likelihood of this happening is unclear at this stage and negotiations are underway with the County Council.

Portfolio: Housing

Reduction in Home Aid Agency Contributions

Following the creation of a shared Home Improvement Agency with South Cambridgeshire District Council and Huntingdonshire District Council from April 2012, there is still future uncertainty as to the level of external funding that can be anticipated for the future, both in terms of third party contributions and fee generation.

Area of Uncertainty

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

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 & Paralympics 2012

The Council needs to assess the impact and opportunities arising from the Olympics & Paralympics 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.

Riverbanks and Watercourses

The City's liability to maintain riverbanks and watercourses within the city boundary may give rise to significant long-term costs over the next 20 years. Some works may be eligible for grant funding at rates of up to 100%.

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. Whilst the creation and initial management of the facilities will be covered by developer contributions, the ongoing revenue funding of these facilities may require ongoing City Council support.

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