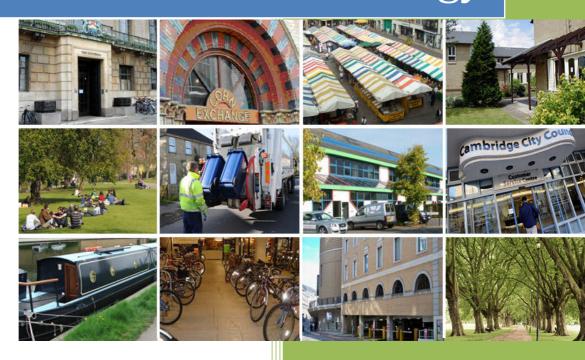
Version 2 The Executive

Medium Term Strategy



2010

2010/11 to 2014/15

Cambridge City Council
September 2010



Version Control History

	Version	for:	Anticipated Content
	1	Draft	Draft content for consultation
Current	2	The Executive 24 September 2010	MTS and 2010/11 budget process proposals
	3	Special Council Meeting 8 November 2010	The Executive's recommended budget strategy
	4	FINAL	Final version for publication following Council

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Executive Summary

To be added for Internet and Final Council version

Medium Term Strategy

1. Purpose and Scope

PURPOSE

- 1.1 The Medium Term Strategy (MTS) forms a key part of the Council's annual Planning and Decision-Making Process.
- 1.2 The purpose of this MTS document is to set out, and consider the implications of, the Council's vision for the city and the Medium Term Programme (MTP) priorities actions, which the Council has approved as part of the Annual Statement process, towards achieving this vision.
- 1.3 In the context of these objectives, the document then outlines the Council's overall financial position.
- 1.4 This is a key part of ensuring an effective process moving from :



- 1.5 The Council has a long-standing commitment to medium-term financial planning (commenced in 1997/98), which serves to ensure that the financial consequences of its actions are sustainable.
- 1.6 A key feature of the MTS is the incorporation of risk assessment and management, which serve to support the identification of the affordability and sustainability of the Council's plans. In order to ensure that this is appropriately handled over the medium and longer-term, within the financial projections, the following modelling periods have been adopted:

Table 1: Financial Projection Periods

Documents	Period	Purpose / Use		
MTS & budget	5 years	Detailed budget & Council Tax se	tting	
Longer-term projections	25 years	Demonstrate long-term eff sustainability	fects &	thus

- 1.7 The adoption of a 5-year forecast period within the MTS means that : -
 - An appropriate level of detail can be achieved for the first year;
 - The first three years demonstrate the full-year effects of spending decisions;
 - The five-year view demonstrates the sustainability of the targeted level of spending.
- 1.8 The full 25-year model 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.

1.9 This document is intended to be used as a working reference document for the first stage of the process for setting budgets for the 2011/12 financial year. The resultant strategy will be reviewed in setting final budgets in February 2011 to determine whether it is still appropriate, or whether changes in circumstances require any amendments. These considerations are set out within the Council's Budget-Setting Report (BSR).

SCOPE

- 1.10 This document is designed to provide an integrated view of the whole of the Council's finances and outlook. It covers both revenue and capital spending by the Council, highlighting the interrelationships between the two, and the resultant implications. It also considers all of the financial accounts, or Funds, operated by the Council.
- 1.11 Although there is no longer a requirement for the Council to submit Capital Strategy or Asset Management Plans to Central Government, the aim is to maintain the key elements of these documents within the MTS, as good practice, for internal purposes.

LAYOUT

- 1.12 This document has been divided into a number of parts, for ease of reference.
- 1.13 In Part A, information is provided on the Council's vision for the future of the City, its priorities and actions which will be pursued in the medium term to help build towards the achievement of those priorities; determining the policy context for financial planning.
- 1.14 In Part B, an overview is provided of general factors, which will affect both the revenue and capital aspects of the General Fund (GF) and the Housing Revenue Account (HRA).
- 1.15 Part C and Part D consider the forecasts and implications for revenue and capital spending respectively.
- 1.16 Part E outlines the overall financial strategy and processes, which are proposed as a result of the preceding analysis. This section also considers future prospects.

PROCESS AND TIMING

- 1.17 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.
- 1.18 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:
 - any 'unavoidable' items of expenditure or new income opportunities, such as specific grants
 - the level at which any Priority Policy Fund (PPF) is set

- the level at which the overall General Fund cash limit is set
- the level of the corporate savings target
- the level of uncommitted capital funding required
- 1.19 As a starting-point, the work on the September 2010 MTS is based on the key medium and long-term parameters which had been identified as part of the September 2009 MTS and February 2010 Budget-Setting Report. These are :
 - A base position of the 2010/11 budget inflated to 2011/12 prices and adjusted for known / approved changes

for the General Fund :

- A Priority Policy Fund (PPF) of £500,000 per annum from 2011/12
- Revenue contributions to capital spending of £3.07m in 2010/11, £2.61m in 2011/12 and then £1.38m per annum ongoing
- A Council Tax freeze in 2011/12 followed by increases of 2% p.a. in line with the Government's current target level for inflation (as measured by CPI)
- A reduction in Formula Grant of 30% over a four year period starting from 2011/12
- An effective offset to the above reduction in Formula Grant of £1.31m p.a. upon the transfer of responsibility and funding for Concessionary Fares to the County Council from April 2011
- A minimum working balance for Reserves of £1.5m, with a medium-term target level of £5m

for the HRA:

- Rent increases in line with Government Rent Guidelines
- A Priority Policy Fund (PPF) of £75,000 per annum
- A reduction requirement, to meet revenue targets and create policy space, of 3.0%
- A minimum working balance for Reserves of £1m, with a medium-term target level of £3m
- 1.20 All of the items raised in consultation with departments, and Members, will be considered and the implications incorporated, as deemed appropriate, as part of the construction of the September 2010 MTS.
- 1.21 This document will be updated for any changes approved during its consideration at the 24 September 2010 meeting of the Executive. The final version of this document will be submitted for approval and adoption by full Council at its special meeting on 8 November 2010.
- 1.22 The plan and timetable for the completion of this document forms part of the Financial Planning and Budget Preparation Timetable, which is shown in outline in Appendix A.

DOCUMENT VERSION CONTROL

- 1.23 This report is intended to be a working document, which will be updated as additional information and decisions become available. Where updates are relatively minor in nature updates of the relevant pages will be distributed, rather than re-printing the whole document.
- 1.24 Details of the versions which have been published, and which are planned are shown on the inside of the front cover to this document.

Part A

Policy Context &

Priorities

2. Policy Context

2.1 The Council approved its Annual Statement for 2010/11 at its meeting on 27 May 2010. The statement is based on a new set of eight objectives contained within a new vision for the future of the city. The statement outlines the Council's priority programmes for the medium term period 2010-2013 and the actions that will help deliver against each of the objectives. As such, it represents key contextual information for the development of the financial strategy and budget for 2011-2012 and future years.

THE COUNCIL'S ANNUAL STATEMENT 2010/11

- 2.2 Through the Annual Statement the Council sets out the strong sense of the city it wants Cambridge to be.
- 2.3 The Council's new vision for Cambridge is one that is shared with Cambridge citizens and our partner organisations, and one that can be built through the City Council's leadership.

"Our vision is for

- A city which is diverse and tolerant, values activities which bring people together and where everyone feels they have a stake in the community
- A city 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 its parts with generous urban open spaces and well designed buildings.
- A city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution
- 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
- A city where getting around is primarily by public transport, bike or on foot
- A city with a thriving knowledge-based economy that benefits the whole community and builds on its reputation as a global hub of ideas and learning"
- 2.4 In common with all public services, the City Council faces an uncertain financial climate. We will, therefore, give priority to important services and functions that only the City Council can provide and will look to protect the basic services for all of the city's citizens. We will continue to apply new thinking and creativity to how services are delivered to make sure we achieve our ongoing programme of savings from efficiency. We are committed to transparent and accessible local democracy and will aim to maximise the opportunities for local people to be involved in the decisions that affect their lives.

- 2.5 In aiming to make the best use of our resources and to provide a better deal for our citizens, we are open to the possibility of other organisations providing services on our behalf including shared delivery arrangements with other public bodies.
- 2.6 Cambridge continues to be a growing city and we recognise that we only have one chance to get the future development of the city right. We will maintain our focus on the provision of affordable homes and homes for families in locations that are close to public transport. We also believe the future prosperity of the city should be shared by all and will be aiming to achieve this by enabling and attracting new jobs through our planning policies.
- 2.7 Climate change and its impact upon the city continue to be a priority, and we will be looking for environmentally sustainable solutions to development and the future prosperity of the city.

MEDIUM TERM PROGRAMME

2.8 In addition to setting out the series of vision statements for the City, detailed above, a series of actions were identified for each, to describe and illustrate how the Council will progress achievement in each area. This Medium Term Programme is included in the Annual Statement, which is reproduced in full in Appendix B. It is intended that each of these Medium Term Programme areas will remain in place until at least 2013.

Priorities for 2011/12

- 2.9 The Council's vision statements and medium term programme identify the priorities that will be important in setting next year's budget. Bids and savings proposals will be judged according to whether they contribute to achieving those objectives or whether they would adversely affect their achievement, within the overall context of budget pressures for the city arising from current economic conditions.
- 2.10 Priority will be given to bids which offer the greatest contribution to improving the Council's performance, particularly in relation to its climate change objectives, supporting people and businesses during the recession, improving performance in those service areas that our citizens tell us are important to them, helping the Council to make best use of its resources. Savings proposals that adversely affect performance in these areas will be assigned a very low priority.
- 2.11 Bids will be expected to have explored options for the procurement of any enhanced service concerned, including partnership working with other sectors or other public bodies. Partnership working which leads to saving proposals will be encouraged.
- 2.12 Bids which result in increased costs of existing services, will receive particular attention. Such bids will only be taken forward where off-setting efficiency savings are not possible in that service.
- 2.13 In order to reflect the high profile of its commitment to addressing the issues associated with climate change and carbon reduction, the Council set up an earmarked reserve of £250,000 in 2008/09 to fund initiatives and developments which make the most effective contribution to this agenda. A further contribution of £250,000 to this fund is proposed in 2010/11 to continue this work. Further details of this are given in Section 9.

Service Planning

- 2.14 In August 2010 Strategic Leadership Team and the Executive Councillors reviewed the Council's service planning process to reflect the Council's new organisational structure, the reshaping of the political executive and the new vision statement. It was agreed that the services plans based on service areas would be replaced by Annual Portfolio Plans from 2011/2012.
- 2.15 These will be annual plans produced for the January scrutiny committee cycle, with each Executive Councillor accountable for the development and delivery of a Portfolio Plan for their portfolio. These plans will be strategic and focus at a high level, and will concentrate on those aspects of the Council's vision statement and priorities that are deliverable through each portfolio.
- 2.16 Executive Councillors will work with Directors and Heads of Service to develop and deliver the plan for their portfolio. The plans will be presented to the relevant Scrutiny Committee(s) in the January cycle and will be published on the Council's web pages.
- 2.17 Individual Heads of Service will be required to produce operational plans to support the delivery of the portfolio plans and the day-to-day management of their service, and so that staff are clear about their contribution to the bigger picture. These plans will need to be agreed with the relevant Director and Executive Councillor but will not be published or scrutinised at committee.

Monitoring Achievements

- 2.18 In order to measure progress against the Council's objectives, during 2010-2011 we will develop a new set of Performance indicators (P.I.s) to enable objective assessment.
- 2.19 Performance against the new P.I. set will be regularly monitored so that progress can be reviewed and any remedial action required identified and implemented. Performance monitoring information will be published on the Council's website.

PARTNERSHIP WORKING

Principles of Partnership Working

- 2.20 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. However, partnership working can sometimes be complicated, over bureaucratic and resource intensive in relation to the outcomes achieved.
- 2.21 The City Council has agreed a set of principles to guide our partnership working. In summary the principles cover:
 - When we should and when we should not work in partnership
 - The governance arrangements of the partnerships we belong to
 - Accountability between the partnership and the Council
 - Openness and accessibility of the partnership
 - Effective use of resources for, and by, the partnership

2.22 The Principles can be found on the Council's website at this link:

http://www.cambridge.gov.uk/ccm/content/council-and-democracy/partnerships/guide-to-partnership-working.en

Making Cambridgeshire Count

- 2.23 Making Cambridgeshire Count' is an initiative designed to transform partnership working and public services across Cambridgeshire. The aim is to make each pound spent by the public sector count.
- 2.24 The initiative involves:
 - Creating the right culture across partner organisations to work together to find improved ways of delivering services for communities
 - Identify efficiency savings through counting the resources available to the partnership and looking at how we can better use those resources collaboratively
 - Transforming public services and delivering new approaches to tackling some of the difficult issues we collectively face
- 2.25 Making Cambridgeshire Count is developing eight innovative projects:
 - Community Support for Older People
 - Charter of Priorities to Tackle Inequalities
 - Tackling Domestic Abuse
 - Working with Gypsies and Travellers
 - Places Pilot (in Arbury and March)
 - Public Service Redesign
 - Making Assets Count
 - Sharing Services
- 2.26 Each project is sponsored at Chief Executive level by a member of the Cambridgeshire Public Services Board and is being driven by a small cross-organisation project team.
- 2.27 As well as these eight projects, we have also seen other partnership projects taking place because of the shared identity and common purpose created through Making Cambridgeshire Count.
- 2.28 Senior legal officers of all local authorities within Cambridgeshire have agreed a partnership concordat, which commits them to seeking efficiencies through collaboration. The Cambridgeshire Legal Services Partnership has embarked on a project to explore quick wins such as joint procurement and is also exploring more radical options for the provision of legal services.
- 2.29 Similar arrangements are now developing in other areas of work. For example; the six local authorities in Cambridgeshire have teamed up with Northamptonshire County Council to tender a joint contract for interpretation and translation. A renegotiated contract involving just the City Council and Cambridgeshire County Council has already saved around £6,000.

Cambridge City and South Cambridgeshire District Local Strategic Partnership & Sustainable Community Strategy

- 2.30 In April 2010 the City merged its Local Strategic Partnership (LSP) with that of South Cambridgeshire District's Council. The two LSPs had many common issues, such as the need to effectively manage sustainable growth, and many partners were common to both. The merger has reduced the number of meetings and briefings required.
- 2.31 A key role of the LSP is to ensure that the Local Area Agreement (LAA) action plan, as it relates to the City and South Cambridgeshire District, is being delivered. The LSP does this by holding partners and partnerships to account and by commissioning projects that will help to achieve our joint priorities. The LSP does not duplicate successful partnership working that already exists. Instead it looks at issues where the LSP can make a difference and supports the work of other partnerships.
- 2.32 The Cambridge Sustainable Community Strategy for 2008 to 2010 was developed with our partners in the Cambridge LSP. The strategy sets out 3 key themes for Cambridge and the priorities for taking them forward
- 2.33 The LSP wants Cambridge to be a sustainable and accessible City that has:
 - a positive approach to tackling climate change so that local people and organisations can make an active contribution to reducing its causes and mitigating its impacts
 - sustainable communities that are thriving, environmentally sensitive and affordable places in which to live – where the growth of the City does not jeopardise the interests of current or future generations
 - communities that are strong, healthy active safe and inclusive where the well-being of
 people is improved and inequalities reduced, so that people feel a sense of belonging
 and can fully participate in community life and share in the City's success
- 2.34 The Sustainable Community Strategy's key themes were used (along with themes from the other 4 District level Sustainable Community Strategies in Cambridgeshire) to develop the Cambridgeshire Local Area Agreement (LAA). This means we have a clear alignment of priorities between County and District level
- 2.35 In 2010/11 we will be working with partners to develop a new Sustainable Community Strategy covering both the City and South Cambridgeshire District.

LOCAL AREA AGREEMENTS (LAA)

- 2.36 The LAA for Cambridgeshire, which came into effect from June 2008, was 'refreshed' in March 2010 following negotiations with the Regional Government Office.
- 2.37 The LAA has 5 themes:
 - **Growth** accommodating growth, creating flagship communities and ensuring the benefits of growth and infrastructure are enjoyed by all communities
 - **Economic Prosperity** supporting the special role of Cambridgeshire as a centre of knowledge and innovation, especially in low carbon technologies

- **Environmental Sustainability** meeting the challenges of climate change while maintaining a high quality environment
- **Equality and Inclusion** supporting vulnerable groups and enabling them to participate fully in community life and encouraging healthier and more sustainable lifestyles
- Strong Communities engaging citizens in service planning and improvement and ensuring our communities enjoy good quality of life and health, with low crime, unemployment, discrimination and inequalities
- 2.38 The LAA spells out what the local partners will aim to achieve within these 5 themes by setting challenging improvement targets against 50 National Indicators. Partners, including the City Council, are prioritising resources and working together to deliver these targets.
- 2.39 The improvement targets are an important part of our core business and are integrated into our current service planning processes. They are also integrated into 2010/11 service plans.
- 2.40 Under the previous government's arrangements, Cambridgeshire Together, the LAA Board, would have received reward grant according to how well we perform with our partners against the agreed targets by March 2011.
- 2.41 The previous government had made around £340m available nationally to fund the LAA scheme. However, it seems very unlikely the new coalition Government will retain this fund.
- 2.42 The City Council currently has an Executive Member sitting on each of the thematic strategic partnerships that support Cambridgeshire Together and the Leader sits on the Cambridgeshire Together Board. The Executive Councillors each present an annual report from their partnership to the appropriate City Council scrutiny committee showing performance against LAA targets and the contribution the City Council has made.
- 2.43 The existing strategic partnership structures were developed in order to deliver the Local Area Agreement. They have become complex and overly bureaucratic and will clearly not be appropriate going forward in the context of the coalition government's localism agenda, the abolition of the regional government offices, the significant financial challenges facing public sector organisations and the end of the LAA.
- 2.44 The Cambridgeshire Public Service Board (comprising public sector Chief Executives) has initiated a review which is taking a radical look at partnership working across the county. The focus will be on reducing bureaucracy and enabling officers to come together when they need to do so in order to deliver local priorities.
- 2.45 This work is being taken forward alongside a joint submission by partners to government for a Local Enterprise Partnership covering the greater Cambridge and greater Peterborough areas. The submission was made by the government's deadline of 6th September 2010. There is still a lack of clarity from government about the remit of Local Enterprise Partnerships and how funding might be directed to them. Lots more work will be needed to clarify these issues, should the submission receive a positive response. The submission was reported to Strategy and Resources Scrutiny Committee on 11th October 2010 so that members could start to inform this process.
- 2.46 Proposed changes to partnership working will be taken through the Public Service Board and Cambridgeshire Together and reported back to members at a later date. We will need to ensure we are directing our staff resources at those areas that help deliver the Council's objectives.

LOCAL PUBLIC SERVICE AGREEMENTS (LPSA)

- 2.47 Government has stopped LPSA funding 'in year'. This funding covered a 3 year period and was due to continue until March 2012. The grant was funding many projects across the county including a number within Cambridge that were commissioned by the Local Strategic Partnership. The City Council is administering the grant for the Cambridge City projects on behalf of the LSP and has LPSA funds available to cover remaining commitments.
- 2.48 A report detailing the position with the LPSA funded projects commissioned by the LSP went to Strategy and Resources Scrutiny Committee on 11th October 2010.

THE GROWTH AGENDA: OVERVIEW & STRATEGY

- 2.49 The case for urban expansion in Cambridge was already recognised locally before nationally prescribed targets were set. Cambridge needs new homes and neighbourhoods in order to meet high demand for housing and to help the local economy to continue to prosper. Average house prices in the city are around nine times the average income of Cambridge residents. To maintain Cambridge's world-wide reputation as a global hub of ideas and learning, the city needs to grow in order to continue to be an attractive place in which to live and work.
- 2.50 The need for new homes and neighbourhoods remains following the abolition of the Regional Spatial Strategy in July 2010. The Government announced plans in August 2010 to set up a New Homes Bonus scheme to provide councils with real incentives for housing completions.
- 2.51 The Council's medium-term objectives, planning policy, service strategies and support for the Cambridgeshire Quality Charter reflect its commitment to:
 - high quality, sustainable design;
 - housing people can afford;
 - thriving communities with good local facilities and access to jobs;
 - creating more green, open spaces, rich in boidiversity, for people to enjoy;
 - making it easier to get around the city by bus or bike or on foot without having to drive.
- 2.52 The City Council will be overseeing the creation of two major new communities over the next decade and beyond, with around 4,000 new homes on the southern fringe (around Trumpington) and around 6,000 homes in North West Cambridge. Six house-building sites on the city's fringes could be active in 2011/12. The work is building up in its scale and complexity. This will require input from a wide range of Council services, which will need to respond to various sites at different stages of development (planning, construction and occupation) at the same time.
- 2.53 The Council's development control and urban design services are heavily involved in the planning and construction stages of the major developments, in particular. The workload includes such resource-intensive processes as:
 - assessing up to 75 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; and
- monitoring building work to make sure that developments are constructed as planned.
- 2.54 As more growth sites progress to the construction and occupation stages, workloads for other services are likely to increase significantly, beyond current capacity. These demands include:
 - promotion of sustainable construction and sustainable transport (e.g. cycling and walking).
 - adopting community facilities, open spaces and sustainable drainage systems;
 - community development on/around growth sites and with children and young people;
 - arranging the distribution of wheelie bins to new households.
- 2.55 The longer-term implications of the growth of Cambridge for Council services include:
 - more community facilities, open spaces and sustainable drainage systems to maintain (those costs met from developer contributions will become the Council's responsibility at the end of the standard 12-year maintenance period covered by Section 106 agreements);
 - 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, relating to nuisance issues (e.g. noise and bonfires), private sector housing, and food and business premises inspections.
- 2.56 Recognising the long-term infrastructure needs of Cambridge arising from growth, the City Council has commissioned a joint infrastructure study with South Cambridgeshire District Council in order to identify needs for further physical, social and environmental infrastructure in the two districts. The study is likely to be completed in 2011/12 and will form part of the evidence base for the City Council's future planning policy.

2.57 Separately, the local authorities across the county are working with Cambridgeshire Horizons and the Homes & Communities Agency to meet a new requirement to develop a Cambridgeshire Local Investment Plan (LIP), so that a local investment agreement can be reached by March 2011 for 2011/12 onwards. At this stage, the City Council has identified the need for housing and infrastructure schemes for the city, with a total value of £224 million.

REVIEW OF THE CITY / SOUTH CAMBS ADMINISTRATIVE BOUNDARY

- 2.58 A joint submission by the City and South Cambridgeshire District Councils to the Boundary Committee for a review of the City / SCDC boundary was made in January 2009.
- 2.59 The submission proposed changes to the boundary which, if implemented, will bring existing and planned urban developments on the City fringes within the City Council's administrative area. This could bring significant benefits in terms of planning growth and rationalising and simplifying service provision.
- 2.60 The latest indication from the new Local Government Boundary Commission is that they are reviewing their forward work plan. We have been working with South Cambridgeshire District Council to lobby the Boundary Commission to fix a date for our boundary review.
- Assuming a date is fixed in the near future, we estimate the earliest implementation date to be April 2013. However, we need to carry out early work to ensure that we are clear about the longer term implications for the Council and the resources we will need to implement changes, should the Boundary Commission agree to our proposals.
- 2.62 Whilst this proposal would bring significant benefits, it carries considerable risks for the Council if not managed properly. The Council is taking work forward as a major project with 4 phases:
 - Phase 1 Identifying the issues and scoping the work
 - Phase 2 Options appraisals, feasibility and detailed planning
 - Phase 3 Implementation
 - Phase 4 Review and Learning
- 2.63 Phase 1 is nearing completion and has provided an overview of the issues and potential resource implications for the Council. These are set out in the following paragraphs and give an indication of the net financial impact for the Council using growth assumptions based on figures available in early 2010.
- 2.64 Projections were prepared of additional population and household numbers, combining both existing numbers within the mutually agreed boundary change areas and projected growth within those areas over time. Based on these projections, a high level financial review was undertaken seeking to compare the additional costs that would be incurred for some Council services with additional resources that would flow, primarily from council tax and Formula Grant.
- 2.65 For the purposes of the initial assessment, it was assumed that boundary change would not present any significant opportunities to increase income from fees and charges as the present population, in the affected areas, is likely already to be using and paying respective charges for services such as car parking, recreation, arts and entertainment facilities etc.

- 2.66 Projections for additional council tax income were made based on the forecast increases in households, analysed by tax band.
- 2.67 In relation to Formula Grant, for non-metropolitan district councils such as the City and South Cambridgeshire, grant is largely distributed based on resident population. In recent cases where there have been boundary changes between authorities (unitary authority reorganisations), the rule applied has been that the allocation between authorities has been net-neutral i.e. the amount of funding for the restructured areas was limited to the sum of the existing allocations. In some cases elements of transfer have been by negotiation between the affected parties.
- 2.68 This 'rule' is significant for the City and South Cambs. Councils as the amounts of formula grant per head of resident population vary significantly at £103 and £55 per head respectively. At this stage, therefore, financial projections are presented in terms of best case and worst case, using these upper and lower levels of formula grant per head.
- 2.69 In relation to increases in service revenue expenditure, these were approximated based largely on an assessment of the likely impact of growth for each main service area, in combination with existing budgeted costs per head or per household. These amounts, together with some more detailed assessments of additional costs in respect of waste collection together with Revenue Services, were used to project the overall financial impact of boundary change on the General Fund.
- 2.70 The table below presents an overall summary of the financial modelling work in terms of best case and worst case projections over the ten year period 2013 to 2023.

Projected Net Revenue Financial Implications £000's			
Year	Net Additiona	l Cost / (Surplus)	
	Worst Case	Best Case	
2013	(55)	(405)	
2016	199	(381)	
2018	182	(500)	
2021	139	(677)	
2023	482	(454)	

Table 2: Potential Impact of Boundary Change on Revenue Budgets 2013 to 2023

- 2.71 In addition to revenue implications, there would be capital expenditure implications in relation to some services and the potential for some assets to be transferred between authorities. For example it has been assessed that boundary change would bring forward, by two years, the need to invest £432,000 in purchasing 3 additional refuse vehicles.
- 2.72 The financial modelling undertaken as part of Phase 1 of this project has not examined the implications of funding of new facilities in the areas transferring, for example through S106 contributions, nor the long term revenue implications of running any such facilities in future years once commuted sums have been exhausted. In addition, potential one-off costs, for example for initial data transfer, have not been assessed at this stage.
- 2.73 Given the uncertainties regarding the timing and potential implementation date for this review, combined with the high level nature of the initial impact assessment undertaken, no specific allowances have been made for boundary change for the purposes of this MTS.

2.74 Officers will now be scoping phase 2 of the project so that we are clear about the staff resources required to take the project forward. The staff resources required will be significant and will impact on our ability to deliver other priorities. Therefore, it is not intended to actually commence phase 2 until we have more certainty from the Local Government Boundary Commission on a date for our review.

HOUSING POLICY AND PRIORITIES

Government Housing Policy

- 2.75 The new Coalition Government's stated national priorities for housing are:
 - The promotion of the devolution of power and greater financial autonomy to local government and community groups
 - The promotion of access to home ownership through a mixture of tax incentives and shared ownership schemes for new households and social tenants
 - The simplification of the benefits system and the development of conditions in respect of work and work incentives
 - The encouragement of individuals and businesses to invest in energy efficiency by making use of fuel savings to pay for improvements (the Green Deal)
- 2.76 The Government's proposals to reform the planning system, with again an accent on increasing power for local decision-makers, will also impact Housing Policy. The abolition of Regional Spatial Strategies is an early manifestation of this approach.
- 2.77 Some of the more significant early announcements of how these priorities will be implemented include:
 - A commitment to continue with the review of the Housing Revenue Account with potentially any new legislation to be included in the Localism Bill timetabled for the first session of Parliament.
 - The abolition of the Tenant Services Authority with it's regulatory powers in respect of the Governance and Viability of Registered Providers transferring to the Homes and Communities Agency. The Government is likely to consult on how Local Tenant Panels can play a role in monitoring local housing standards.
 - Capping the maximum Local Housing Allowance payable for each property size from 2011/12 e.g. £250 for one-bed properties; £290 for two-bed; and £340 for three-bed.
 - From 2013/14 restricting Housing Benefit, for working age claimants in the social rented sector, who occupy a larger property than their household size warrants.
 - From 2013/14, reducing to 90% Housing Benefit for working age claimants if they remain on Job Seekers Allowance for more than 12 months.

2.78 The Government has frozen expenditure of any uncommitted housing capital funding in 2010/11 and Housing is expected to take its share of the 'trailed' need to cut capital expenditure by 25%. Detail on this will not be clear until the announcement of the next Spending Review on 20 October 2010.

The Council's Housing Strategy

- 2.79 The Housing Strategy for 2009-2012 sets out the Council's strategic priorities for Housing. It includes an action plan to meet a range of objectives, including:
 - Measures to tackle climate change and reduce carbon emissions within new and existing housing and across housing-related activities;
 - The delivery of new affordable housing within balanced, mixed and inclusive communities and planning for the potential impact of new settlements on existing communities;
 - Increasing the number of safe, Decent and energy efficient homes across all tenures and making the best use of existing homes;
 - Tackling homelessness and rough sleeping, minimising use of temporary accommodation, and providing high quality housing advice and access to a range of housing options;
 - Ensuring that services meet the needs of vulnerable and disadvantaged people.
- 2.80 The Strategy and action plan will need to be re-visited in light of the new Government's priorities for national Housing Policy and the likely reductions in available funding. Questions to be addressed include: What impact will the proposed changes to Local Housing Allowance have on the private rented sector in Cambridge? Will any predicted cut in housing capital grant affect the delivery of Affordable Housing on the Growth sites? Will we be ready to implement any reform to the Housing Revenue Account system should legislation allow from April 2011.

HRA Business Planning

- 2.81 Following the sign-off of the 2004/05 Business Plan as 'fit for purpose' by the Regional Office, there is no longer a requirement to formally submit an annual Business Plan. However, regular updates on the progress being made to complete the tasks included in the associated action plan have been provided, a key indicator being the progress made towards achieving the Government's target of ensuring all council dwellings meet the Decent Homes standard by 2010.
- 2.82 From an internal perspective, however, the financial modelling element of business planning for the Housing Revenue Account informs a major part of the financial decision making process, and has informed the Council's response to the CLG review 'Council Housing: A Real Future'. Should the current HRA Subsidy system be replaced with a self-financing model, effective local business planning, asset management and management of a loan portfolio will be critical to the delivery of housing services into the future.
- 2.83 The Business Plan Statistical Appendix and Housing Strategy Statistical Appendix returns continue to be submitted to the Government in July of each year.

3. Public Consultation and Input on Spending Priorities

- 3.1 For a number of years the Council's budget process has included consultation with the citizens of Cambridge to find out which services were most important to residents and what they thought spending and savings priorities should be for the coming budget year.
- 3.2 We have used a mixture of surveys and workshops to build up trend data on the views of residents about spending and saving priorities and we have found that views have been quite consistent over time.

Residents Workshops

- 3.3 In July 2009 we ran some residents workshops where residents were placed in small groups to discuss and prioritise the services we provide. There was clear agreement amongst participants that the statutory services that are most important and that should be provided to the highest standard are refuse, recycling, environmental health services and street cleaning and cleaning of public places. Reasons given for these services being most important were linked to hygiene, cleanliness, the general look of the city and the view that the services were important for everyone's quality of life.
- 3.4 Participants found it much harder to agree on the statutory services that are less important and that could be provided to a minimum standard. The one area where there was most consensus was democratic services. Although no information was given to the groups about Councillor's allowances or the number of committee meetings, there was a general perception that Councillors spend far too long in meetings and "get paid far too much".
- 3.5 The main discretionary service that groups said was important and should be provided to the highest possible standard was parks and open spaces. Participants felt that fine parks were part of the City's identity and should be protected at all costs.
- 3.6 Community Safety was regarded as an important service as many participants had concerns about safety in the city. Three of the groups mentioned Community Development Services and wanted to see activities that would directly impact on the community and improve cohesion. A number of attendees linked this service to young people and said there was a need for more youth centres and activities for young people in the city.
- 3.7 Again, participants found it much harder to agree on the discretionary services that are less important. The groups were asked to imagine that the Council had to stop providing 2 services and to say what they should be. The only consensus was that tourism services should not be paid for by the Council. Participants said that the running of tourist information centre did not directly benefit residents in the city and it was suggested that other tourist attractions could provide this facility.
- 3.8 In late 2009 we ran a Citizens Survey. This survey was conducted by Cello mruk research using a postal methodology and achieved just over 1,100 responses. The survey included questions about spending priorities and enabled us to compare the 'instinctive reactions' of residents responding to the questionnaire with the more informed and deliberative views from the residents workshops.
- 3.9 In summary, respondents to the Citizens Survey said:

The most important statutory services are:

- Collecting rubbish from properties
- Collecting recyclables from properties
- Cleaning the streets, public places and removing graffiti

The most important discretionary services are:

- Working with the police to tackle anti-social behaviour
- Managing and maintaining the City's parks and open spaces
- Providing community services for children and young people
- Providing community services for older people

The least important statutory services are:

- Enforcing standards in privately rented housing
- Licensing taxis
- Administering Council meetings and supporting councillors so they can represent local residents

The least important discretionary services are:

- Managing and maintaining the City's car parks
- Running the Corn Exchange
- Providing events such as the Folk Festival, Big Weekend and Bonfire Night.
- Running the Tourist Information Centre and services for visitors
- 3.10 The full report and data tables from the 2009 Citizens Survey can be found on the Council's website at this link:

http://www.cambridge.gov.uk/ccm/content/council-and-democracy/consultations/general-residents-surveys.en

3.11 An amount of £5,340 has been set-aside for Budget Consultation in 2010. This may be used later in the year to explore savings options once we have more clarity in October from the Spending Review.

Participatory Budgeting

- 3.12 Participatory budgeting empowers local people by enabling them to make decisions about how certain budgets should be spent. There are many different ways of doing this. For example, by asking people to vote on specific spending options using a questionnaire or ballot paper, or by more deliberative ways such as a facilitated resident's workshop where a group of residents come to a consensus about how a local budget should be spent. The key difference between participatory budgeting and more conventional consultation methods is that it is the local people who make the decision themselves.
- 3.13 The City Council has used participatory budgeting in the past but its use has been ad-hoc. In 2010/11 the Council will progress work to explore a more participatory model of community engagement, centred around the Council's existing Area Committees. This will provide an opportunity for Members to consider options for the inclusion of participatory budgeting going forward.

Part B

General Factors

4. Overall Economic Climate and Implications

National Economic Strategy

- 4.1 The new Government's emergency budget, delivered by the Chancellor of the Exchequer on 22 June 2010, set out its five-year plan to rebuild the economy. The budget set out the actions the Government intends to take in three areas to rebalance the economy and provide the conditions for sustainable growth:
 - Deficit reduction;
 - Enterprise; and
 - Fairness.
- 4.2 Deficit reduction was identified as the most urgent task facing the country. Fiscal policy decisions set out in the budget were based on forecasts for the overall economy and public finances prepared by the Office for Budget Responsibility (OBR). In its pre-Budget forecast the OBR had predicted that without action to tackle the deficit:
 - public sector net borrowing would remain at 4% of Gross Domestic Product (GDP) in five years time;
 - the structural deficit would be 2.8% of GDP in 2014/15, whilst the structural current deficit would be 1.6%; and
 - debt would still be rising in 2014/15 to 74.4% of GDP, with annual debt interest payments set to reach £67 billion in that year.
- 4.3 The Government's fiscal mandate, set out in the budget, is that the structural current deficit should be in balance by the end of the rolling five-year forecast period, 2015/16. This mandate is supplemented by a fixed target for debt, to ensure that debt is falling as a share of GDP by 2015/16.
- 4.4 The latest forecasts taken into account in the budget were:
 - For growth in the UK economy of:
 - 1.2% in 2010
 - 2.3% in 2011
 - 2.8% in 2012
 - 2.9% in 2013 and
 - 2.7% in both 2014 and 2015
 - Consumer price inflation expected to reach 2.7% by the end of the year before returning to target (2%) in the medium term
 - Unemployment forecast to peak at 8.1% and then fall in each of the next four years to reach 6.1% in 2015.
 - Consolidation of the budget position through the measures announced to be achieved 77% through spending reductions and 23% through tax increases.
- 4.5 As a result of the budget measures Public Sector Borrowing is forecast to be:

- £149 billion in 2010/11
- £116 billion in 2011/12
- £89 billion in 2012/13
- £60 billion in 2013/14
- £37 billion in 2014/15 (half the forecast in the March budget)

and

- £20 billion in 2015/16
- 4.6 As a share of the economy, borrowing is forecast to fall from 10.1% in 2010/11 to 1.1% in 2015/16.

Spending and Taxation Measures

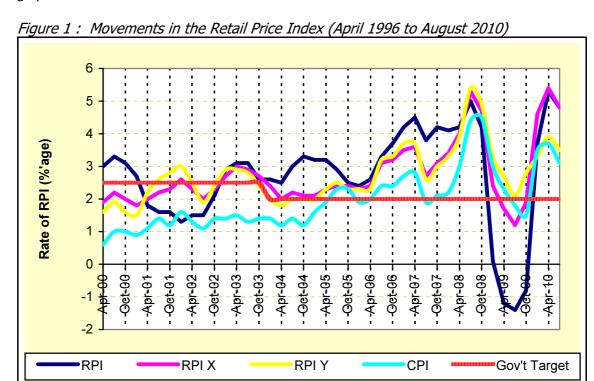
- 4.7 Prior to the emergency budget, the Government had already identified £6.2 billion of savings in 2010/11 and cancelled nearly £2 billion of projects approved since 1 January 2010. Key spending and taxation measures announced in the budget which most directly relate to local government and public sector finances and hence the Council and its services were:
 - Additional reductions in current spending totals of £30 billion a year by 2014/15;
 - No further cuts in capital spending, beyond those announced as part of the £6.2 billion
 of savings in 2010/11, in order to protect the most productive public sector investment,
 but further announcements will be made in the Spending Review;
 - That the results of the 2010 Spending Review will be published on 20 October 2010;
 - Reductions in Government departmental budgets by 2014/15 of a further £17 billion above existing plans of £44 billion;
 - Commitments for real terms increases, throughout the parliament, to the NHS, to honour international aid obligations and to recognise pressures on certain services (for example education and defence). The split of overall reductions to be set in the spending review but estimated to amount to average real cuts of around 25% for other departments;
 - A two-year pay freeze for public sector workers from 2011/12 with the exception of those earning less than £21,000 a year who would receive a flat rate pay rise in each of the two years of £250;
 - The adoption of the Consumer Price Index (CPI) for the indexation of benefits, tax credits and public service pensions from 2011;
 - Wide ranging changes to welfare benefits, including reforms of the housing benefit system estimated to reduce the costs of housing benefit by £1.8 billion a year by the end of the parliament (7% of the total budget);
 - An increase in the standard rate of VAT, up from 17.5% to 20%, with effect from 4 January 2011;
 - An increase in the threshold at which employers start to pay national insurance contributions.

- That the Government 'will work in partnership with local authorities' to implement a council tax freeze in 2011/12.
- 4.8 Since publication of June Budget, although too early to be attributed directly to its measures, signs of economic recovery can be seen with the latest estimate for growth in the second quarter of the current year at 1.1%, the largest gain since 2006. However, concerns remain of the possible reversal of this trend, particularly if unemployment levels pick up again (for example as a result of public sector cuts) leading to a double dip recession. The fear of rising unemployment, low interest rates on savings, a reluctance to lend and continuing slowdown in the housing market are still combining to undermine economic confidence.
- 4.9 In addition to the direct impact on the Council's financial position from dramatically reduced investment interest, low rates of growth in the taxbase and general inflation running ahead of grant settlements, the overall economic climate brings additional pressures on some services and more indirect financial implications. Key issues are:
 - Can we contain the impact of inflation or will efficiency savings be wiped out by price changes?
 - What will be the effect on the capital programme of the relatively slow recovery in the construction industry?
 - What will be the impact on capital receipts if the market is relatively flat and land and property prices are not increasing?
 - Will there be added pressures on services such as homelessness, housing benefits and / or reduced income from fees and charges for leisure, recreation and other demand-led services?
 - Will we be as successful in collecting local taxes, rents, fees & charges as we have been in recent years?
- 4.10 The financial modelling which underpins the recommended budget strategy for 2011/12 draws on the latest forecasts for general inflation, pay, fuel prices, interest rates etc, and the associated risk assessment includes consideration of the issues outlined above.

Retail Price Inflation

- 4.11 The MTS each year seeks to recognise the cost pressures of non-pay inflation by including an appropriate allowance for general inflation. Retail price inflation is measured and reported on several different basis of calculation. The main variants are:
 - Headline Retail Price Index (RPI) which reflects all factors in the economy
 - RPIX which excludes mortgage interest payments
 - RPIY which excludes taxation as well as mortgage interest payments (favoured by the Bank of England)
 - Consumer Prices Index (CPI) is used by countries within the Euro zone economy and forms the basis for the Government's target for inflation that the Bank of England's Monetary Policy Committee is required to achieve.

- 4.12 In recent years, the provision made for non-pay inflation has been based on the level of increase year-on-year in RPIX. However, the September 2009 MTS noted the considerable uncertainty in respect of inflations projections, and the limited degree of reliable forward projection data available from market analysts. This position persists.
- 4.13 The volatile nature of changes in all forms of measurement of inflation can be seen from the graph below.



4.14 The table below shows the movement in each of the main measures of inflation over the last 12 months illustrating the volatility of some inflation measures on a month-by-month basis.

Table	3:	Recent	Inflation	Rate	Trends	7ı ılv	2009	to Aug	711st 201	10
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Period	CPI	RPI	RPIX	RPIY
July 2009	1.8 %	-1.4 %	1.2 %	2.1 %
August 2009	1.6 %	-1.3 %	1.4 %	2.3 %
September 2009	1.1 %	-1.4 %	1.3 %	2.0 %
October 2009	1.5 %	-0.8 %	1.9 %	2.8 %
November 2009	1.9 %	0.3 %	2.7 %	3.5 %
December 2009	2.9 %	2.4 %	3.8 %	3.8 %
January 2010	3.5 %	3.7 %	4.6 %	3.3 %
February 2010	3.0 %	3.7 %	4.2 %	2.9 %
March 2010	3.4 %	4.4 %	4.8 %	3.5 %
April 2010	3.7 %	5.3 %	5.4 %	3.9 %
May 2010	3.4 %	5.1 %	5.1 %	3.8 %
June 2010	3.2 %	5.0 %	5.0 %	3.8 %
July 2010	3.1 %	4.8 %	4.8 %	3.5 %
August 2010	3.1 %	4.7 %	4.7 %	3.4 %

- 4.15 A key factor for the Council's financial strategy is whether to follow the Government's move to the use of CPI as a key indicator. As the critical factor for the purpose of the MTS is to identify an indicator to form the basis for inflating general items in base budgets to obtain a real-terms standstill position, the decision must reflect which indicator most appropriately reflects the costs in question.
- 4.16 Having considered this question, it has been decided to provide for general (non-pay) inflation for the September 2010 MTS to be based on the year-on-year change in CPI inflation at June 2010 and for future years at the Government target level of 2%.
- 4.17 The rationale for this decision is that CPI has become the de facto standard, given its use by the Government as its rate for setting inflation target levels that the Bank of England's Monetary Policy Committee is required to achieve. From April 2011 CPI will also be used for the indexation of all benefits, tax credits and public service pensions.

Interest Rates

- 4.18 Investment interest rates are of particular importance to the Council as it has a significant investment portfolio, whilst currently having no external borrowing.
- 4.19 Bank Rate has remained at an all-time low of 0.50% since March 2009 with some economists forecasting that this rate will continue at, or only marginally above, 0.50% for at least the next couple of years. The change in Government policy to a more aggressive programme of deficit reduction is expected to lead to a compensating reduction in the speed by which any changes to monetary policy (i.e. Bank Rate) are implemented.
- 4.20 Further indications on the medium-term prospects for Bank Rate (and inflation) will be given at future meetings of the MPC, which are scheduled as follows:

Table 4: Monetary Policy Committee (MPC) – Key dates to December 2010

MPC Meeting Dates	Publication of Minutes	Inflation Report Date
8 & 9 September 2010	22 September 2010	
6 & 7 October 2010	20 October 2010	
3 & 4 November 2010	17 November 2010	10 November 2010
8 & 9 December 2010	22 December 2010	

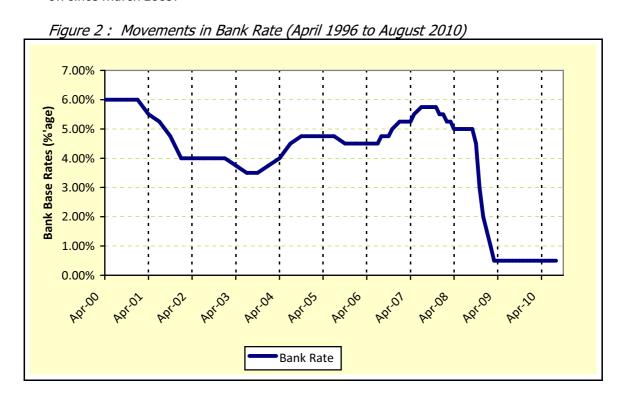
4.21 The Council's treasury advisers, SECTOR Treasury Services Limited, have produced (August 2010) the following forecast for Bank Rate and for longer-term PWLB rates:

Table 5: Bank and PWLB Rate Forecast – September 2010 to June 2013

	Sep 2010	Dec 2010	Mar 2011	Jun 2011	Sep 2011	Dec 2011	Mar 2012	Jun 2012	Sep 2012	Dec 2012	Mar 2013	Jun 2013
Rate	%	%	%	%	%	%	%	%	%	%	%	%
Bank	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.50	3.00	3.25
5yr PWLB	2.20	2.20	2.20	2.40	2.60	2.80	3.00	3.30	3.60	3.80	4.10	4.40
10yr PWLB	3.30	3.30	3.30	3.40	3.70	3.90	4.00	4.30	4.40	4.60	4.60	4.90
25yr PWLB	4.20	4.20	4.30	4.30	4.40	4.50	4.70	4.70	4.80	5.00	5.00	5.00
50yr PWLB	4.20	4.20	4.30	4.30	4.40	4.50	4.70	4.70	4.80	5.00	5.00	5.00

- 4.22 This shows that short-term interest rates are not expected to start rising until September 2011, when Bank Rate increases from 0.50% to 0.75%. From then onwards the rate is forecast to increase each quarter by 0.25% increments until September 2012, after which the rate of increase speeds up, reaching 3.25% by June 2013, an total increase of 2.75% over the whole period. However, long-term rates see less of an increase, up by only 0.80%.
- 4.23 The key factors behind the above forecast include: growing concerns about the weakness in the global economic recovery, especially in the US, downgraded forecasts for UK growth in 2011 and 2012, the possibility of further increases in quantitative easing both in the UK and US, concerns by the Bank of England over the continuing lack of expansion of credit within the UK and concerns around the re-emergence of major sovereign debt issues in the EU.

- 4.24 All of the above factors have impacted upon both the US and UK bond and share markets. Both countries share prices have declined in recent weeks as the perception has taken hold that some Western economies are not growing as fast as expected, thereby having a negative impact on the likely level of corporate profits. Instead, investors are turning to the security of US and UK government bonds which, despite those governments already having high levels of debt, do seem to offer investors a reasonable 'real' (after inflation) rate of return over the mid to long term. The increasing demand for such bonds will therefore raise bond prices and, in turn, lower yields. Low yields on government bonds leads to lower PWLB interest rates.
- 4.25 There is, however, considerable uncertainty in all forecasts due to the difficulties of estimating the timing and amounts of either an addition to, or a reduction in, the former Governments quantitative easing programme, the fiscal effect of the current Governments economic policies, the speed of recovery in the profitability and balance sheet position of the banks, changes in the consumer saving ratio and the rebalancing of the UK economy in terms of exports and imports.
- 4.26 For illustration, the following chart shows the movements in Bank Rate over the last 14 years, clearly showing the rapid decline in Bank Rate throughout 2008/09 and the subsequent levelling off since March 2009.



- 4.27 Market rate trend analysis shows a cyclical effect where every 4 or so years the short-term rate line will move from being above to below the long-term rate. This has occurred consistently over the last 30 years or so. Trend analysis does not, however, suggest at what rate such crossovers will occur.
- 4.28 Latest evidence would appear to confirm this 4-year rule. The short-term rate went below the long-term rate in June 2001, and stayed there until September 2004 a period of 3¾ years. It remained above the long-term rate until December 2008 a period of 4¼ years. Plotting SECTOR's forecast movement in both short and long-term interest rates shows that a cross-over could occur around 2014 (in 4 years time).

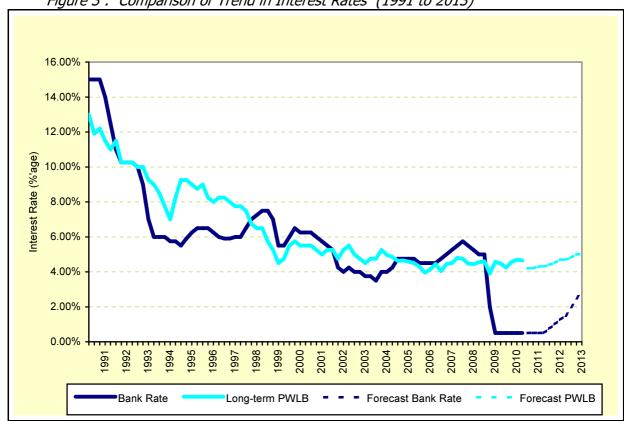


Figure 3: Comparison of Trend in Interest Rates (1991 to 2013)

4.29 The sensitivity of the General Fund to changes in interest rates shows that a change in interest rates of +/- 1% (assuming with effect from September 2010) would have an estimated impact on investment receipts of approximately £280,543 in 2010/11, increasing to £524,567 for 2011/12.

The Relationship Between Inflation and Bank Rate

- 4.30 Changes in the Bank Rate remains the key method for attempting to control the effects of inflation within the national economy. This suggests that the two will, in practice, be directly linked and that for forecasting purposes they must be viewed in conjunction.
- 4.31 However, despite the bank rate remaining at a historically low level of 0.5% since March 2009 inflationary pressures have continued. RPI (as at August 2010) was 4.7% (having risen from a historically low level of -1.6% in June 2009) and CPI is above the Government's target of 2% at 3.1%. Bank Rate has been reduced from a high of 5.25% at the start of April 2008 to just 0.50% at present, another historic low.
- 4.32 Analysis of the trends in RPI, CPI and Base Rates over time, as shown in the chart below, demonstrates the nature of this relationship.

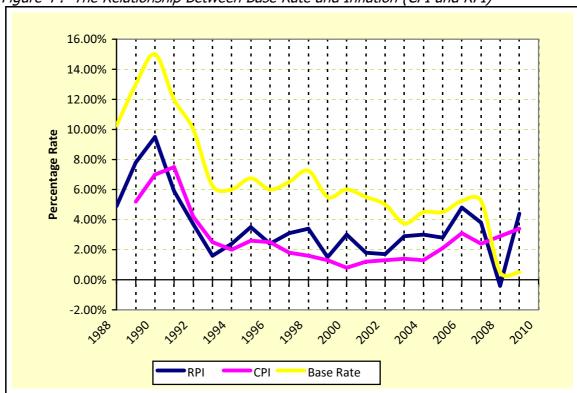


Figure 4: The Relationship Between Base Rate and Inflation (CPI and RPI)

4.33 Whilst this demonstrates that the normal link between inflation and base rates has not in practice been the case during this unusual period of economic downturn, it is anticipated that it would again apply once the economy recovers.

Pay Awards

- 4.34 The City Council has locally determined pay bands, but any year-on-year increase (Cost of Living Award) to particular pay points within these bands is agreed nationally by the National Joint Council (NJC) for Local Government Services and Joint Negotiating Committees (JNC) for Chief Officers and Chief Executives, through collective bargaining between the national employers and the trade unions.
- 4.35 The 2009/10 national pay award was 1% for the majority of NJC staff. There was no pay award for JNC staff for 2009/10. To date the national Employers' Organisation has determined not to make an offer for NJC or JNC staff for 2010/11 and has refused to go to arbitration. This position is not expected to change.
- 4.36 In his budget statement on 22 June the Chancellor announced a public sector pay freeze for 2011/12 and 2012/13 for those earning more than £21,000, and for those earning less than £21,000 a year, an increase of at least £250 per year in these years. The pay freeze does not apply directly to Local Government where pay awards are a matter for national collective bargaining between the national employers and trade unions through the National Joint Council and Joint National Councils. The Government's pay policy will however act as a guiding principle for the Local Government Employers in their negotiations with the trade unions.
- 4.37 It is expected that any pay award for 2011/12 or 2012/13 will not exceed the public sector pay restraint target, and may be at lower levels. Any pay award is expected to be weighted towards the lower end of the pay scale.

- 4.38 Based on this, an assumption of a 0% award for the majority of staff for April 2011 is being adopted as the basis for the projections in the MTS, but it is anticipated that those at the lower end of the pay scale will receive some percentage increase. If the pay award follows the public sector pay freeze target of £250 for those earning less than £21,000 the expected cost will be approximately £80,000 per year.
- 4.39 A change of +/- 1% in the level of pay award for 2011/12 would have the following impact on each of the Council's service areas:

Table 6: The Effects of a 1% Change in Employee Costs in 2011/12

Service Area	Effect of 1% Change in Employee Costs
	£
General Fund	286,830
Housing Revenue Account	108,630
TOTAL	395,460

- 4.40 The pay arrangements for the City Council include performance related progression, which has been in place since 2005. This is a locally determined pay policy and is outside of the national collective pay bargaining framework, which means any decision to change this arrangement can be taken locally by the council. The latest projections show that pay progression costs 1.9% on pay budgets per annum therefore the MTS forecasts currently make this provision (previously 2%).
- 4.41 The current financial context will necessitate a review of all pay-related costs, and it is proposed that this is treated as a cross-cutting Service Review. This will need to be considered further in the light of the Spending Review announcement.
- 4.42 As in previous years, the MTS includes an assumption of a 3% deduction from employee gross pay budgets for employee turnover.

5. Growth and Other Demographic Factors

- 5.1 Demographic factors are important as they affect the Council's planning in a number of ways:
 - changes in total population affect the Council's entitlement to Government grant under the current grant distribution formula
 - changes in the number of households affect the taxbase for Council Tax purposes, and hence the total amount which will be raised from this source
 - the characteristics of both population and households can help identify specific implications for the type and nature of many services provided by the Council; and
 - all of the above factors affect the level of demand for, and use of, services provided by the Council.
- 5.2 Overall, the scale of growth projected for Cambridge presents a huge challenge for the City Council and its partners. The 2008 mid-year population estimates from Cambridgeshire County Council's Research Group forecast that Cambridge will grow from 109,900 residents in 2001 to 153,700 residents in 2021 an increase of almost 40%.
- 5.3 Clearly, demographic projections come with a 'health warning', particularly in relation to housing and population growth. External factors will have a bearing on the implementation of development, both in terms of its phasing and location. Whilst recognising that changing market conditions may affect demand for investment in the development of council services in the short term, however, it is important that the City Council keeps a strategic focus on the long-term service planning required for the effective long-term delivery of sustainable communities.

Housing growth

- 5.4 Immediately after the general election, the Secretary of State stated the Government's intention to abolish Regional Strategies, and on 6th July 2010, he announced the revocation of Regional Spatial Strategies with immediate effect. Therefore, the East of England Plan which set out targets for housing development and Gypsy and Traveller pitch provision no longer forms part of the Development Plan for Cambridge and does not apply.
- 5.5 The former East of England Plan set out, that there should be an increase of 24,550 dwellings in Cambridge from 2001 to 2026. 2,305 dwellings had been built by April 2006 leaving 22,250 to be completed. This gives an annual residual average of 1,113 dwellings. At 1st April 2009 the Council had commitments of 2,493, which gives a supply of 2.43 years at the annual residual average. In addition there are allocations of 12,021 dwellings giving a further 11.74 years supply from 2006.
- 5.6 Housing allocations may change in the future dependant on Government agenda. Presently the Government is proposing that Regional Spatial Strategies and housing targets are scrapped, and replaced with new incentives "so communities can see the benefits that new developments can bring to their area" (DCLG, June 2010).
- 5.7 Specific Site Allocations adopted in the 2009/2010 financial year:
 - The North West Cambridge Area Action Plan (adopted in October 2009) has allocated provision for 2,000 new units for student accommodation, and 2,000 to 2,500 dwellings of which a 'significant proportion would be affordable housing.

- The Old Press/Mill Lane Site Supplementary Planning Document (Adopted in January 2010) has allocated provision for 150 residential units or 200 student accommodation units. The mix of accommodation would comprise of Market, Affordable and/or student accommodation.
- 5.8 Capacity and availability of some Local Plan allocated sites has also been raised by landowners e.g. The Territorial Army Centre on Cherry Hinton Road, the Nuffield Hospital Trumpington Road, and the University's West Cambridge site have all been highlighted as unlikely to provide further residential development in the future. These allocations will need to be reviewed as part of progress on the Local Development Framework.
- 5.9 The current recession is affecting the sale of houses and house-building activity. Information obtained through talking to developers¹ suggests that developments will start one or two years later than planned. This is especially so, for developments thought likely to start within the next year or two, and in addition larger developments are likely to be spread over a longer time period.
- 5.10 Housing in Cambridge is a major issue, particularly in relation to affordability. As prices rise it is more and more difficult for first time buyers and those on lower incomes to buy in the City. This also has a knock on effect as employees have to look further a field in order to buy a property and commute in, which in turn has implications for sustainability issues and congestion on the City's roads. Despite the recession prices remain high in the City and this issue persists.
- 5.11 The Annual Monitoring Report shows that there was an increase in completions in 2008/9 following a gradual decline in housing completions over the previous few years. In 2007/8 it was projected that 343 dwellings would be completed and actual completions were 589, over 70% more than expected. Completions for 2009/10 were 288 dwellings. Indications from developers are that where sites are well underway development will continue. It is also worth taking note of planned housing growth in the surrounding area.

¹ Information taken from Cambridge City Council Annual Monitoring Review 2009

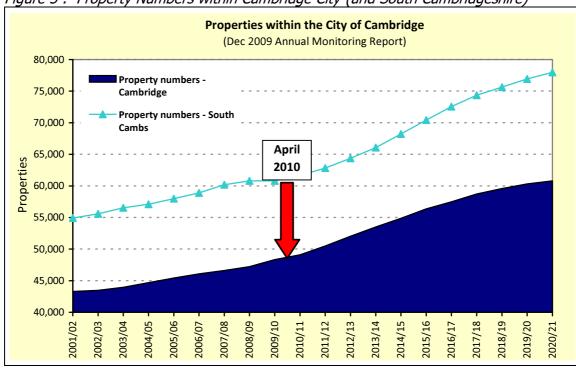


Figure 5: Property Numbers within Cambridge City (and South Cambridgeshire)

5.12 It is anticipated that the next update of the City and South Cambridgeshire Annual Monitoring Reports will be published in December 2010.

Population growth

- 5.13 Total population is one of the key factors in determining both the level of Formula Grant (FG) that the Government gives the Council and the share of the National Non-Domestic Rates (NNDR) Pool which the Council receives. What is important in both cases is not just the rate of growth or decline in the city's population level in isolation, but the change relative to the national trend.
- 5.14 The table below illustrates the forecast movements in population level for the city from 2010 through to 2016, as calculated by Cambridgeshire County Council's Research Group. These forecasts are "policy based" dwelling led forecasts. They include revisions to reflect the full 2001 census results and the planned house-building and growth agenda as laid out in Local Plans, and the Regional Spatial Strategy for this area. Meanwhile the Office for National Statistics (ONS) produce the official national estimates, these are demographic "trend based" forecasts and do not take into account any local policy considerations. The ONS estimates are updated biannually and the latest available are the 2008 Sub National Forecasts, published in June 2010. These are shown below.

Table 7: Cambridge City Population Projections 2010/2016

	_				
Year	Office for National Statistics	Year-on-Year Change	County Research Group	Year-on-Year Change	Difference in Forecasts
2010	120,900		122,400		1,500
2011	122,000	0.91%	125,000	2.12%	3,000
2012	122,700	0.57%	127,700	2.16%	5,000
2013	123,400	0.57%	130,500	2.19%	7,100
2014	124,000	0.49%	133,900	2.61%	9,900
2015	124,600	0.48%	137500	2.69%	12,900
2016	125,300	0.56%	141,500	2.91%	16,200

Source: County Research Group / ONS 2008 Sub-National Population Forecasts – June 2010

5.15 Changes over time in factors such as age profiles, unemployment levels and geographic spread can also affect the relative demand for Council services. Projections of the population trends analysed by age group, from 2010 to 2016, are illustrated in the graph below. Half of Cambridge City's population is in the 25-39 and 40-64 age band. The County Council's 'Annual Demographic and Socio-Economic Information Report' (March 2010) indicates that the City's age structure is unlikely to change significantly over the next 13 years.

Cambridge City Population Forecast by Age (March 2010) 100% 90% 80% **■**75+ **■**65-74 70% **40-64** 60% **25-39 20-24** 50% **16-19** 40% **□** 11-15 30% **□**5-10 □0-4 20% 10% 0%

2013

2014

2015

2016

Figure 6 : Cambridge City Population % by Age Range

Source: County Research Group (2008-based)

2011

2012

2010

- 5.16 From 2010 to 2016 the County Council Research Group data predicts that the 0 to 15 years age group will grow by 20% (4,100). Broken down this shows a 20% increase in the 0 to 4 yrs age group (1,400) and a 23% (2,700) increase in the 5-15 years age group. Such an increase will generate pressure on educational services and provision across Cambridge City with a need to provide expanded and new primary and secondary school capacity. It will have development implications for sites within the City, for movement to and from schools (by car, cycle and on foot) and for services provided by the City Council for children and young families.
- 5.17 Anecdotal evidence from previous major growth sites elsewhere indicates that young families tend to make up a high proportion of the residents of new developments. Flexibility needs to be built into the design and use of community facilities: New Towns that faced high demand for schools 40-50 years ago are now encountering an increasing need for residential units and sheltered housing for ageing parents.
- 5.18 Registrations for National Insurance numbers suggest that Cambridge is a popular destination for migrant workers. A recent survey on the demographic impact of international migration by the County Research Group (May 2008) revealed that between 4,500 and 10,500 additional migrant workers might now be living in the city compared to 2001. A 'most likely' scenario, based on assumptions about patterns of migration from different continents would suggest that around 6,600 migrant workers might have become part of the city's resident population since 2001. This suggests that the proportion of the city's population that was born abroad may have risen from 19% in 2001 to 24% in 2006. Given its relatively small size, Cambridge has one of the highest volumes of internal and international migration per 1,000 population in the country. This in turn raises key issues for the provision of public services.
- 5.19 National Insurance Number (NINo) data provides a broad indication of migrants living in the area (Cambridge City Annual Demographic and Socio-economic Information Report, March 2010 County Council Research Group). The Department of Work and Pensions allocates NINos to overseas nationals, however de-registration is not required. In 2008/09 4,190 NINos were issued to overseas nationals living in Cambridge City. Of these 11% were Polish and 7% (each) were French, Spanish and German. Cambridge City has the highest number of NINos issued in the County.

Unemployment

- 5.20 Unemployment rates² are important, as they influence many of the Council's services either directly or indirectly, as well as being an influence on Council policies.
- 5.21 1993 saw a dramatic rise in unemployment in the City, which rose to 6% between January and March. From that point the Job Seeker Allowance claimant count rate in the City steadily decreased to hover around 1.4% (January 2008 to November 2008). Since November 2008 claimant counts have been steadily increasing and as at March 2009 have been hovering around 2.1 to 2.2%.
- 5.22 The recent change in Government & spending reductions aimed at public services could see unemployment in Cambridge steadily increase over the next year, especially as 43.5% of Cambridge City workers are employed in Public Administration, Education and Health (ONS annual business inquiry employee analysis 2008).

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² Claimant Count data from Office of National Statistics

- 5.23 Since 1998 the gap between City and national (Great Britain) levels had remained relatively constant (in the range 0.8% to 1.2%) however, in May 2009 the gap had increased to 1.8% and reached 2% as of April 2010. The gap between the City and Travel to Work Area remained relatively constant at 0.2%.
- 5.24 The trend in comparative unemployment rates is shown below.

Claiment Count Rate of Residents - Taken from April of each year 4.5 4.0 3.5 3.0 2.5 Rate 2.0 1.5 1.0 0.5 0.0 2001 2002 2003 2005 2006 2007 2008 2009 2010 2004 Cambridge LA Area Cambridge Travel to Work Area Great Britain

Figure 7: Unemployment Rates – Cambridge, Travel to Work Area and National

Mapping Disadvantage

- 5.25 Every two years since 2000 the Council has commissioned work to analyse its Housing Benefit and Council Tax records. The research maps the location of different groups of people living on low income across the city. Data is accessed through the Department of Work and Pensions and it is anonamised to protect the identity of any individual / family.
- 5.26 Prior to 2000 Members only had their local knowledge of their ward to guide them. Whilst there was general awareness of the wards containing the highest levels of deprivation, smaller pockets of disadvantaged communities within the wealthier wards often remained unidentified.
- 5.27 An extract of administrative records was taken in June 2008 and presented to members in a Mapping Poverty 2008 report in the autumn of the same year. At this time the national economic downturn was becoming apparent and members asked for a further report to be prepared in mid-2009 to help capture its impact on local people and to make comparisons with pre-recession reports. The findings of the Mapping Poverty 2009 report were presented to members on 12 October 2009.

- 5.28 Mapping Poverty reports prepared between 2000 and 2008 showed a stable level of benefit claimant population living in the City of just under 8,000 people. This was set in a period of economic prosperity for the City, with near full employment and a relatively low number of people claiming out of work benefits. The problem at this time was said to be in matching local people to the jobs that were available.
- 5.29 Mapping Poverty 2009 showed that the number of people claiming Housing Benefit/Council Tax Benefit had increased over the year by 409 people (5% of the claimant population). This increase had, however not been uniformly distributed across the City with some small areas having fewer claimants and some a higher number. Single people of a working age saw the biggest rise at the 353 people but surprisingly, even though the pensioner population as a whole is growing, the number of pensioner claimants saw a decrease of 103 people. Significantly more claimants were living in privately rented property at 1,060 benefit claimants, an increase of 26% since 2008.
- 5.30 Overall nearly one person in eleven living in the City continues to live in a benefit household with this rising to one pensioner in five and one child in five living in a benefit household. Marked inequalities are still apparent between different parts of the City, with half of all people living in claimant households living in one fifth of the city's area. Abbey ward contains the most benefit claimant units at 1,090 people, followed by King's Hedges at 1,084 people. 30% of households in Abbey ward received these benefits, compared to a City average of 19%. In Newnham ward 74 people were claiming the benefit, less than 5% of its population.
- 5.31 The research findings have been circulated widely to managers within the Council who are using them to improve services, and to organisations in the community and voluntary sector to help them better understand their clients and bid for more resources using a robust and current evidence base.

6. Treasury Management

- 6.1 The Local Government Act 2003 (the Act) and supporting regulations require the Council to have regard to the current editions of CIPFA's 'The Prudential Code for Capital Finance in Local Authorities' and it's 'Treasury Management in the Public Services Code of Practice and Cross Sectional Guidance' in its treasury management activities.
- 6.2 Treasury management activities are defined by CIPFA as:
 - "The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 6.3 It is a statutory duty, under Section 3 of the Act, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is known as the "Affordable Borrowing Limit" and is set before the start of each financial year for the forthcoming and two successive financial years. The Council must have regard to the Prudential Code when setting these limits, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.
- 6.4 Investment guidance, issued by the CLG subsequent to the Act, requires the Council to determine, alongside its borrowing strategy, an 'Annual Investment Strategy'. This details the Council's approach to monitoring the creditworthiness of counterparties and explains how the Council's investments will be managed in order to meet its twin priorities of the security of capital and the liquidity of those investments.

Current Treasury Management Strategy

- 6.5 The Council's Treasury Management Strategy was considered by Strategy Scrutiny Committee at its meeting on 18 January 2010 and adopted by Council on 18 February 2009. A copy of the Strategy is attached at Appendix C.
- The Strategy covers both the treasury (borrowing) limits and prudential indicators for the period 2010/11 to 2012/13 and sets out the prospect for interest rates up until March 2013.
- 6.7 The Strategy is based upon not entering into any new external borrowing but Council will need to amend this once details surrounding the allocation of debt for HRA self-financing are known.
- 6.8 Reporting on treasury activities has been enhanced by the addition (to that required by the CIPFA Code) of a monthly "Position Statement", sent to both the Leader of the Council and the Executive Councillor for Customer Services and Resources.
- 6.9 During the last financial year the Council operated within the treasury limits set out in the Treasury Management Strategy.

Debt-Free Status

6.10 The City Council is currently debt-free having been in a position to redeem its outstanding debt on 31 March 2003.

- 6.11 Although the Council is able to undertake Prudential Borrowing under the Prudential Framework, which came into force with effect from 1 April 2004, the circumstances have not, to date, arisen where it has been required or to the Council's financial benefit. Nevertheless, this position is kept under review as prudential borrowing could be used to advantage to enable 'invest to save' schemes.
- 6.12 In addition the potential use of prudential borrowing is being considered in the following instances. Both could be contained within the limits outlined in the Treasury Management Strategy Statement and Annual Investment Strategy Appendix C.
- 6.13 Following relaxing of rules around the treatment of HRA new build properties, delivering the ability to manage both new, and significantly remodelled, affordable housing outside of the current HRA subsidy system, Cambridge City Council secured HCA (Homes and Communities Agency) grant funding to build 7 new units of affordable housing, with completion due by March 2011. In addition to the grant funding secured for these units, to complete these and one unit that was not successful in securing grant funding, additional investment is required. After maximising the use of external grant, the Council will next seek to utilise available Section 106 resources ear-marked for affordable housing, followed by the use of any available capital receipts, using prudential borrowing for any balance that remains unfunded.
- 6.14 A scheme to redevelop the Seymour Court site, to provide a mix of affordable housing and housing for sale is currently being modelled in readiness for any change in the financial climate. A bid to the HCA has been made in an attempt to secure new build grant funding, with recommendation for approval of the scheme subject to the financial viability of the proposed project. This will be dependent upon a number of factors, including both the outcome of the bid round and the Government's response to the consultation proposing self-financing for the HRA. The scheme, if approved, will require prudential borrowing which will be repaid during the life of the assets created.

Minimum Revenue Provision (MRP)

- 6.11 At the end of March 2008 the Government simplified the rules surrounding the requirement to set aside, from revenue, a sum, known as the "minimum revenue provision", to repay General Fund (GF) capital debt (i.e. GF capital expenditure financed by borrowing or credit arrangements).
- 6.12 Prior to these changes, the method of calculating MRP was prescribed in legislation and equated, each year, to 4% of outstanding GF capital debt. The calculation is now governed by statutory guidance, rather than through regulation, and places a duty on the Council to make an amount of MRP that it considers to be "prudent".
- 6.13 The Secretary of State recommends that each Council should establish a MRP policy before the start of each financial year and submit this to full council for approval. This policy should indicate how it is proposed to discharge the duty to make a prudent MRP in the forthcoming financial year.
- 6.14 Cambridge City Council, being debt free, does not, currently, have to provide for a MRP and hence no MRP policy has been submitted. However, the situation will be reviewed if, or when, General Fund borrowing becomes appropriate. A more detailed account of the changes and ways in which the Council can provide for a "prudent" MRP can be found at Appendix C.

Amendments to the Approved Lending (Counterparties) List

- 6.15 The Council manages its investments in-house and a key part of the Council's Treasury Management Strategy is to only lend to counterparties named in the Council's approved lending list.
- 6.16 The list is constantly reviewed in order to ensure that the counterparties included on it continue to meet the required criteria. As a result changes are required periodically to the list. No changes are being recommended to Council at this time, and the approved Counterparties list is included in Appendix D.

Treasury Management Activity During 2009/10

- 6.17 Council adopted the (revised) CIPFA Code of Practice on Treasury Management on 27 May 2010.

 One of the Code's requirements is to produce an annual review of treasury management activities undertaken during the previous financial year. This report is included at Appendix E.
- 6.18 In summary, the above report compares the Council's treasury management strategy for 2009/10 (which was based upon various assumptions with regards to movements in interest rates, borrowing and economic forecasts and agreed by Council in February 2009) with outturn for that year. It also covers compliance with treasury limits and Prudential Indicators and highlights any changes in strategy undertaken during the year.
- 6.19 The report confirms that the Council operated within its treasury limits and did not have to borrow.
- 6.20 The value of surplus funds invested during 2009/10 was £1,724.74m (2008/09 £1,394.78m) and the value of investments that were repaid during the year was £1,736.02m (2008/09 £1,401.48m) resulting in a net decrease in investments of £11.28m during the year.
- 6.21 The table below shows comparative investments and outturn rates of return over the last five years:

Table 8 : Comparative Investment Outturn from 2005/06 to 2009/10

Financial Year	Average Investments	Rate of Return	Benchmark Return
2005/06	£74.93m	4.69%	4.53%
2006/07	£80.64m	4.81%	4.82%
2007/08	£80.88m	5.86%	5.80%
2008/09	£69.80m	5.65%	4.49%
2009/10	£62.29m	1.39%	0.73%

Icelandic Investments

- 6.22 Cambridge City Council is one of at least 123 local authorities directly affected by the collapse of Icelandic banking institutions during 2008/09. The Council had a total of £9 million in short term investments (i.e. those with maturity periods of up to one year) with two of the affected banks (Landsbanki Islands hf and Heritable Bank Plc).
- 6.23 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.
- 6.24 The security of these investments is uncertain but it is likely that the Council will be not recover all of its investments, together with accrued interest owed. At this stage the extent of financial loss cannot be finally determined but an estimate of the level of impairment of these investments has been made, taking account of the latest information available from the LGA, respective administrators and based on advice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Accounting Panel (LLAP). The latest information and advice is as follows:

Heritable Bank Plc

- 6.25 The City Council had a total of £4 million deposited with Heritable Bank Plc. which was placed in administration on 7 October 2008.
- 6.26 The latest creditor progress report issued by the administrators Ernst and Young LLP in January 2010 noted that current projections suggest a base case return to creditors of 79 to 85 pence in the pound. The higher value is based on winding up the administration in 2012 rather than 2010; 2012 being the preferred option of local authority representatives on the creditors committee.
- 6.27 Having reviewed the content and advice contained in the latest LLAP Bulletin issued, the Council considers that a recovery at the top end of the estimate is the most likely outcome and has recognised an impairment, in the draft 2009/10 statutory accounts, based on an 85% recovery and assuming the following repayment dates and percentages:

July 2010	-	5%
September 2010	-	5%
December 2010	-	5%
March 2011	-	5%
June 2011	-	5%
September 2011	-	5%
December 2011	-	5%
March 2012	-	5%
June 2012	-	5%
September 2012	-	5%

6.28 Up to the end of July 2010 the Council had actually received interim dividends representing 41.25% of the total claim on Heritable Bank Plc which included interest accrued to 6 October 2008.

Landsbanki Islands hf

- 6.29 The City Council had a total of £5 million deposited with Landsbanki Islands hf. Following steps taken by the Icelandic Government in early October 2008 the management of the affairs of what has become Old Landsbanki was placed in the hands of a Resolution Committee.
- 6.30 Old Landsbanki affairs are being administered under Icelandic law and decisions on the priority status of local authority deposits will be made by the Icelandic courts.
- 6.31 In calculating the expected recoverable amount in respect of these deposits the Council has made the following assumptions in respect of timing of recoveries.

October 2011	-	22.17%
October 2012	-	8.87%
October 2013	-	8.87%
October 2014	-	8.87%
October 2015	-	8.87%
October 2016	-	8.87%
October 2017	-	8.87%
October 2018	-	19.47%

6.32 This schedule is based on expected total dividends of 94.86 pence in the pound. However, failure to secure priority status would have a significant impact on the amount of the deposit that is recoverable and, if not achieved, the recoverable amount may only be in the order of 38 pence in the pound.

Impairment Charge to the General Fund

- 6.33 The Council has taken advantage of the Capital Finance Regulations, issued in March 2009, to defer the impact on the General Fund of the impairment of these investments. However, under the regulations the Council must transfer the balance of the impairment (held temporarily on the Financial Instruments Adjustment Account) to the General Fund no later than 31 March 2011.
- 6.34 This requirement, together with the impact on the Council's receipts from investments have been taken into account in the Council's budget for 2010/11 and in financial modelling undertaken as part of the Medium Term Strategy formulation.

Part C

Revenue

7. External Funding Projections - Revenue

General

- 7.1 The availability of external funding is a key factor for revenue projections on both the General Fund and Housing Revenue Account. For the General Fund, Formula Grant represents the main source of Central Government funding and in 2010/11 will meet approximately 65% of net revenue expenditure after use of reserves.
- 7.2 Provisional details of the Local Government Finance settlement for 2010/11, the final year covered by the Comprehensive Spending Review 2007 (CSR2007), were first announced in January 2008. As reported in the Budget Setting Report, the 2010/11 Final Settlement announcement made on 20 January 2010, confirmed the anticipated Council's Formula Grant entitlement for 2010/11.
- 7.3 Despite the move to a three-year settlement announcement for Formula Grant, subsidy determinations for the HRA have continued to cover a single year at a time only, pending the final outcome of the major review undertaken of the HRA subsidy regime. The 'final' subsidy determination for 2010/11 was not announced until 3 February 2010. Further detail on external funding for the HRA are given later in this section.

Government Spending Reviews

- 7.4 The concept of Spending Reviews, setting firm and fixed 3-year spending plans (controlled through Departmental Expenditure Limits) and defining the key improvements that the public could expect from those resources across all Government departments, was launched in 1997 by the then incoming Labour Government. Starting with a full Comprehensive Spending Review (CSR1998), it was intended that there would be Spending Reviews every two years; each review covering a 3-year period with a one-year overlap for continuity.
- 7.5 The new coalition Government's spending review process is well underway in line with 'The Spending Review Framework' published in June 2010 which contained details of the process and principles that will underpin the review. The date for reporting the outcome of the review, Wednesday 20 October 2010, was announced as part of the emergency budget of 22 June 2010.
- 7.6 The timing of the review announcement poses issues for the Council in setting its budget strategy, coming the day before the scheduled Council meeting which was to have considered this MTS document. In view of this, and recognising that the announcement may contain sufficiently detailed or new information which may impact on/or influence the Executive's recommended budget strategy, the decision has been taken to consider the MTS at a special meeting of full Council on 8 November 2010. This will allow time to analyse the Spending Review announcement, consider its implications for the Council and to brief members appropriately prior to decision.
- 7.7 The Spending Review will set out spending plans for the four years 2011/12 to 2014/15, inclusive and will set departmental expenditure limits for every Government department. To ensure that the spending review looks comprehensively across the whole of Government expenditure, it will also cover significant elements of annually managed expenditure, where the risk is taken by the Exchequer as a whole, setting our plans for reform in those areas, which include:
 - Social security

- · Tax credits, and
- Public service pensions
- 7.8 Where it is anticipated that the Spending review will materially affect key factors for the City's financial position, the assumptions being made at this stage are detailed in the relevant sections of this document.
- 7.9 The anticipated timing of detailed announcements of external funding are :-

Table 9: Timing of Government Funding Announcements for 2011/12

Fried	Expected Timing of Announcements			
Fund	Provisional	Final		
General Fund	Late Nov / early Dec 2010	January 2011		
Housing Revenue Account	November 2010	January 2011		

- 7.10 As in previous years the timing of the announcements of 2011/12 HRA Subsidy and final confirmation of the provisional figure for Formula Grant, compared to key meeting and publication dates within the Council's timetable, will be critical to the final decision making process. In most years there has been a need to produce updates for reports to members.
- 7.11 Briefing papers will be prepared on the levels of support, and the implications for the Council's financial planning, once announcements are received. It is hoped that this information will be available in time for the publication of the Executive's budget and service plan proposals.

Formula Grant Distribution

- 7.12 The current system for the distribution of Formula Grant is based on an assessment of the relative needs of authorities, an assessment of their relative resources, a central allocation and a floor-damping scheme.
- 7.13 The Final Settlement figure for 2010/11 was published on 25 January 2010 and made no change in the Council's formula grant entitlement from that previously indicated in January 2008 and November 2009 announcements.
- 7.14 The announcement confirmed:
 - Increases in Aggregate External Finance (AEF) of 4.4% for 2010/11.
 - Increases in Formula Grant (Revenue Support Grant plus share of National Non-Domestic rate Pool) of 2.6% for 2010/11.
- 7.15 However, Shire District authorities fared particularly poorly from the Settlement with overall increases (on a like-for-like basis) of just 1.4% for the final year of the Settlement period.
- 7.16 For the City Council, the direct financial implications of the Settlement over the CSR2007 period, in terms of external financial support, were :

T-61- 10 .	Company Francis	Takal Farmanda Cuank	2000/00 +- 2010/11
<i>ladie 10:</i>	Generai runa :	Total Formula Grant	2008/09 to 2010/11

	2008/09 Final £	2009/10 Final £	2010/11 Final £
Share of National NNDR Pool	10,810,065	10,055,540	10,861,221
Revenue Support Grant - Basic	1,151,323	1,922,930	1,135,385
- Floor Protection	353,526	398,019	441,765
Total Formula Grant	12,314,914	12,376,489	12,438,371
Change on previous year (cash basis) - £	193,135	61,575	61,882
- %	1.59%	0.50%	0.50%
Floor Protection as % of Total Formula Grant	2.87%	3.22%	3.55%

- 7.17 An important element of the grant settlement continues to be the Floor damping arrangements and the level of Floor protection grant which is included. This is the amount of additional grant which is payable in order to bring the Council's overall level of entitlement up to the minimum level of year-on-year increase. For 2009/10 and 2010/11 this minimum increase was just 0.5%, significantly below the projected levels of inflation.
- 7.18 For 2010/11, the floor protection element of grant at £441,765 represents 3.55% of the Council's total formula grant and has increased slightly in each of the last three years. At its peak, in 2003/04, when its entitlement was significantly reduced as a result of the fall in population determined through Census 2001, floor protection amounted to £1,950,309 (17.39%) of the Council's total grant.
- 7.19 The floor adjustment element of the Council's formula grant represents the level of risk to the Council in future Settlements, as this mechanism for damping the effects of reduction in grant entitlement, as a result of changes to the distribution formulae or data, could be phased-out or withdrawn completely in future settlements.
- 7.20 CLG published a consultation paper 'Local Government Finance Formula Grant Distribution' on 28 July 2010 asking for views on options concerning changes to the relative needs formula, grant formula and data to be used. However, at this stage the document does not provide a sufficiently clear steer on the overall financial implications for the City Council. A response to the consultation paper is being drafted and will be submitted for the 6 October 2010 deadline.

Specific Service Changes

- 7.21 Although the previous Government did not specifically identify amounts added to (or removed from) an individual authority's Formula Grant entitlement as a result of changes in service responsibilities, it has been possible to make an estimate of the effects from analysis of the component elements of the grant calculation.
- 7.22 This approach has previously been undertaken to identify additional funding relating to new requirements, such as the introduction of the national concessionary fares scheme with effect from April 2006. In such cases, the Council has, in the first instance, taken the approach of earmarking such funding for the relevant service.

7.23 More recently, however, the Government has favoured the award of specific grants in relation to new or enhanced services rather than incorporating funding within formula grant. This approach has, in part at least, been dictated following the move to multi-year settlements.

Specific Grants

7.24 The City Council has been notified or is anticipating that it will receive the following specific grants in the period 2010/11 to 2012/13:

Table 11 : Specific Grants 2010/11 to 2012/13

Specific Grants / Area Based Grants	2010/11 £	2011/12 £	2012/13 £
Preventing Violent Extremism (PVE) Grant	137,830	tba	tba
National Concessionary Fares Grant	678,690	n/a	n/a
Additional Concessionary Fares Special Grant	1,311,122	n/a	n/a
Climate Change Planning Policy	22,500 (provisional)	tba	tba
Housing Growth Fund – Cambridge Green Necklace Project/s	86,655	0	0
Housing & Council Tax Benefit Administration * estimated	783,700	756,270*	729,800*
Additional Housing & Council Tax Benefit Administration – to fund additional staffing resources required in light of the economic climate	79,200	tba	0
Homelessness Revenue Grant (directly to City Council – last year of three year settlement	401,050	tba	tba
Homes & Communities Agency (7 units HRA new build)	295,000	n/a	n/a
Department for Environment, Food & Rural Affairs - Surface Water Management Plan (SWaMP) for Cambridge & Milton	100,000	0	0

Prevent Grant

7.25 The previous government used the percentage Muslim population as a basis for allocating 'Prevent' grant to Councils. Following a provisional allocation of £131,000, the City Council was subsequently allocated a total of £194,830 in 2010/11 to fund local initiatives that would help prevent people from developing extremist views that may lead to acts of violence. However, on the 10 June the new coalition Government announced that this grant was being cut by £57,000 to £137,830 as part of their 'in year' savings.

7.26 This is a very sensitive area of work which is being taken forward by the Local Strategic Partnership's Community Cohesion sub-group. The sub-group comprises local agencies and voluntary sector groups who are working closely with the newly formed Cambridge Muslim Council. Local Muslim community groups including groups of young people are being consulted about their feelings and issues and evidence from the consultation will be used to shape how the 'Prevent' funding is used. The work will be promoted through the Cambridge Council for Voluntary Services.

Concessionary Fares Special Grant

- 7.27 The main source of funding for concessionary fares, intended to meet the additional costs of the England-wide scheme (which came into operation on 1 April 2008) is in the form of a specific grant from the Department for Transport. The national scheme guarantees free off-peak travel anywhere in England for people aged 60 and over and eligible disabled people. Government support for the costs of the previous scheme is contained within Formula Grant.
- 7.28 Under the new scheme, the costs of concessionary travel are charged to the local authority in which a journey starts and the City Council, as a regional centre with significant visitor numbers, faced a major shortfall in funding of the order of £1.9 million per annum. Following extensive lobbying of Central Government by the City Council and other similarly affected local authorities, an additional grant of £1.31 million was awarded for 2010/11. The Council estimates that it still faces a shortfall in funding of approximately £600,000 in 2010/11.
- 7.29 The February 2010 Budget-Setting Report projections are based on the prudent assumption that the additional grant was for 2010/11 only, and therefore includes a cost pressure of £1.9 million per annum from 2011/12.
- 7.30 From 1 April 2011, responsibility for the administration and funding of concessionary bus travel is being transferred to upper tier authorities. As part of the Government consultation on possible changes to the distribution basis for Formula Grant from 2011/12, a number of options are being considered for the reallocation of funding from District councils to upper tier authorities. It is likely that the outcome of the consultation will not be known until the provisional Local Government Settlement announcement expected in late November/early December 2010.
- 7.31 For the purposes of financial modelling for the MTS, is has been assumed that the net funding pressure that had resulted from the scheme will be reduced by the amount equivalent to the additional grant for 2010/11 (£1.31 million) as the result of the financial adjustments between he City and County Council on the transfer of responsibility.

Housing Growth Fund

- 7.32 The Housing Growth Fund (Cambridge Green Necklace Projects) grant is for the implementation of revenue and/or capital schemes for the protection and creation of biodiversity habitats in the Southern Fringe growth area.
- 7.33 The funding shown in the above table was allocated by Horizons for year 3 of works at Byrons Pool. Following the Government's proposal to reduce the Housing Growth Fund capital allocation by almost £6 million, the allocation was nearly halved and the funding reflects the balance available to complete the project.

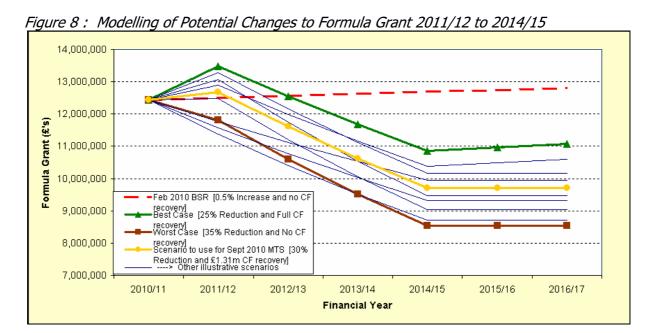
Homelessness Grant

- 7.34 The Council has received approximately £400,000 a year grant direct from the Communities and Local Government (CLG) to fund services to address homelessness over the three-year period ending March 2011. Much of this grant is passed on to independent sector partners through fifteen contracts or service level agreements for services that are clearly central to the prevention of homelessness or to support local homeless people.
- 7.35 The CLG has already announced that from April 2011 any funding will be allocated to the County Council to administer through the Area Based Grant system. It is not clear at this stage how this arrangement will operate locally. In addition to this risk, any new allocation of Homelessness Grant is unlikely to be announced until after the Spending Review in October 2010.
- 7.36 The City Council is not contractually committed to fund the majority of the services beyond April 2011. However, clearly any significant reduction in funding will have a significant impact for local homeless people and for partner agencies with which the Council works to support them. Careful management of agreements with partner agencies will be required to ensure that the Council is not financially exposed should grant support for this work be significantly reduced.
- 7.37 As in previous years, these specific grants, although not all formally required to be ring-fenced, have been earmarked to fund the costs of and development of the associated services.

Future Grant Prospects

- 7.38 As highlighted in Section 4 of this MTS, which provides commentary on the national economic strategy and spending and taxation measures, the prospects for local government funding, particularly for district council services look bleak.
- 7.39 The Emergency Budget announcement on 22 June 2010 gave an indication of cuts to 'unprotected' Central Government departments averaging 25% over a 4-year period to 2014/15. Subsequently, Government departments were asked to exemplify the impact of reductions up to 40%, though it was stressed that this did not imply that such a level would be imposed for any department.
- 7.40 Whilst it is not clear, at this stage, what level of reduction will be passed on by means of reduction in Formula Grant, District Councils will certainly not be 'protected'.
- 7.41 The Spending Review announcement scheduled for 20 October 2010 may include clearer indications of the effects for District Councils, though certainty of the effect for the City Council is only likely to result from the Provisional Finance Settlement announcement which is expected to be in late November / early December.
- 7.42 In considering the impact of reductions in Formula Grant the Council also needs to consider the impact of the financial adjustments that will be implemented as part of the transfer of the responsibility for the Concessionary Fares scheme to the County Council with effect from 1 April 2011.
- 7.43 In 2010/11 the estimated net cost to the City Council of this scheme (which is meant to be fully funded by Central Government) was estimated at £1.9m. The subsequent award of additional £1.31m of Special Grant reduced the burden in that year, but the grant was specifically determined as a one-year only addition.

7.44 The graph below shows a potential range of projected outcomes based on combinations of assumptions for Formula Grant and Concessionary Fares funding adjustments. The chart highlights the scenario used for Formula Grant projections for this MTS which is of a 4-year reduction in Formula Grant of 30% offset, in part, by the recovery of £1.31m from adjustments to reflect the transfer of funding for concessionary fares to upper tier authorities.



7.45 These assumptions will need to be carefully reviewed following the Spending Review announcement scheduled for 20 October 2010, given their significant impact on the overall financial plans for the General Fund.

Capping

- 7.46 Successive governments have reserved the right to limit increases in domestic taxation where these have been judged to be excessive. Under the current Council Tax capping regime 36 authorities have had capping action taken against them since 2004/05.
- 7.47 In order to take capping action, the Secretary of State for Communities and Local Government must first determine whether an authority's budget requirement is excessive, in accordance with a set of principles. If a local authority sets an excessive budget requirement, the Secretary of Sate may either require the authority to reduce its budget for the year in question, and re-bill council taxpayers, effectively set a budget limit for the following year or determine an amount from which increases for the following year will be measured.
- 7.48 A major criticism of the current capping arrangements is that capping principles have not been set and/or announced by Central Government until after local authorities have set their budgets. The capping principles applied for 2010/11, but not announced until 25 March 2010, were that authorities' requirements were excessive if they set:
 - firstly, a budget requirement increase of more than 3.5%
 - and also a Band D Council Tax increase of more than 4.5%

- 7.49 The new Government has announced that it intends to introduce new legislation requiring any billing or precepting authority which sets an excessive Council Tax increase to hold a referendum, giving local electors the power to veto or accept such increases.
- 7.50 The proposals, currently being consulted on, envisage that Central Government would propose, at around the same time as the provisional Local Government Settlement announcement, in late November/early December, the principles against which an excessive proposed Council Tax increase would be measured. The proposals envisage that different principles may be set for different types of authority.
- 7.51 If the proposed principles are approved by the House of Commons, any authority planning an 'excessive' increase would by required to prepare an alternative 'shadow budget' based on the maximum non-excessive tax increase allowed by the principles and to hold a referendum of all registered local electors no later than the first Thursday in May. In practice, the relevant billing authority would be required to organise and administer referendums, recovering costs from the relevant precepting authority/authorities if applicable.
- 7.52 If a proposed increase in Council Tax were rejected, the relevant authority would immediately adopt the shadow budget. The billing authority would be able to issue new bills immediately, offer refunds at the year-end or carry forward credits to the following year. However, billing authorities would be required to re-bill and refund any local resident who requests this.
- 7.53 Until provisions for Council Tax referendums are in place, the Government has stated that it reserves the right to use existing capping powers to protect taxpayers from excessive increases where necessary.
- 7.54 Whichever regime is in place for 2011/12, it is likely that the level of increase above which a budget would be considered excessive will be set at a very low level. The Emergency Budget announcement included a commitment by Central Government to "..... work in partnership with local authorities in England to implement a council tax freeze in 2011/12". It further noted the intention to "..... clarify in due course the terms under which local authorities that commit to freeze or reduce their council tax will be compensated".

Council Tax Assumptions

- 7.55 As part of the September 2009 MTS, it was decided that the level of Council Tax increases over the short-term should be revised to reflect the projections for the continuing economic downturn. As a result, the increase for 2010/11 was reduced to 2.5%, with a 3.5% increase assumed for 2011/12 and a return to a level of 4.5% assumed for subsequent years.
- 7.56 The Emergency Budget announcement, on 22 June 2010, included a commitment by Government to ".... work in partnership with local authorities in England to implement a council tax freeze in 2011/12" (paragraph 1.110). It noted (in paragraph 2.105) the intention to ".... clarify in due course the terms under which local authorities that commit to freeze or reduce their council tax will be compensated".
- 7.57 The City's Council tax for a band D property in the current year is £166.57. The impact of freezing Council tax in 2011/12 at the current level (in place of the forecast 3.5% increase) would be a reduction in income of £239,270 form that anticipated in the BSR. To what extent this loss of income might be offset by 'compensation' from Government is not yet clear.

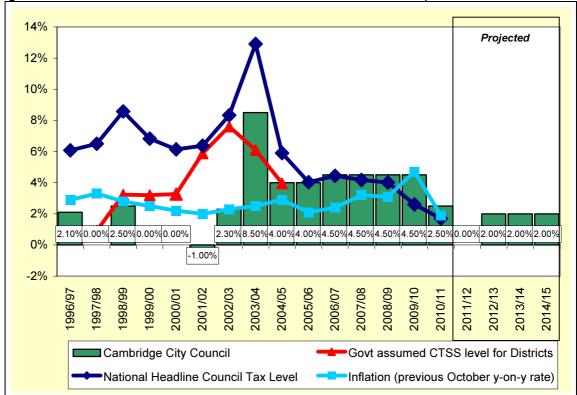
- 7.58 In terms of future years, the MTS has been drawn-up based on the assumption that increases are linked to inflation, as a proxy for the ability to pay. For this purpose the Government's inflation target (using CPI) of 2.0% has been used.
- 7.59 Implementing these changes would have the following effects:

Table 12: Calculation of Revised MTS Savinas Requirements

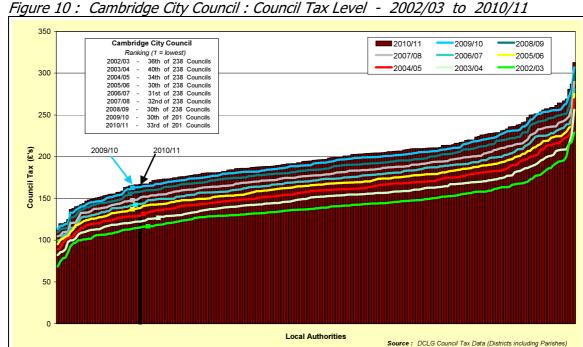
Year	Feb. 2010 BSR Assumed increase %	Impact of 1 Year Freeze %	Current Council Tax Yield (£'s)	Revised Council Tax Yield (£'s)	Reduction in Council Tax Yield (£'s)
2010/11	2.5	2.5	6,696,950	6,696,950	0
2011/12	3.5	0	7,075,640	6,836,370	239,270
2012/13	4.5	2.0	7,611,220	7,177,770	433,450
2013/14	4.5	2.0	8,187,110	7,536,120	650,990

- 7.60 These projections are based on the prudent assumption of no compensation. The planned levels of increase, and the financial impact for the City, will be reviewed in light of the publication of details regarding Formula Grant and the degree of 'compensation' offered. Although the basis for any 'compensation' is not yet clear, it is currently felt to be unlikely that this would apply beyond 2011/12.
- 7.61 These changes will have an effect not just on the level of income to support General Fund spending directly but also the level of provision that is being made from the increase in property numbers to meet the anticipated future costs of Growth.
- 7.62 For context, recent Council Tax trends, and the planned increases, are shown below:

Figure 9 : Council Tax Increases - Actual and Government Assumptions



- 7.63 Previous public consultation feedback on Council Tax showed a split in views as to whether Council Tax should be increased, if necessary, to protect services; but the recent trend has changed and is now moving back towards protecting services and away from cutting services.
- The City Council had the 33rd lowest level (out of 201 previously out of 238 Districts prior to the 7.64 recent Unitary Council changes) of Council Tax for a District Council in 2010/11, based on Government statistics, as illustrated in the table below, at £166.57. The full charge for City residents at Band 'D' (i.e. including the elements for the County, Fire and Police) is the 31st lowest (again of 201), at £1,441.78 for 2010/11.



Local Authority Business Growth Incentive Scheme (LABGI)

- 7.65 On 17 June the Government closed the Local Authority Business Growth Incentive Scheme as part of a £6.2bn package of savings measures to address the current national budget deficit.
- 7.66 Over the course of LABGI Schemes 1 & 2, the Council received a total of £4.2m, as follows:

Table 13 : LABGI Funding Received

Scheme	Year	Amount
1	2005/06	£ 480,524
1	2006/07	£ 1,766,682
1	2007/08	£ 1,874,850
-	2008/09	£0
2	2009/10	£ 80,328
	Total	£ 4,202,385

- 7.67 As this funding was 'one-off' and non-ringfenced, the City Council used the funds to support capital spending relating to the Lion Yard and Guildhall schemes reinvesting in business growth.
- 7.68 No new scheme has been announced, however the Conservative party's Policy Green Paper No 9

 "Control Shift: Returning Power To Local Communities", outlined a 'Business Increase Bonus' to redistribute money to councils that increase the amount of business in their areas. Whether this scheme is now affordable may be addressed in the forthcoming Spending Review.

National Non-Domestic Rates (NNDR)

- 7.69 These are based on rate poundages set on a national basis by the Government. The Council collects the monies due as agents of the Government and pays them into a National Pool. The sums actually received by the Council from this Pool are based on a redistribution of the total available nationally, allocated based on a per head of population calculation.
- 7.70 The amount received from the National Pool is included in the calculation and distribution of Formula Grant.
- 7.71 Compared with the total of £84.2m to be collected by the Council from City businesses and paid into the pool in 2010/11, only £10.9m will be received back by the City Council as part of its Formula Grant roughly 13%.

Business Improvement Districts

- 7.72 There is some scope for raising additional resources through Business Rates over and above the shares of NNDR distributed via Formula Grant. The Local Government Act 2003 included an initiative providing for a system of Business Improvement Districts (BIDS). Effectively this is a supplementary local rate based on the concept of Partnership Arrangements between local authorities and local businesses, which would allow the business rate to be varied either for the whole of the local authority's area or in specified areas.
- 7.73 Proposals for a BID scheme, which must specify the area to be covered, the amount to be raised, what it would be spent on and the partnership arrangements for implementing it, could be initiated by either the local authority or businesses. This would result in a 'contract' between the two partners for additional, or improved, services in return for the additional rate. This would be subject to voting in a referendum, requiring a majority of businesses to be in favour for the whole area to be required to pay. If a majority opposed the proposals no additional local rate would be levied.
- 7.74 The sort of issues which could form the basis for such arrangements include :
 - Improving public spaces
 - Reducing crime and the fear of crime
 - Improving public transport
 - Business support and job creation
 - Increased community involvement

7.75 BIDs could offer local businesses advantages in terms of control in addressing key issues of concern, subject to co-ordination with local authorities and other relevant agencies. BIDs were introduced with effect from 1 April 2005, but, to date, the Council does not have any approved or in operation.

Tax Increment Financing

- 7.76 Given the significant implications of the economic downturn for the Growth Agenda, the Council has been working with its partners to explore alternative funding routes which could be used to facilitate early progress on key developments.
- 7.77 Budget 2009 specifically highlighted the previous Government's wish to review innovative financing mechanisms to support local investment and growth. It specifically noted that they would explore the ability to borrow against the increased taxbase that might arise from improved infrastructure. As a result of this, the Department for Communities and Local Government (CLG) wrote to authorities seeking possible pilot projects in May 2009.
- 7.78 The concept of borrowing against future income streams began in the United States, but has recently been gaining support within the UK. It is, by its very nature, well suited to situations such as those presented within the Growth Agenda.
- 7.79 A joint submission was made by the City, County Council and Cambridgeshire Horizons on 29 June 2009, based on a £25m project to deliver an integrated and sustainable transport solution within the Station Area of the City; and associated transport corridor. The proposed scheme offered speedy delivery, with low risk and relatively high returns and was seen very much as a 'proof of concept' project, which could provide a funding route which would be used to progress other projects within the Growth Area.
- 7.80 The new Government has given indications that it proposes a package of business rates reforms to encourage economic development, as well as reforming the Community infrastructure levy to provide clearer incentives to develop. This has been taken by some commentators to indicate that a system of tax increment financing may have Government support, although no final decision regarding implementation has been made.

HRA Dwelling Rent Income

- 7.81 The rent received from the Council's housing stock is the main source of income for the Housing Revenue Account. Although local authorities are not required to set rents at a local level in line with Government rent setting policies / guidelines, the penalties administered via the HRA Subsidy system give little realistic alternative.
- 7.82 In April 2010, an average rent increase of 1.75% was applied to the Council's Housing Stock. This represented the ninth annual increase as part of the Government's rent restructuring programme, introduced in April 2002 to bring Local Authority and Registered Social Landlords (RSL's) rents for similar dwellings into line.

- 7.83 The programme was originally anticipated to span a ten-year period, with rents calculated based on property prices from January 1999. Since the outset, the Government has moved the goal posts a number of times, retrospectively changing the inflation rates used for calculating target rents, imposing additional limits on annual increases, changing the intended date of rent convergence a number of times and in 2009.10 retrospectively reducing the rent increase that had been communicated to all tenants. All of these changes have culminated in a stock with far fewer properties able to reach convergence by 2011/12, the end of the initial period.
- 7.84 Throughout these changes individual annual rent rises have continued to be limited to a figure of inflation plus half a percent plus £2 per week.
- 7.85 Based on the assumptions made in the HRA Subsidy Determination for 2010/11, intended convergence of target (formula) rents and actual rents has again been amended, this time to 2012/13, with only 5.6% of the housing stock being able to reach target rent by this point.
- 7.86 The intended convergence of 2012/13 from the current HRA Subsidy Determination differs to the assumption of convergence in the 'Council Housing: A Real Future' consultation, which assumes 2015/16. For MTS modelling purposes convergence is still assumed to be in 2012/13 as this is consistent with the modelling assumption that the HRA Subsidy system continues to exist until we have a formal government decision otherwise.

Housing Revenue Account (HRA) Subsidy

- 7.87 The Housing Subsidy is the current method of assessment of entitlement to Government support for Council-owned housing, which is based on calculations derived from a 'notional' Housing Revenue Account for each authority. This calculation comprises a number of key rules and assumptions about a standard level of service and the associated need to spend to achieve it. The system is nationally recognised as no longer being fit for purpose, with both the previous and current Government committed to replacing it with a fairer system. For financial modelling purposes, continuation of the existing subsidy system has been assumed, pending the outcome of the recent consultation.
- 7.88 Components of the existing system include the Major Repairs Allowance (MRA), which is used to fund increased major repairs and improvements to the housing stock, Management Allowance and Maintenance Allowance, which are the notional need to spend on managing and maintaining our housing stock on an annual basis. The formula for allocating allowances between authorities was reviewed in 2003/04, and there has been a gradual move between the actual and target allowances paid since this point in time. Details of these allowances are shown in the table below.
- 7.89 Another key element of the subsidy calculation is the Government's assumptions on rent increases, and resulting rental income, which are based on achieving target rents in all HRA dwellings over a fluctuating period of years. For the purposes of this MTS and in the absence of any outcome from the CLG Consultation regarding self-financing for the HRA, target rent convergence has been assumed to remain as 2012/13 in line with the 2010/11 HRA Subsidy Determination.
- 7.90 High notional rent levels, compared with a lower notional need to spend on our housing stock, results in continued negative entitlement to HRA Subsidy for Cambridge City Council.

7.91 Projections for the level of HRA Subsidy are shown in the table below, with the Housing and MRA elements shown, as well as the net amount payable to the CLG as negative HRA Subsidy. The debt redemption premium charged to the HRA is also recovered via the current HRA Subsidy system.

Table 14: HRA Subsidy Projection (Current System) - 2010/11 to 2014/15

Factor	HRA Subsidy £ 000						
	2010/11	2011/12	2012/13	2013/14	2014/15		
Management & Maintenance Allowances	(11,687)	(11,922)	(12,195)	(12,376)	(12,634)		
Charges for Capital	(668)	(495)	(504)	(256)	(309)		
MRA	(5,020)	(5,104)	(5,210)	(5,287)	(5,398)		
Other	1	1	0	0	0		
Guideline Rent	29,102	30,764	32,229	32,279	33,858		
Net Subsidy [payable to Government]	13,244	13,244	14,320	14,360	15,517		

Housing Revenue Account (HRA) Review of Council House Finance

- 7.92 In December 2007 the Housing Minister announced a wide-ranging and comprehensive review of the National Housing Revenue Account Subsidy System. The reasons for the review included:
 - The Decent Homes Programme coming to an end
 - The HRA subsidy system becoming increasingly complicated and difficult to understand
 - The system becoming increasingly difficult to justify with local authorities like the City Council contributing huge sums each year from their HRA's to the national HRA (approx £11.6m in 20010/11)
 - Nationally, the HRA Fund moving into surplus
- 7.93 The Consultation Paper 'Reform of Council House Finance' was issued during 2009, seeking initial views from Local Authorities on options which included a locally managed, self-financing model for HRA landlords, facilitated by a one-off redistribution of the national housing debt. Prior to 2007 the City Council participated in a pilot project to test the replacement of the current HRA subsidy system with a system that is more 'self-financing', devolving greater control from central to local government.
- 7.94 The positive responses to the 2009 Consultation Paper culminated in a more detailed consultation paper being issued in March 2010, with responses due by 6 July 2010. The Consultation Paper 'Council Housing: A Real Future' provided more detail regarding the proposals for a self-financing HRA and modelled the level of debt that each Local Authority might be expected to take on. The Consultation sought a commitment from each Local Authority to move to the self-financing model, with respondents being asked to confirm whether they will be in a position to undertake the transition on a voluntary, negotiated basis from April 2011.

- 7.95 The Council, with advice from external consultants, modelled the potential financial impact of the proposals, and considered and supported a move to a 'self-financing' model. The proposal would see the authority retain all future rental streams in return for a one-off cost, relating to the redistribution of the total national HRA debt, of between £197,371,000 and £220,355,000 to be a feasible financial alternative to the existing HRA Subsidy System. The proposed level of debt represents a per property debt of between £28,067 and £31,171, depending upon the discount factors adopted as part of any final settlement.
- 7.96 Continuation of the existing HRA Subsidy regime, with the latest financial assumptions made as part of this MTS, is anticipated to result in the HRA becoming untenable from a revenue perspective within 19 years. The Housing Capital Programme however, would be undeliverable by year 8. These timescales assume the delivery of annual ongoing savings at a level of 3%. Modelling under self-financing clearly indicates an ability to deliver a sustainable HRA over a 30-year period.
- 7.97 The Consultation Paper proposes a variety of discount rates which could be used to calculate the final debt settlement. A discount rate of 7% is suggested, resulting in debt take on of £197,371,000 for Cambridge City Council, dependant upon Local Authority desire and ability to deliver additional affordable housing in their locality. It is estimated that the Council could deliver a minimum of 100 new homes within 5 years if this rate were to be applied.
- 7.98 The current Government have confirmed their commitment to replacing the existing HRA Subsidy System, and await responses to the previous Government's consultation before announcing the way forward, anticipated to be included as part of the Spending Review in the autumn of 2010.
- 7.99 It is unclear at this stage whether sufficient capacity exists in our current workforce to enable Cambridge City Council to successfully implement self-financing, within the required time scales, should the option become available. The position will need to be fully reviewed once the outcome of the consultation is clear.

8. Revenue Spending Pressures and Opportunities

- 8.1 This section deals with the known significant pressures and opportunities on revenue spending which each of the Funds face from 2011/12. Where quantifiable and unavoidable factors have been identified, their financial implications have been built into the revenue projections in Section 10, and are summarised in Appendix F.
- 8.2 This section also highlights revenue bids which have come forward from Executive Councillors / Scrutiny Committees during the last cycle, together with actions taken under urgency powers since that cycle.
- 8.3 In addition, a list of remaining material areas of uncertainty is included in Appendix G. This highlights factors which could potentially impact on revenue spending but which are effectively unquantifiable at this stage. These should be taken into account when setting the cash limit target, and in particular, the level of reserves to be maintained.

GENERAL (APPLYING TO MORE THAN ONE FUND)

Employers Pension Fund Contributions

- 8.4 The City Council is part of the Cambridgeshire Pensions Fund, which is administered by the County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary.
- The most recent triennial revaluation of the Fund was based on the position as at 31 March 2007, the results of which were formally published on 31 March 2008.
- 8.6 The valuation found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date. The funding level was 86.4% (compared to 79.4% at 31 March 2004) and there was a shortfall of £219m.
- 8.7 Contribution rates are calculated on an individual basis for each participating employer. For the City Council element of the Fund, the funding level was assessed at 85.5% (compared with 79.5% in 2004). The Fund actuary is aiming for this deficit to be recovered over a 20-year period, giving a target contribution rate for the City Council (for this three-year valuation period) of 18.6%. This consists of:
 - a 14.1% future service rate which should cover the liabilities scheme members build up in the future, plus
 - a 4.4% past service deficit contribution to cover the shortfall in the fund.
- 8.8 The resulting contribution rates for the Council, compared with those of the 2004 Fund valuation are shown in the table below, together with the financial implications for both the General Fund and Housing Revenue Account. As can be seen, although still facing significant year on year increases in employer contributions, the 2007 valuation contribution rates are slightly lower than those anticipated in the 2004 valuation.

- 8.9 The table also highlights the initial provision that was included as part of the February 2009 Budget-Setting Report against the outcome of the 2010 valuation. At this time, and in the context of the significant economic downturn, it was decided to include a provision of an increase of 0.75% in the employers contribution rate for each of the final 2 years of the 5-year forecast period in order to reflect the impact that significantly reduced external investment income would have on the value of the Fund's assets.
- 8.10 As part of the Budget-Setting report in February 2010 it was deemed prudent to provide for the extension of the provision of a 0.75% increase in the contribution rate each year to cover the 6 year period 2011/12 to 2016/17. This reflects the period over which the increase was spread in the last valuation.
- 8.11 The full result of this will be an increase in the rate of 4.5% by 2016/17, resulting in a total pressure of £985,500 on the General Fund and £382,920 on the HRA. These costs have been built into the projections for this MTS.

Table 15: Employers Pension Fund Contribution Rates

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
2004 Valuation Rates	18.3%	20.2%	-	-	-	_
2007 Valuation Rates	17.2%	18.6%	18.6%	18.6%	18.6%	18.6%
Provision for 2010 Valuation	-	-	19.35%	20.10%	20.85%	21.6%
Increase / (Decrease)	(1.1%)	(1.6%)	0.75%	1.50%	2.25%	3.00%
Budget Impact (in year)	£	£	£	£	£	£
- GF	(268,730)	(390,880)	164,250	328,500	492,750	657,000
- HRA	(85,030)	(123,680)	63,820	127,640	191,460	255,280
Total	(353,760)	(514,560)	228,070	456,140	684,210	912,280

- 8.12 The initial (draft) results of the next triennial re-valuation of the fund, as at 31 March 2010, are expected in November 2010 and the implications arising from that will need to be taken into account in the final budget setting process.
- 8.13 Nationally, the Independent Public Services Pensions Commission, Chaired by Lord Hutton, has been tasked with conducting a fundamental structural review of public service pension provision and has been asked to make recommendations to the Chancellor and Chief Secretary on pension arrangements that are sustainable and affordable in the long term, are fair to both the public service workforce and the taxpayer and are consistent with the fiscal challenges ahead, while protecting existing scheme members' accrued rights. The Commission is expected to publish its final report in time for the Government's 2011 Budget.
- 8.14 In addition to employers contributions for existing staff, since April 2005, the Council has also been required to make a capitalised payment to cover the effect on the Fund of any early retirements. The effect is calculated and reported to Members at the point that the decision is made, and is paid to the Fund over a 5-year period. This reflects accepted best practice, and serves to provide clear focus on the financial implications of early retirement decisions.

Corporate Restructure

- 8.15 In February 2010 the Chief Executive consulted on proposals to restructure the Council so that we are better placed to deliver an increasingly challenging agenda with reduced resources.
- 8.16 The objectives of the restructuring are to:
 - provide stronger focus for delivering on our objectives, in particular to ensure clean and well maintained streets and open spaces, to plan effectively for the changing shape of the city and to provide leadership on carbon reduction
 - facilitate effective joined up working across the Council to meet the needs of our residents and citizens and other service users and to improve our services
 - make sure we are working better at neighbourhood level and are engaging residents effectively in the work of the Council
 - provide a flexible structure that can respond to further changes that may affect the organisation
 - provide clearer accountability for services at head of service level and to remove the confusion caused by the arrangement in some services of having the "client" and "contractor" split across different departments
 - reduce our management costs
- 8.17 The Chief Executive began implementing the new structure in June 2010, reducing the number of departments from 5 to 3 and appointing a leaner and more focused senior management team. Implementation of the restructuring will continue during 2010 and early 2011

Efficiency Savings

- 8.18 The Council has, for many years, sought to identify efficiency opportunities as being the most effective means to free-up resources to enable the provision of new or enhanced services. The Council would expect to continue to strive to identify all such opportunities as part of its annual budget and review processes.
- 8.19 Cambridge City Council achieved cumulative cashable and non-cashable savings of £3.8m against a target of £1.6m during the period of SR2004 to March 2008.

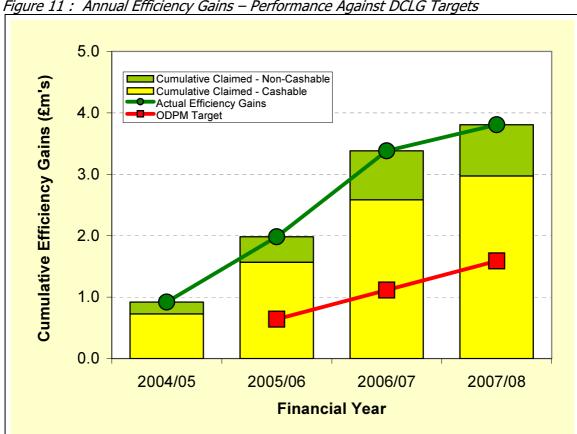


Figure 11: Annual Efficiency Gains – Performance Against DCLG Targets

- 8.20 National Indicator (NI) 179 Value for Money Gains has replaced Gershon efficiency statements as the measure of annual savings. The new indicator is reported twice annually, a 'Forward Look' [forecast] in October and 'Backward Look' [actual] in July.
- 8.21 The amount submitted as new, ongoing 2009/10 cash savings was £1,105,341, which after adding the prior year savings of £1,806,692 gives a current, ongoing saving achievement of £2,912,033. The overall target for 2008-2011 is £4,584,118. Our cash efficiency savings target for 2010/11 is thus £1,672,085.
- 8.22 The savings target is based on our 'baseline' expenditure as calculated by DCLG from our Revenue and Capital Returns. The current baseline expenditure is £42,803,000.
- 8.23 The targets for NI179 are more onerous than Gershon in that we must make 3% cash savings per annum over 3 years (now 9.3% compound plus 1.0%). Each savings initiative has to have an impact in three successive years to be considered as having a 'Value for Money cash releasing impact'. One off savings do not contribute at all to this indicator, the thrust of the programme is to encourage transformation. In addition, major savings exercises such as the new Customer Service Centre are not considered until the capital investment has been repaid.

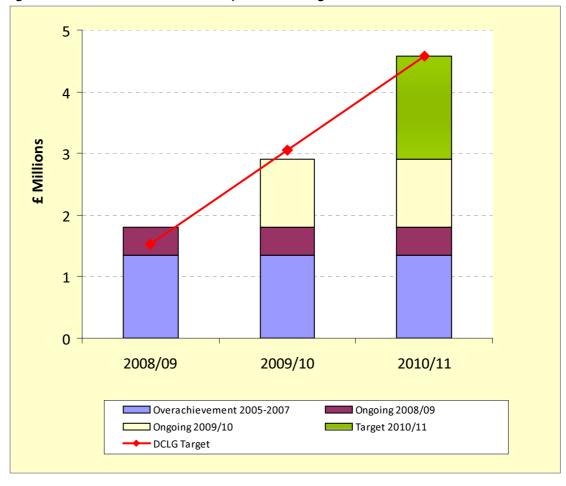


Figure 12: NI179 Annual Efficiency Gains – Targets and Performance

Customer Access Strategy

- 8.24 The implementation of the Customer Access Strategy, now largely completed, has resulted in radical changes to the way the Council delivers its customer facing services, providing more joined up services for council customers, more efficiently. It has involved the creation of a corporate customer service centre dealing with reception visits and telephone calls services for services across the council together with the development of enhanced web services and information. The project also provided the basis for and supported the achievement of other efficiencies in the Council's "back office" operations.
- 8.25 Funding for the set-up costs of this project was approved on the basis of a long-term payback model with the initial costs of the change being met from the use of reserves (appropriate shares coming from GF and HRA reserves). This investment is being repaid from savings made under the new arrangements. The project costings also allow for the repayment of external interest receipts lost as a result of the temporary use of reserves, in order to fully reflect the cost of funding the project in this way and ensure no long-term detriment to either Fund.
- 8.26 Once the initial investment has been repaid (forecast to be in 2014/15, the seventh year of operation) the project will realise significant savings for both the GF and HRA. These savings have been incorporated in budget projections for the relevant years.

8.27 A report detailing the successful outcomes of the project, including delivery within the implementation budget and achievement of projected savings, was considered by Strategy & Resources Scrutiny Committee at its meeting on 5 July 2010. The decision taken was that the formal project be concluded and the service move to a standard service basis going forward.

Electronic Document and Records Management (EDRM)

- 8.28 In conjunction with the implementation of the Customer Access Strategy and subsequently the Information Management Strategy, the Council is implementing an EDRM system to support the Customer Service Centre and its Customer Relationship Management (CRM) without a Document Management and Storage System, the depth of service into the back office would be compromised and it is unlikely that the target of 80% of contacts dealt with on first contact would be met.
- 8.29 Additional benefits accruing as a result of implementation of the EDRM system include:
 - Reduction in time spent filing and searching for information
 - Improved cross-working between departments, through the ability to share and retrieve information in electronic form
 - Space savings due to paper file reduction
 - Improved disaster recovery
 - Speedier compliance with Data Protection and Freedom of Information legislation and other legal obligations
 - Enabling remote and mobile working by giving mobile, flexible and home workers access to the information they need.
- 8.30 The implementation is on a corporate basis so as to enhance the customer service provision and to ensure that efficiencies are maximised in all processes in both the front and back offices.
- 8.31 The system is now in live use for Revenues & Benefits, Development Control (including Public Access) and Taxi Licensing as well as the Customer Service Centre, and work to complete the remainder of the programme continues.

Information Technology Strategy

- 8.32 Work will continue over the coming year to expand the deployment of EDRMS and to complete IT infrastructure upgrades, both of which are already funded.
- 8.33 We have started work to investigate options for upgrade of MS Office 2000, including consideration of later versions and open source alternatives, with a view to an upgrade in 2011/12.
- 8.34 The ICT facilities management contract currently held by Serco is being extended to 2013. The impact on contract costs from re-tendering will obviously depend on the scope of what is tendered, and the market conditions at the time. Work will start in early 2012.

Office Accommodation Strategy

- 8.35 The Council currently has an Office Accommodation Strategy that is due for review in 2010/11 covering the Council's key administrative offices: The Guildhall, Lion House, Hobson House, Mandela House, City Homes North, City Homes South, Mill Road Depot and Janus House.
- 8.36 Accommodation is a significant cost to the Council due to:-
 - opportunity cost of capital employed
 - energy and utilities costs
 - business rates
 - decoration, repairs and maintenance together with the need for regular capital investment.
 - Property is a significant contributor to the Council's carbon footprint, a key issue for carbon trading in the future as identified elsewhere in the MTS
 - IT costs
- 8.37 The nature of the Council's accommodation compounds these issues due to:-
 - listed building status of some properties adds significant repair and maintenance cost
 - lack of modern, open plan office environments
 - dispersed and fragmented nature of accommodation requiring expensive IT connectivity, additional staff management and travel costs, reception, housekeeping, security and cleaning requirements
 - poorly used space reflecting long standing working practices and furniture availability
- 8.38 Reviewing the Office Accommodation Strategy gives opportunity to reduce financial and environmental costs through significant reduction in the amount of space used through:-
 - review and implementation of flexible working practices such as home working, hot desking and remote IT devices
 - extended implementation of electronic data storage to reduce both proximity and archive storage coupled with efficient and effective information management
 - review and implementation of revised staff workstation and space requirements at all levels in the Council
 - investigating opportunities for shared accommodation with other organisations
- 8.39 The potential ongoing savings are significant as well the opportunity to avoid some longer-term capital investment that would otherwise be required. The reduction in the amount of space required can probably make the most notable reduction in the Council's carbon footprint, even with some of the constraints due to the difficulties of retrofit of sustainable technology to older and listed properties.

- 8.40 In order to achieve these objectives, considerable project management resource will be required to pull together the relevant areas of property, information technology, human resources and staff consultation. External expertise may be required to support in some areas. Investment in new technology, storage and furniture will be inevitable but these costs should be more than offset by the long-term savings.
- 8.41 Culture change among both staff and Members is a key part of any such process. Everyone needs to be engaged and to understand the issues, opportunities and benefits that can be obtained.

Procurement

- 8.42 The Service has been pro-active in the delivery in training throughout the Council to raise awareness of the requirements of procurement legislation and regulations, together with the Council's rules and agreed policies. As outlined in last year's MTS, the service has also launched a guide to procurement comprising a series of Quick Guides covering topics such as Managing Risk, Roles and Responsibilities, Pricing Strategy Selecting Bidders, and Contract Management.
- 8.43 This in turn has increased the volume of procurement work being undertaken throughout the Council although many contracts are now let in collaboration with other local authorities **or** through pre-existing framework agreements. We use Eastern Shires Purchasing Organisation (ESPO) as purchasing agent for many of these contracts.
- 8.44 Recent initiatives have included contracts for the provision of new build housing for the Council's use, Tree Maintenance, a wide range of services within the Arts & Entertainment service and the works at the Zion Baptist Church.
- 8.45 Major forthcoming procurements include CCTV maintenance, the provision of Bring Bank recycling services, a review of the arrangements for temporary staff provision and casual staff management, environmental improvement works, and the provision of play areas across the City.
- 8.46 An overview of the Council's major contracts, and their end dates, **is** shown in Appendix H. This indicates the points at which the opportunity arises to review the specification of the services and influence the resources required to provide them.

Growth – Revenue Costs of Implementation

- 8.47 A package of additional spending has been agreed over a number of years as part of the Council's response to the planning and delivery requirements of the Growth Agenda. Whilst this includes budgets for spending on services such as consultancy, the majority of the budget covers additional staff posts.
- 8.48 The Council took the decision to create these posts on a fixed-term basis, to reflect the period of certainty associated with the additional income sources from which they were initially funded. These posts, shown in the table below, come the end of their contract periods on 31 March 2011.

Table 16: Growth-related Fixed Term Posts

Service	Fixed-tem FTE
Major Developments	8.2
Urban Design	1
Development Services	2
Planning Policy	2.5

Service	Fixed-tem FTE
Streets & Open Spaces	1.5
Business & Information Services	2.5
Strategic Housing	1.5
Corporate / Resources	3

8.49 The funding basis for these posts was:

Table 17: Growth-related Fixed Term Posts

Funding Source	£	£		FTE
Housing & Planning Delivery Grant			294,810	9.6
Cambridgeshire Horizons - Joint Planning Board - Core		352,660 73,670	426,330	9.1
City Council (Budget to 31/3/11 only)			152,760	3.5
TOTAL			873,900	22.2

- 8.50 The HPDG scheme (covered in Section 9) was ended on 31 March 2010, although the Council has been able to continue to use funding which has been accumulated from previous years in 2010/11.
- 8.51 Consultation is expected to be launched in the near future on what will effectively be a replacement for HPDG the New Homes Bonus (NHB) scheme. This was announced by the Housing Minister last August, but the Government is yet to publish any details.
- 8.52 It remains to be seen how much Government grant will be available to Cambridgeshire Horizons from 2011/12 onwards and how much of this funding will be passed on to support growth-related jobs at the councils.
- 8.53 Consideration of the requirement for additional planning staff associated with Growth also needs to be considered as part of the review of the Planning function, which is seeking to create an integrated structure covering all aspects of work.

- 8.54 The significant uncertainties relating to this area at the present time make it inadvisable to make long-term commitments based on the information available. However, in order to enable continuity of the work on Growth it is recommended that the fixed-term posts are extended for a 12-month period. This will enable a more informed decision to be made on the longer-term position.
- 8.55 The funding for this commitment will be provided through an assumption that 50% (£436,950) will be met from external income sources, such as the new NHB scheme, with the remainder being met initially from use of Reserves. The use of Reserves will be reviewed in light of any funding available from one-off savings proposals during the budget process, and the revenue outturn position for 2010/11.
- 8.56 It should be noted that the availability of revenue funding for projects and feasibility studies that support the delivery of growth is also becoming tighter., whilst the Council also needs to allow for the contingency that, if any planning appeals are made against proposed major developments, it could face substantial costs (possibly in the region of £200,000 per appeal) in upholding local planning policies.

Growth - Resource Implication Modelling

- 8.57 The Council has developed an approach to dealing with the costs associated with Growth which is based on identifying resultant cost items and the additional income that is generated by Growth, e.g. from additional Council Tax.
- 8.58 Bids for additional service requirements can then be considered in the context of the additional funding that is available, minimising any effect on other service provision.
- 8.59 As part of the MTS, a review of the Council's taxbase projections has been undertaken. This has been designed to identify the level of growth that is anticipated in excess of the standard level of 0.5% per annum, which has been assumed in the base model. The review has taken account of the latest available projections of new housing completions over the coming years.
- 8.60 This work has identified the following amounts of Council Tax yield which relate directly to the increase in projected properties. In line with the approach to resource modelling for Growth that was agreed as part of the July 2006 MTS, it is recommended that these sums be earmarked to fund growth-related costs.
- 8.61 A bid for funding for an additional Chamberlain refuse collection round was assessed as relating to growth and approved for funding from this source as part of the February 2009 Budget-Setting Report.

8.62 The balance of funding available is shown below.

Table 18: Growth-related Council Tax Yield

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Balance Available for Growth b/fwd	117,530	167,610	327,330	667,180	1,200,520
Additional Council Tax yield relating to Growth	190,080	299,720	479,850	673,340	1,057,110
less: Bid for Chamberlain round, X1888 (see Appendices E and Y)	(140,000)	(140,000)	(140,000)	(140,000)	(140,000)
Net available for Growth	167,610	327,330	667,180	1,200,520	2,117,630

8.63 Work is continuing, in conjunction with the Cambridge Urban Growth Group (CUGG), to produce updated projections of the anticipated growth in property numbers over the medium and longer-term.

Strategic Service Reviews

- 8.64 The Council remains committed to ensuring that services represent value for money to the citizens of Cambridge. Service reviews provide one means of achieving this and are an integral part of the corporate planning and decision-making cycle.
- 8.65 The last 2 years have seen significant change at the Council. We have successfully completed a major project to bring together our customer facing services within a new Customer Service Centre. This has improved the experience for people dealing with the Council and will deliver ongoing savings of around £1m each year for local Council Tax payers.
- 8.66 We are now re-structuring our internal departments and services. We have reduced the number of Directors and departments from 5 to 3 and we are rationalising our services under fewer senior managers. This leaner and more flexible officer structure will save around £300,000 per annum and enable us to be more effective for the significant challenges ahead.
- 8.67 The City's population is projected to grow significantly in the coming years. The need to prioritise resources carefully to deliver sustainable new housing and infrastructure and provide the services that people will need is clearly recognised. However, we need to do this in the context of big pressures on public sector funding as the coalition Government seek to reduce national debt.
- 8.68 For the last three years the Council has undertaken a series of Service Reviews with the aim of identifying significant on-going revenue savings for the Council. This strategy has been followed in order to protect the front-line services that residents value the most whilst seeking efficiencies in support services and those services that are not so highly valued.

- 8.69 During the last year we have also been actively engaged with partners to explore opportunities for efficiencies through the sharing of services and assets under the banner of 'Making Cambridgeshire Count' (see Section 2).
- 8.70 The programme of service reviews being carried out in 2010/11 is listed below. A number of the reviews link to the work with partners through the Making Cambridgeshire Count initiative

Table 19: Strategic Service Reviews

Service Reviews 2010/11				
Accountancy	Information and Communication Technology			
Architects	Internal Audit			
Arts and Entertainment	Legal Services			
Building Control	Property Services and Accommodation			
Grants	Revenues and Benefits			
Housing Services and Housing Repairs	Street Scene and Building Cleaning			
Human Resources, including Training	Waste Services			

- 8.71 At the time of publication of this MTS most of the 2010/11 service reviews had not been completed. However, progress to date indicates that minimum net ongoing savings of £1,649,000 will be generated by the reviews from 2011/12.
- 8.72 Although more savings are anticipated as the reviews are taken forward and the restructuring is fully implemented, it is clear that this work alone will not generate the significant savings that we need to find to meet the projected grant reduction from Government. We are currently shaping a new work programme to ensure we can identify and deliver further savings and prioritise service delivery.
- 8.73 It should be noted that these figures are subject to the reporting and approval of final outcomes, but they will be considered as context for the level of savings requirements proposed in Section 15. Final outcomes from the Service Reviews in the current year will be reported as part of the 2011/12 budget process, with specific reports to scrutiny committees as required.
- 8.74 The table above lists the areas for review which have already been identified for 2010/11. In addition, Corporate Management Team and all Heads of Service are working closely with Executive Councillors to identify and explore:
 - Budgets that could be reduced with minimal impact on key front line services
 - Areas where services could be provided in different ways to reduce costs
 - Ways of working more flexibly and efficiently
 - Ways of simplifying processes to focus on areas of high risk whilst freeing up officer time and speeding up decisions

Carbon Reduction and Climate Change

- 8.75 The policy framework for tackling the causes and consequences of climate change continues to grow in the United Kingdom with the announcement of a new Energy Bill in the Queen's Speech on 25 May 2010, including implementation of a "Green deal" to deliver energy efficiency to homes and business. Local authorities are expected to play a leading role with implementing this policy framework which will have financial implications in a number of areas.
- 8.76 Four specific measures which have implications for Cambridge City Council corporately are:
 - the Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES)
 - feed in tariffs for renewably generated electricity
 - the climate change targets included within the Cambridgeshire Local Area Agreement
 - the Cambridge City Climate Change Strategy & Action Plan.
- 8.77 The CRC EES is the UK's mandatory carbon emissions trading scheme designed to encourage large public and private sector organisations to adopt cost-effective energy efficiency measures. Cambridge City Council has submitted an information disclosure for phase 1 of the scheme confirming that it is not required to participate further in phase 1. Registration for phase 2 of the CRC EES is scheduled for April to October 2011, and current estimates indicate that Cambridge City Council will again fall below the 6,000 MWh threshold of half hourly electricity consumption. Should Cambridge City Council exceed this threshold either for phase 2 or future phases of the CRC EES, or the threshold for participation is lowered, initial estimates indicate that carbon allowances with a value of approximately £70,000 would need to be purchased. This money would be recycled to participating organisations with an adjustment of up to +/-10% to reflect actual performance with respect to a league table. The Council may therefore gain or lose up to approximately £7,000 depending on its carbon management performance relative to other participating organisations in the CRC EES.
- 8.78 Feed in tariffs were introduced by the Government in April 2010 and provide a fixed minimum payment for every unit of renewably generated electricity for a period of 20 to 25 years depending on the technology used. Initial analysis indicates that installations of solar electric panels on Council non-housing property could secure a net return on investment (ROI) of 6%, and on Council housing properties a net ROI of 4.5%. These returns could double through bulk purchasing in partnership with other public sector property owners. Recent installations of solar electric panels on Council projects at Brandon Court and Byron Square will benefit from the ongoing revenue generated by feed in tariffs, and opportunities exist for expanding this revenue stream from further installations on Council property depending on the availability of up front capital.
- 8.79 The Cambridgeshire Local Area Agreement (LAA) covering the period 2008-11 includes several national indicators related to climate change, including the reduction of all carbon dioxide emissions from the local area (NI186) by 11% by March 2011 from a 2005 baseline, and improving measures to manage climate change risks to the local area (NI188). Councils in Cambridgeshire and other public sector organisations aim to deliver these targets through the Cambridgeshire Environmental Sustainability Partnership.

- 8.80 The Cambridge Climate Change Strategy & Action Plan meets the commitment made by Cambridge City Council in signing the Nottingham Declaration on Climate Change in September 2006 as well as its Medium Term Objective: "A city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution". This strategy and action plan details how Cambridge City Council can take action to address the causes and consequences of climate change in the city, including fulfilling the Council's commitment to the aforementioned Cambridgeshire Environmental Sustainability Partnership.
- 8.81 As well as the LAA target to reduce carbon dioxide emissions across Cambridge by 11% from 2005 levels by 2011, the Cambridge Climate Change Strategy & Action Plan commits the Council to reduce its own corporate carbon footprint by the same amount. Provisional figures show that the Council's corporate carbon footprint was reduced by 7% between 2005/06 and 2009/10, saving an estimated £246,000 per year in energy and fuel costs, and projects scheduled for implementation in 2010/11 indicate a reduction of 10% by March 2011. 9% of this reduction will have been delivered by projects supported by the corporate climate change fund. In order to meet the next carbon reduction target of a 17% cut from 2005/06 levels by 2016/17, replenishment of the corporate climate change fund or alternative financing provision for carbon reduction measures will need consideration once the current fund is fully allocated.
- 8.82 To contribute to this programme of action on climate change an appraisal of budget bids and savings will be completed to ensure their alignment with Council climate change objectives.

GENERAL FUND PRESSURES & OPPORTUNITIES

Priority Policies

- 8.83 The current Annual Statement outlines a number of areas of commitment to develop service delivery. At this stage detailed costings of all of the measures involved are not available to inform the process of setting cash limits for each spending committee. Therefore, in order to ensure that the cash limit process can continue to work effectively at portfolio and committee level the 'Priority Policy Fund' (PPF) approach will continue in 2011/12
- 8.84 The Council's financial strategy in recent years has been to include an annual sum of £500k to provide funding for developments which can demonstrate significant contribution to the Council's Vision Statement and Medium Term Programme.
- 8.85 This represents a balance between the benefits of flexibility to prioritise between all service areas through the PPF, and the need to keep a realistic level of savings target.
- 8.86 The Fund is administered by the Executive Councillor for Strategy who will consider the applications and deal with prioritisation using the new Vision Statement and Medium Term Programme as a remit. It will also be important to maintain an overview to ensure that bids represent a higher priority for the Council than any reductions made within committees as part of the savings process.
- 8.87 As part of the measures to meet the pressures of the economic downturn in the February 2009 Budget-Setting Report it was determined that the provision for PPF funding in 2010/11 should be removed. However, provision has been retained, at this stage, within the projections for a sum of £500k per year from 2011/12 onward.

Council Tax Benefits / Rent Allowances and Rent Rebates

- 8.88 There are a number of areas of uncertainty relating to the administration of Housing Benefit and Council Tax Benefit that will affect the Council over the next few years. We are anticipating a continued increase in those needing to claim Housing and Council Tax Benefit, as well as a reduction in peoples' ability to pay their Council Tax. This may have an adverse effect on our collection rates especially in 2010 and 2011.
- 8.89 A preliminary review of the budget position for Housing and Council Tax benefits has been undertaken and indicates that the budgets need to be increased by £4,210 in 2012/13, increasing annually to additional funding of £63,440 by 2014/15, although the position over the 5 years of the MTS is break-even due to marginal underspends in 2010/11 and 2011/12 The forecast increase in costs is primarily due to the ongoing reduction of 5% in the Department of Work & Pensions (DWP) Administration subsidy grant.
- 8.90 Projections are based on a continuation of current performance levels. If performance were to fall, and the Council breached the thresholds (upper and/or lower) set by the Department for Work and Pensions 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%.
- 8.91 It is important to note that the Council has had a very positive track-record in terms of local authority error rates and that, following the transition of these services to the new Customer Service Centre, performance continues to be closely monitored.

Concessionary Fares

- 8.92 Following widespread concerns about the inadequacy of the Government approach to funding of the national scheme, and following a consultation in 2009, responsibility for the administration of Concessionary Fares will move to Cambridgeshire County Council on 1 April 2011 under the provisions of Statutory Order SI 2010 No 1179, made on the 31 March 2010.
- 8.93 Table 11 shows the Special Government Grant awarded to Cambridge in 2010/11 which reduced the net cost of concessionary bus travel to the City Council for that year only.
- 8.94 The Operators' Reimbursement Rate for 2010/11 has been set at a new lower rate of 63.9% with an 'additional costs' allowance of 12p. However, the reduction is likely to be offset, in part at least, by increases in operators' average fares and continuing increases in passenger numbers.

Local Land Charge Searches Income

- 8.95 The level of this income will vary dependant on activity in the housing market. Income was on target in 2009/10 but a housing downturn would affect the level of searches (and hence income).
- 8.96 Home Information packs had led to a change in the way in which searches were commissioned, with much greater use of personal search companies, and a consequent reduction in income. It is too early to assess the impact of the recent abolition of the home information pack requirement.

- 8.97 Search companies are seeking to challenge the power of local authorities to charge for some or all of the information supplied in response to local searches, on the basis that it falls within the Access to Environmental Information regime. If it is established that the Council's power to charge for searches is limited, then this will have a significant effect on income for the service.
- 8.98 Further work is needed to assess the implications however:
 - The Council may lose part of its income from the local search process.
 - This may encourage greater use of personal searches, which could reduce income from
 official searches, and could place greater strain on staff resources, through the need to
 provide information for inspection, some of which is not available in easily accessible
 registers.

Development Plan Fund

- 8.99 There is an ongoing need for the Development Plan Fund to enable the City Council to fulfil its statutory plan making function. The future work programme has been agreed by the Executive Councillor for Climate Change & Growth and confirmed with the Government Office through a Local Development Scheme.
- 8.100 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. Despite this, there is a need to reinforce its climate change policies, review the development control policies in order to comply with more recent Government guidance and to develop a new policy for the future development Cambridge Northern Fringe East. Development at Cambridge East will also need to be reviewed as a result of the announcement by Marshalls in April 2010 that it is not relocating for the foreseeable future. Any such review will need to be undertaken jointly with South Cambridgeshire District Council.
- 8.101 The new Coalition Government has indicated that there will be a number of important changes made to the Development Plan system. The intention is to devolve greater powers to councils and neighbourhood and give communities more control over housing and planning decisions. The Conservative's Open Source Planning Green Paper indicates that local plans will be reintroduced and will be built out of a process of collaborative democracy. Furthermore, developments that straddle the local authority boundaries will need to be consistent between plans.
- 8.102 At present there is no timetable for the introduction of such changes but on 6th July the Government announced the revocation of Regional Spatial Strategies with immediate effect.
- 8.103 Until more information on the reforms to the plan making system is made available, it is not possible to fully analyse future costs. In addition, the loss of Housing and Planning Delivery Grant (HPDG) could have implications for the Development Plan fund. In previous years, a contribution from HPDG has been allocated for essential Development Plan consultancy such as the Employment Land Review, Strategic Flood Risk Assessment and the Cambridge Sub Regional Retail Study. Given this, it is possible that the Development Plan fund may also need to cover future Development Plan consultancy needs in order to ensure that the Council has an up to date evidence base. At present most of the fund is held to meet the future costs of public examinations into new plans. Again, it is not possible to currently estimate future budgetary needs until more information is available on the new system.

Public Realm Enforcement / Rangers

- 8.104 A pilot scheme is proposed to ensure compliance with the legislation by a fixed term additional enforcement officer to the team. The funding is available through a combination of the carry forward of verge parking, additional income through Fixed Penalty Notices and contribution from strategy budgets. As a result of the Council's 'Excellent' status the use of the receipts is under the direction of the Executive Councillor for Environmental Services.
- 8.105 The budget for 2010/11 reflects the financial support to retain one Ranger. This support will be reviewed for the 2011/12 budget process.

Corn Exchange & Guildhall Halls

- 8.106 Following an initial review of the Corn Exchange in 2009, an officer / member working is being set up to identify potential improvements and efficiencies in management and operation.
- 8.107 The Corn Exchange & Guildhall Halls will be managed as a separate business unit from 2011/12; this will include a formal business plan and trading account.

Bereavement Services

- 8.108 The Council is to abate mercury emission at its Crematorium by 100% and is therefore installing appropriate equipment in 2011/12 at an approximate cost of £1.5m. As new cremators are being installed at the same time as the abatement equipment, the opportunity to install a wide-bodied cremator and reduce the number of cremators to 3 is being taken. This will allow more efficient operation and reduced running costs.
- 8.109 Customer memorial choice is being expanded in line with the current business plan, with a children's memorial area having been opened at the Huntingdon Road site in the summer of 2010 and a new cremation memorial garden at Newmarket Road due to be completed later in the year.
- 8.110 Natural burials at Newmarket Road will commence once all planning requirements have been met and when current horticultural planting has matured to desired levels.
- 8.111 Increased competition in the form of two new crematorium located in March and Chatteris, will impact on income and pricing decisions in the future. The current business plan is to be refreshed during 2010 taking account of a rapidly changing operational environment.

Tree Risk Management

- 8.112 Work is continuing on clarifying the future tree work requirements in accordance with the Arboriculture Strategy.
- 8.113 There are over 30,000 trees within the City and a routine inspection and maintenance programme has been identified which will require additional funding and will be the subject of a budget bid during the 2011/12 budget process.

8.114 The number of tree-related subsidence cases appears to be increasing, due to climate change. The first six months of the year showed average rainfall across the country of 356.8mm, compared to the long-term average of 511.7 mm for January to June. It has been the driest start to a year since 1929 when 275.7mm of rain was recorded. It is likely that 2010 will be known in insurance terms as an 'event' year.

Housing and Planning Delivery Grant (HPDG)

- 8.115 In June 2010 the Government announced that there would be no funding in respect of the HPDG for 2010/11 but that the coalition will "provide improved incentives for local authorities to deliver sustainable development", details of which are yet to be announced.
- 8.116 An overview of the remaining funding is shown in Appendix I: Earmarked or Specific Funds.

Waste Minimisation and Recycling

- 8.117 **Dry Recycling** The council needs to build on the successes of the blue bin scheme in order to maximise recycling and meet targets for recycling and composting 45% of its waste by 2010/11. The council is aiming for a recycling rate of 50% by 2015.
- 8.118 The new dry recycling contract which commenced in Nov 2009 for the bulking and sorting of the material collected through the blue bin scheme, will continue for the next 5 years. The pricing structure is based on two adjustments and annual RPI adjustment and a gate fee adjustment which is linked to the market value of the materials. The gate fee adjustment makes it difficult to set annual budgets as the gate fee will vary depending on market values.
- 8.119 The challenging targets set require continued work on participation in schemes and extra provision of recycling infrastructure. Working with partners in order to gain efficiencies the council will be entering into a partnership contract for certain bring bank services. The intention is to focus on materials not collected through the kerbside schemes enabling additional materials e.g. batteries to be collected at these sites.
- 8.120 The merger currently underway of Waste and Fleet with Environmental Services will provide opportunities for efficiency gains. It is envisaged that there will be a need for cultural change within these areas and this will need to be carefully managed to ensure 'buy-in' from all those involved.
- 8.121 **Residual waste** Cambridgeshire County Council as Waste Disposal Authority, has let a long-term contract for the treatment of residual waste. The new Mechanical Biological Treatment facility, just north of the city at Waterbeach is going through commissioning. This should be completed by April 2011. The facility will significantly reduce the amount of waste going to landfill and thereby reducing greenhouse gas emissions.
- 8.122 Legislative changes related to the definition of household waste may have an impact on trade waste. This will be carefully monitored by officers.
- 8.123 Trade waste is subject to landfill tax. The current level is £48 per tonne and this will continue to rise by £8 per tonne per year for the next 4 years when it will be £80. (After this levels are unknown.) The council will continue to transfer these increases to customers but recognises the need to monitor its position in order to remain in this competitive market.

- 8.124 Trade waste recycling continues to grow and the launch of the new commingled recycling service has been well received by businesses. The council is keen to roll out these services across the city over the next 3 years.
- 8.125 The net results of the commercial trade waste operation and certain other trading activities are transferred to the General Fund at the end of each year. Medium term projections of trading surpluses available to the General Fund have been built into overall financial projections.

Lion Yard

- 8.126 The head-lessee of Lion Yard, Barclays Nominees, has completed the Phase 1 works at Lion Yard Shopping Centre. They intend to develop more retail space, known as Phases 1+ and 2, in the next few years but the timing is uncertain given current market conditions. Phase 1+ was intended to commence in late 2009 but this is now unlikely before 2011 at the earliest.
- 8.127 The Council has a 25% share in Lion Yard Shopping Centre income. If development occurs, the Council can either contribute 25% of the development costs or else it's income is reduced to reflect the head-lessee's capital contribution. The Council has already funded the Phase 1 works and has made provision for all of the forecast Phase 1+ works (capital scheme SC221b) and part of forecast Phase 2 works (SC221c).
- 8.128 The associated additional share of the rental income stream from Phase 1 and 1+ has been reflected within the current and future income projections for Lion Yard Shopping Centre. The additional income receipts associated with Phase 2 and the timing of these receipts are not yet wholly clear and so have not been included at this stage.
- 8.129 The Lion Yard Shopping Centre's income should become more robust in future years as the development phases complete and the market recovery continues.

Guildhall Project

- 8.130 The main element of The Guildhall Project was concluded with the opening of Jamie's Italian restaurant in February 2010. The restaurant has traded well since opening as have the other retail units connected with the scheme. Overall income is expected to meet or exceed forecast although as part of the rent is based on historic turnover information, this will not be certain until the end of the first full year of trading. The Courtroom is a challenge to make commercially viable and discussions are ongoing to secure an appropriate long-term tenant.
- 8.131 The original financial business case projected that the investment in the scheme would be paid back during the 2017/18 financial year. The projected payback is now estimated to take place during the 2016/17 financial year. The revised net income stream and temporary use of reserves are built into the MTS projections.

VAT: Car Parks

8.132 The above case is still ongoing with no final determination as yet as to whether the VAT liability for the provision of off-street car parking by local authorities should be VAT standard rated or classed as 'non-business' (and hence outside the scope of VAT). The Council has submitted claims for the repayment of £17.6 million of VAT (net of fees) paid over to HMRC in relation to off-street car parking since the start of VAT in April 1973.

- 8.133 As at 31 March 2010, this claim remained outstanding pending the outcome of a further VAT tribunal (a date for which has yet to be set). This Tribunal will be looking at the question of possible distortion of competition if the provision of off-street parking by local authorities was not subject to VAT but that provided by the private sector was.
- 8.134 Cambridge City will continue to account for VAT on off-street car parking but will also continue lodging claims with HMRC for repayment, in order to protect its position should, ultimately, matters be concluded in favour of local authorities.
- 8.135 The Government decision to increase the rate of VAT by 2½% to 20% from 4 January 2011 will impact on both 2010/11, in cases where the tax increase has not been reflected in increased charges by the Council, and also for 2011/12 when the new rate will need to be taken into account when reviewing and setting prices as part of the budget process.

VAT: Compound Interest

- 8.136 There have been a number of recent developments in relation to the ability of taxpayers to claim 'compound', as opposed to 'simple', interest on monies repaid (or to be repaid) to them by HMRC.
- 8.137 Compound interest can far exceed that of simple interest and the Council has been advised that claims for compound interest can, potentially, go back to 1973. In view of the significant value of VAT repayment claims already made by the Council, both in relation to those still outstanding (as above) and those already repaid by HMRC under 'Fleming', the Council has engaged a firm of lawyers who have submitted a claim for compound interest to the High Court. Currently there is no known time limit for the outcome of such claims.

VAT: Partial Exemption

- 8.138 A local authority may recover, in each financial year, the VAT incurred on costs related to its VAT exempt services (e.g. bereavement, commercial property & markets) provided the sum is less than 5% of the total VAT incurred. This is referred to as a local authority's 'partial exemption limit'.
- 8.139 However, this Council will exceed its partial exemption limit during the 2011/12 financial year when Mercury Abatement equipment is installed at the Crematorium, a site where the majority of income is VAT exempt.
- 8.140 As a consequence, not only will the VAT incurred on these works be irrecoverable but also the VAT incurred on all other VAT exempt Council services, a total penalty estimated (after taking into account the increase in VAT to 20% from 4 January, 2011) at £534,000. The original Capital Scheme approval took account of this VAT penalty and no additional funding requirement is anticipated.

City Centre Management and Tourism

- 8.141 In September 2009 the Tourism Service relocated its new home in the Old Courts area as part of the Guildhall project, adjacent to the new gift shop and coffee shop. This presented a one off opportunity for the service to review the way in which it delivers the service to residents and visitors to the city, and to proactively identify opportunities through which it can build on existing revenue streams and identify new ones. The new space is working very well and the service has already identified and implemented a number of new revenue generating initiatives.
- 8.142 The new TIC serves as the anchor for the Old Courts area and continues to contribute significantly to the success of the adjacent tenants, therefore securing a long-term sustainable revenue stream for the Council. Income levels from the 3 tenants is as expected and further commentary on this can be found elsewhere in the MTS as part of the review of the wider Guildhall Project.
- 8.143 In addition a significant strategic step for the Visit Cambridge service has been the launch of a new membership scheme in January 2010. This sets out a series of clear measurable benefits for tourism partners, in return for an annual membership fee. Six months on Visit Cambridge has 180 members, which include accommodation providers, attractions and retail and leisure organisations, all working together to ensure that we maximise the economic benefits from our 4 million visitors each year.
- 8.144 In light of the City Council's budget pressures and in recognition that tourism is not a statutory service, a key service objective is to reduce the cost of tourism to the Council. Visit Cambridge is working hard to secure a sustainable model for tourism management in Cambridge, which could be arms length from the City Council. The new membership scheme represents the foundation of this new approach, which has been successful in a number of similar historic locations across the UK. It will continue to work very closely with its tourism partners and local stakeholders via the membership scheme, ensuring that everyone involved within the industry has the opportunity to shape the way forward. The service has also recently undergone a restructure to build capacity within the team to focus on business development and increasing revenue.
- 8.145 A continued key priority for the tourism service is to ensure that income targets on general commercial activity are realistic and not over ambitious, and the service plans effectively to secure current income levels.
- 8.146 The City Council continues to work closely with Love Cambridge, an organisation which brings together a wide range of interests, across both the public and private sectors and encourages them to work together proactively on a range of projects to improve the city.
- 8.147 Love Cambridge launched officially on 1 April 2009 and is built on the legacy of the previous informal City Centre Management Partnership, which was first set up back in 1995 and since then had been led by the City Council. The key objectives of the move to an independent organisation was to strengthen the partnership and to provide a structure which would enable all organisations involved to have a say in how partnership projects are delivered.
- 8.148 A key focus for Love Cambridge going forward will be to secure a long-term sustainable model for the Partnership. Going forward the City Council will be working with Love Cambridge to identify opportunities to deliver efficiencies for the Council whilst also providing a platform to partner with the private sector in tackling some of the key political priorities locally. Part of this will include investigating the feasibility of a potential merger of the tourism service with Love Cambridge to provide a broader Destination Management Partnership model.

Community Development

8.149 Although no formal savings target has yet been established, work is underway on future options including the ownership and management of both established community facilities managed by the City Council and also those which are planned as part of the new developments on the fringe of the city.

8.150 We will be reviewing:

- the management of existing community facilities to identify and deliver efficiencies
- the potential for achieving above inflation income targets at selected sites
- the transfer of assets and management responsibilities for community facilities to the community and voluntary sectors where there is demonstrable capacity and motivation
- the development of models for multi purpose and shared facilities with other agencies to provide more joined up services where costs can also be shared
- the potential for the creation of social enterprises to manage community facilities
- the potential of a Trust(s) to own and manage community centres
- the rationalization of owned and managed facilities, including the potential for disposal of facilities

Environmental Health

8.151 Contaminated Land

The Council owns a number of sites that have been identified as potentially contaminated. Currently there is no formal programme that has been established to assess these sites and remediate where necessary for the current use or to take action in the case where any contaminates may leach out to affect adjoining owners land.

8.152 Court Costs

The service operates within the terms of the Councils adopted enforcement policy. Potentially even for the best-prepared cases may fail in court, there is a risk of loosing a case and costs being awarded against the authority. Additionally in a number of cases Legal Services require the use of a Barrister and or expert witnesses. This is not covered by the SLA. The MTS therefore needs to make provision for such circumstances, as there is no departmental or corporate contingency.

8.153 Air Quality

Environmental Services has operated a number of automatic monitoring stations for air quality for over 12 years monitoring NO2 and PM10 particulates. Three of these sites are now due for replacement as they are obsolete and becoming unreliable. Repairs & Renewals funding is available and officers will be seeking approval to procure replacement equipment. Estimated cost of equipment is £120,000 with a service contract estimated to be around £7,000 per annum.

'Unavoidable' Pressures

8.154 For the purpose of the MTS revenue projections a number of the pressures identified have been treated as effectively 'unavoidable' and included in the base funding requirement. These are detailed in Appendix F.

HOUSING REVENUE ACCOUNT PRESSURES AND OPPORTUNITIES

DECENT HOMES

- 8.155 The Government target to achieve decency in the Council's housing stock is the end of December 2010. The Council have been working towards this target since June 2003, when initial contracts were entered into with two main contractors for the delivery of the Decent Homes Programme. At 31st March 2010, approximately 170 properties did not meet the required standard, but with the expectation that these works will be undertaken December 2010. By the end of 2010 the Council will have invested capital of approximately £43m in delivering its Decent Homes programme, against the initial forecast of £42m made in 2004.
- 8.156 For the last two years of the Decent Homes programme, target prices were established with our contracted partners resulting in significant financial savings against target costs.
- 8.157 Over 97% of the stock has now been surveyed from partnered resources, thus building on the original 10% stock condition survey undertaken by Savills and Co. in 2003. This allows the identification of investment requirements and the planning of future works to be based on a comprehensive knowledge of the housing stock. The stock condition survey and long term investment requirement will be externally validated before the end of 2010/11.
- 8.158 The key focus from 2011/12 will be maintenance of the housing stock in line with the decency standard. The CLG Consultation 'Council Housing: A Real Future, indicated an intention to expand standards for the future to include lifts and common parts of flatted accommodation. Work will be required to assess the volume of works required and therefore the level of additional investment that will be required to incorporate this into our programme.
- 8.159 Based upon current assumptions, and in the absence self-financing for the HRA at this point, there is anticipated to be insufficient resource for the Council to maintain decency in its housing stock over the longer term, driving a requirement to reduce costs. Planned maintenance works for 2010 onwards are currently being tendered, to secure a single contractor to deliver ongoing decent homes and other housing capital works, with results anticipated by late August.

HRA Repairs

- 8.160 There is continued pressure on revenue budgets in respect of day-to-day and void repairs in HRA dwellings, with the need to spend regularly exceeding the budget each year.
- 8.161 To address this under-funding, the base budget for responsive repairs has been increased by £380,000 per annum as part of this MTS, presenting a more realistic indication of the current financial position for the HRA in the coming years.

8.162 Recent soft market testing of the responsive repairs service has culminated in a recommendation to retain the service in house, but to implement an improvement programme, which over a period of two years, would be expected to deliver added value and a level of efficiency savings. With the base budget amended to reflect current costs, any efficiencies will be clearly demonstrable as part of the MTS and budget setting process in each year going forward.

HRA Review of Area Offices

- 8.163 Following the transfer of both repairs and tenancy management telephone services to the Customer Service Centre during 2009/10, it is anticipated that a review of the future use of housing area offices will follow.
- 8.164 It has been agreed that face to face activity in these offices will continue for a full year subsequent to the transfer of housing services to the CSC, allowing collection of sufficient data to inform the decision as to whether area offices should be retained in the longer term.

Supporting People

- 8.165 The County Council as Supporting People Administering Authority are budgeting for funding over the 3 years to 2012/13 to remain stable at approximately £11.4m. In real terms however, a reduction in expenditure of £800,000 per year over the 3 years is required to balance the budget over this timescale with further reductions anticipated beyond 2012/13.
- 8.166 The Supporting People Team has introduced a programme of measures to manage these financial pressures. A programme of 'modernisation' has begun involving the review of building based services coupled with the re-tendering of 'floating' support services undertaken in 2010/11. The re-tendering of Home Improvement Agency services is planned for 2011/12.
- 8.167 To address these cuts the City Council has introduced a range of cost-saving measures over the last few years, including a major review and restructuring of the Independent Living Service. This has involved reducing the number of hours going into some sheltered schemes, reallocating duties across the sheltered housing service, and reducing service levels in the Temporary Housing and Housing Support services.
- 8.168 Under the county's new Supporting People Commissioning Strategy, the priority is to move away from accommodation based services and for there to be a greater emphasis on providing floating support in people's own homes.
- 8.169 Contracting arrangements for Supporting People services are also being reviewed, and future contracts will be subject to procurement competition, and are likely to be let on a larger scale than currently and across authority boundaries.
- 8.170 It is recognised that the City Council's service costs are high compared with some other providers; relevant factors include the organisational overheads chargeable to the service, and the outcomes from the Council's Single Status Job Evaluation scheme.

Support for Older People

- 8.171 Funding allocated for sheltered housing used to be ring-fenced, but a Sheltered Housing Green Paper (agreed following a Best Value Review of Sheltered Housing) has approved a decrease in sheltered housing, an increase in extra-care, and funding being redistributed more evenly across the county, with the greatest shift in funding being away from Cambridge City, and this ring fence has now been lifted.
- 8.172 Cambridge City Council has, through its sheltered housing modernisation strategy, as well as improving a number of its schemes, reduced the overall number of sheltered units within the city, as required in the Sheltered Housing Best Value Review. Additionally, through its modernisation programme, the Council has refurbished two schemes to meet the lifetime homes standard, with a third scheme, Brandon Court due for completion in October 2011. All refurbished schemes are able to accommodate Extra Care Housing if required.
- 8.173 The County's Supporting People Team are reviewing the support that is available currently to older people across Cambridgeshire, to establish to what extent some of these needs could be meet through provision of floating rather than accommodation-based support. The intention is for funding to be re-distributed more evenly across the County, with the greatest shift in funding being away from Cambridge City.
- 8.174 Cambridgeshire County Council has advertised the contract for the provision of Extra Care Services at Ditchburn Place with a new contract to start in January 2011. The new contract reflects the move towards Self Directed Support and therefore reduces the core hours in the contract from 615 hours per week to 203 with the difference expected to be taken up by tenants purchasing their own care from whoever they choose. Cambridge City Council currently employ in the region of 35 full time equivalent care staff through the funding received from the County Council contract that expires in January 2011. Work was undertaken to assess the risks to the Council in submitting (and not submitting) a bid for the new contract with the reduced number of core hours, with the outcome being the submission of a tender for the deadline of 17th August 2010. The outcome is anticipated in late October.

Home Improvement Agency (HIA)

- 8.175 Supporting People and the Primary Care Trust (PCT) commissioned a review of Home Improvement Agency services across the county, and it has been decided to investigate further an option of combining three of the HIAs. This arrangement would remove the need for the services to be market tested.
- 8.176 With the proportions of Supporting People, Social Services and PCT funding of the City's HIA being only relatively small compared with the Council's contribution, the potential implications of this are not yet clear but the impact on the Council's position as service provider could be significant.

Support for Non-Sheltered Tenants

- 8.177 The Housing Support Service was extended in 2002/03 to provide support for tenants living in the Council's general housing stock in addition to those living in Temporary Accommodation. The Floating Support Service employs Housing Support Co-ordinators to support non-sheltered tenants and former street homeless tenants. Staff work with vulnerable, existing or prospective, tenants and those experiencing short-term difficulties in maintaining their tenancies because of rent arrears, anti-social behaviour or drug and alcohol abuse.
- 8.178 The Floating Support Service was formally re-tendered by the County Council at the end of 2009. The City Council's bid was unsuccessful and 8 full time equivalent staff are due to be transferred over to a new provider in 2011/12. This was the first formally re-tendered Support Service by the County Council and the future provision of all other support services remaining uncertain at the present time.

Supporting People Summary

- 8.179 There are significant challenges facing the City Council's Supporting People funded services.
- 8.180 Future funding for support services will be administered via Local Area Agreements. The full financial impact of this is unclear, but Supporting People funding is no longer ringfenced, and the allocation of resources will be subject to competition with other priority areas.
- 8.181 Although there is still considerable uncertainty around future funding, the likelihood of ongoing funding cuts, the planned redirection and re-channeling of existing funding, and changes in future contracting arrangements mean that there are likely to be significant impacts on service levels and on contributions from the HRA and General Fund over the next few years.
- 8.182 These changes also raise considerable uncertainty around the position of the Council as a provider of support services, and some difficult decisions will need to be made around the future of these services.

Electricity Costs

8.183 A recent programme to install electricity smart meters in respect of the supply to communal areas of all HRA flatted accommodation, has facilitated better long term monitoring and recharging of energy costs. In the short term, financial uncertainty still exists, as the programme of changeover results in actual reading of meters that may have been invoiced based on estimated readings by the energy suppliers for lengthy periods of time. As part of the 2011/12 budget process, electricity budgets will be reviewed to take account of both revised usage levels and reduced prices resulting from the corporate re-tendering of the electricity supply.

'Unavoidable' Pressures

8.184 For the purpose of the MTS revenue projections a number of the pressures identified have been treated as effectively 'unavoidable' and included in the base funding requirement. These are detailed in Appendix J.

9. Earmarked and Specific Funds

9.1 The Council maintains a number of earmarked funds. Those funds which are directly relevant to the budget proposals for 2011/12 are outlined below and full particulars of the transactions and balances are given in Appendix I.

Repairs and Renewal Funds

- 9.2 These are maintained to fund major repairs to, and the 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.
- 9.3 Significant asset portfolios within the Council, such as the City Services vehicle fleet or the ICT infrastructure, have medium and long-term programmes for replacements; which form part of the Council's Capital Plan. Individual items, or schemes, within these programmes are brought forward as capital bids subject to standard project appraisal and review requirements.
- 9.4 Details of Repair and Renewal Funds are shown in Appendix I-1.

Section 106 Contributions

- 9.5 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.
- 9.6 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.
- 9.7 At 31 March 2010 the Council held s106 contributions in the sum of £6,912,026 which included £783,540 of contributions received during 2009/10. In addition £736,547 of further contributions had been negotiated during the year, but not yet received (excluding growth sites and education and transport contributions to the County Council
- 9.8 Details of Section 106 balances are shown in Appendix I-2.

Technology Investment Fund (TIF)

- 9.9 This Fund was set up to facilitate investment in projects to develop existing, and introduce new, ICT systems and infrastructure within the Council in order to meet the Council's objectives and service delivery requirements.
- 9.10 Contributions of £84,320 p.a. have been made, from the savings made on the last tender for ICT Facilities Management contract.
- 9.11 However, despite the value of the Fund, over a number of years, in promoting the development of ICT and efficiencies in service delivery, it is felt that this approach cannot now be justified in the current financial context. The Council's ICT Steering Group has been consulted and support the proposal to end annual contributions from 2011/12.

- 9.12 This will mean that any ICT projects requiring new funding, once the balance on the Fund is fully expended, will need to be considered, and prioritised, against all other capital bids as part of the Capital Plan process.
- 9.13 At 1 April 2010 the Fund had a balance of £190,271 however £125,816 of this figure had been approved as a contribution to the costs associated with the Customer Access Project. Based on the existing scheme approvals a balance of £138,313 is projected as at 31 March 2010.
- 9.14 Bids for TIF funding are scrutinised by the ICT Steering Group, which makes recommendations to the Corporate Management Team. These are reflected in bids and project appraisal documents submitted to Members.
- 9.15 Details of the Technology Investment Fund are shown in Appendix I-3.

Housing and Planning Delivery Grant (HPDG)

- 9.16 The 3-year Housing and Planning Delivery Grant (HPDG) programme was intended to speed up plan making and housing delivery. The grant has now been withdrawn by Government and no grant will be paid in 2010/11 (which was to have been the last year of the programme). Any unspent balance from 2009/10 can be spent on either Capital or Revenue expenditure.
- 9.17 The approved City Council budget for 2010/11 includes a figure of £777,720 for planned HPDG capital and revenue expenditure. All planned capital expenditure can be met from grant allocations made in the first 2 years of the programme which have been carried forward. A sum of £340,570 HPDG revenue has similarly been carried forward into 2010/11 sufficient to meet much but not all of the planned revenue expenditure.
- 9.18 The current position on the revenue and capital elements of HPDG funding are shown in Appendices I-4 and I-5, respectively.
- 9.19 Housing Minister, Grant Shapps, wrote to all councils on 10 August 2010 to reiterate the Government's commitment to put in place a framework of incentives to encourage housing and economic development. It is proposed that this scheme will effectively replace HPDG.
- 9.20 The letter confirmed that a New Homes Bonus scheme would be put in place early in the spending review period to reward councils who facilitate the building of new homes. The letter also confirmed that Government are working up proposals on business rates reforms to encourage economic development, as well as reforming the Community Infrastructure Levy as part of the incentives package.
- 9.21 The details of how the scheme will work are yet to be confirmed, but previous announcements have included a proposal that the sum an area receives from Council Tax as a result of building new homes will be matched for a six year period. However, it is likely that the bonus scheme will be funded from within the existing Formula Grant allocation to local authorities and will not, therefore, represent wholly new money to individual local authorities.

Local Authority Parking Enforcement (LAPE)

9.22 Although the County Council took the parking enforcement service back from 1 April 2010, the residual LAPE funding (a 50% share of the cumulative annual surplus) is available for bids for agreed purposes.

9.23 The current position in terms of accumulated surpluses is shown in Appendix I-6.

Fixed-Term Posts Costs

- 9.24 Where the Council appoints staff on fixed-term contracts an obligation to pay redundancy costs can result and the end of that period. To cover this eventuality the Council has established an earmarked reserve, with effect from 2008/09, to hold contributions based on the potential liability of such posts.
- 9.25 The current position on the fund is shown in Appendix I-7.

Climate Change Fund

- 9.26 A Climate Change Fund with an initial capital investment of £250,000 was agreed at Council in February 2008 to be used to provide funding for schemes or activities which will contribute to the achievement of the Council's climate change and carbon reduction Medium Term Objective.
- 9.27 Activities to be supported by the Climate Change Fund include infrastructure, equipment, feasibility studies or promotional activities which contribute towards energy and fuel efficiency, sustainable transport, waste minimisation or management of climate change risks.
- 9.28 It is estimated that the 15 projects, in which a total of £218,672 of Climate Change Funds have been invested, so far will deliver the following benefits:
 - annual savings of £79,678.
 - pay back the sum invested within 2.7 years.
 - save a total of 259 tonnes of carbon dioxide per year
 - represent good value for money costing an average of £53 per tonne of carbon dioxide saved over the lifetime of the investment, within the target value of £100 per tonne of carbon dioxide (established with Council and Carbon Trust data).
- 9.29 The level of funding remaining to be committed is now limiting the projects and schemes which can be supported. If progress against the Council's MTO is to be continued consideration needs to be given to the provision of additional funding.
- 9.30 A further contribution of £250,000 is proposed in this MTS, to be funded from use of reserves. In approving additional funding, in the current financial environment, there will be a requirement for schemes to demonstrate an Invest-to-Save basis in order to be supported. This will ensure that whilst additional progress against the Council's environmental vision can be made, contributions will also be made to the need to identify cost reductions.
- 9.31 Bids for CCF funding are scrutinised by the Environment Strategy Group (ESG), which makes recommendations to the Corporate Management Team (CMT). These details are then included in the bids and project appraisal documents which are submitted to Members.
- 9.32 The current status of the Climate Change Fund is shown in Appendix I-8.

Efficiency Fund

- 9.33 Contributions are made to the fund to meet one-off costs in relation to corporate and service restructuring.
- 9.34 The following contributions were agreed and budgeted as part of the 2009 MTS:

2010/11: £ 75,000 2011/12: £475,000 2012/13: £200,000

9.35 Bids against this funding are considered and approved, where appropriate, by the Chief Executive.

10. Revenue Forecasts and Reserves

General Factors

- 10.1 The major assumptions on which the revenue forecasts are based are summarised in Appendix J.
- These are based on the analysis and conclusions set out in previous sections of this document, and are based on the best information available at the time of printing.
- 10.3 The assumption for income (and hence charges) is that there will be a basic increase in line with the assumed level of inflation. This has been built into the base calculation. Portfolio holders will still be required to review the level of all charges under their control, and any increases above that level, which are felt to be appropriate, will provide scope for further service development or enhancement.
- 10.4 Where factors used in forecasting vary between Funds these are specifically highlighted.
- 10.5 A number of areas of uncertainty still remain, where the exact financial impact on the Council cannot yet be accurately identified. These items are detailed in Appendix G, and must be borne in mind when setting the financial strategy in general, and the individual committee cash limits in particular.

General Fund

- 10.6 The anticipated net spending for the period 2010/11 to 2014/15 is set out in Appendix K.
- 10.7 The original budget for 2010/11 approved net General Fund spending at a level of £24,017,650, which included a use of reserves of £4,882,330. This reflected a contribution of £2,291,000 to fund capital expenditure.
- 10.8 The projected position for the General Fund reserves is also included in Appendix K. This projection includes the effects of changes in capital resources and re-phasing and the requested carry forwards from 2009/10.
- 10.9 The revised projection of the use of reserves in the current year (2010/11) now indicates that there is expected to be a net use of reserves of £5,939,130, 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).
- 10.10 These have been built into the latest projection.
- 10.11 The final reserves position for 31 March 2010 is £10,382,080. This includes £1,034,280 which will be used to fund the approved carry forward items.
- 10.12 It should be noted that this also included the £1.31m of additional Concessionary Fares Special Grant which was received in respect of 2010/11. As part of the February 2010 BSR it was decided that this should be added to Reserves unless a requirement to apply it was identified.
- 10.13 The projected position for General Fund reserves to 2016/17 is shown below :-

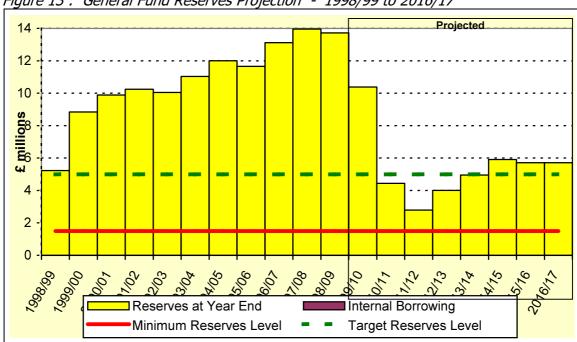
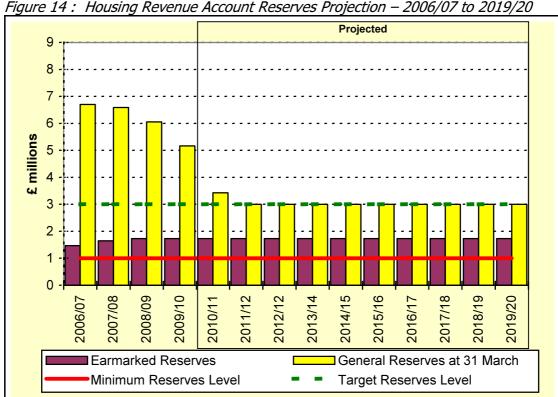


Figure 13: General Fund Reserves Projection - 1998/99 to 2016/17

- 10.14 The 10-year projection is important in this instance as it demonstrates that the impact of the unavoidable cost pressures can be handled, whilst providing for the temporary use of reserves to fund key projects such as the Customer Access Strategy.
- The lowest point resulting from the temporary use of reserves is at the end of 2011/12, when 10.15 the balance will be £2.792m, which is still comfortably in excess of the minimum working balance requirement.
- 10.16 The graph demonstrates that the level of reserves will return to the target level from 2013/14 onward, when they continue at a sustainable level.
- General Fund reserves are also used to support the Council's Capital 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.
- Risk analysis and a determination of the adequacy of the level of reserves are key elements 10.18 within the statement which Chief Financial Officers (CFOs) are now required to provide, under Section 25 of the Act, in conjunction with the final budget and Council Tax recommendations.
- 10.19 The corporate planning and decision-making cycle shows how the corporate risk and assurance framework has been integrated. As part of this process, a review of the full 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.
- 10.20 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 L.

Housing Revenue Account (HRA)

10.21 A similar forecasting exercise has been undertaken for the Housing Revenue Account as for the General Fund, details of which are included at Appendix M. A section identifying known commitments and their impact on the level of balances has been included in order to give a more meaningful context for decision-making. The projection is also shown in the chart below, against the agreed minimum and target levels.



- 10.22 This serves to highlight that the planned reduction in the level of reserves down to the target level of £3m will be achieved by the end of 2011/12, from which point revenue plans are based on delivering a balanced HRA budget with no requirement to use reserves. As part of the annual budget setting process, savings targets are set to not only deliver a balanced HRA, but also to create policy space of up to £75,000 per annum, allowing for the strategic redirection of HRA resources to meet ever changing service demands.
- 10.23 The decision to reduce the level of HRA reserves to a target of £3m has provided additional funding to support capital expenditure in the medium term, particularly in respect of meeting Decent Homes and responding to a statutory requirement to meet updated fire safety standards in communal areas of the housing stock.
- 10.24 Balance projections will need to be revisited, particularly in the light of the current review of the Council Housing Finance and the need to reflect an updated position with regard to the HRA following changes as a result of the Council's corporate restructure. A review of the reserves position will take place as an integral part of the annual budget process.

- 10.25 With the assumptions currently being modelled, it is not possible to present a sustainable Housing Revenue Account for a 25-year period, unless an assumption is made that annual ongoing savings are identified at a level of 4.3% per annum. With general inflation assumptions included at 3.2%, this level of savings is obviously not deliverable on an ongoing basis without a significant reduction in the level and quality of services offered to all tenants.
- 10.26 This serves to further support the need for change from the existing Housing Revenue Account Subsidy system, and advocates the need to move towards self-financing for the HRA should the opportunity arise.

City Services

- 10.27 The City Services department operated as a trading department of the Council from January 2000 until the recent corporate restructure, providing a combination of direct services to the public and recharging costs incurred in the delivery of services on behalf of other service departments to the General Fund or the Housing Revenue Account; as appropriate.
- 10.28 A key element of the recent corporate restructure has been top remove the final elements of client / contractor split in the delivery of services, and service delivery teams previously within City services have been integrated within the relevant departments.
- 10.29 The Council will, however, continue to report the trading performance of a number of functions; on a memorandum account basis. These are reflected in the table shown below:
- 10.30 From September 2010

Table 20 : City Services Trading Surplus / (Deficit) 2010/11

	General Fund				
Cost Centre	For Internal Client £	External Trading £			
Building Services	0	8,140			
Fleet Management	0	0,140			
Waste Management	138,100	0			
TOTALS	138,100	8,140			

Part D

Capital

11. Asset Management

- 11.1 The Council has (at 1 April 2010) a diverse asset portfolio including 7,364 council dwellings (council houses, sheltered dwellings and shared ownership properties), substantial areas of common land (109 hectares) / parkland (83 hectares), as well as assets for direct service provision including swimming pools, community centres, car parks and a major concert venue.
- 11.2 There is also a sizeable commercial property portfolio including a selection of small business units aimed principally at small local and start-up companies plus over 80 shops in council estate locations which provide important local services for their communities.
- 11.3 The total value of assets held by the Council at 1 April 2010 is presented below. This shows an overall increase in value over the previous year of £53,082,000 largely reflecting partial recovery in property values following the economic downturn experienced in 2008/09:

Table 21: Total Value of Assets (as 1 April 2010)

Category	Val	ue
	£ 000	%
Operational Assets		
Council dwellings	575,320	74.40
Other land and buildings	91,072	11.78
Vehicles, plant and equipment	9,041	1.17
Infrastructure assets	1,324	0.17
Community assets	678	0.09
Total Operational Assets	677,435	87.61
Non-Operational Assets		
Investment properties	89,034	11.51
Assets under construction	470	0.06
Surplus assets for disposal	6,369	0.82
Total Non-Operational Assets	95,873	12.39
Overall Total	773,308	100.00

Asset Management Plan (AMP)

11.4 The Council's approach to asset management is considered to be robust and purposeful, based on previous assessments of its Asset Management Plans. Our approach to asset management is kept under review and amended, as necessary, to reflect changing circumstances and best practice within this area.

- 11.5 The AMP fulfils a key role in considering how the deployment and use of assets (land and buildings) can be optimised in terms of benefits for the delivery of council services and the achievement of a financial return. The Council's Asset Management Group owns the plan, employing it in the consideration of asset management decisions and projects referred to it.
- 11.6 A key element of effective asset management planning is monitoring the performance of assets to identify any that are currently held which are deemed to be under-achieving, or which are no longer appropriate to hold in the portfolio. This enables consideration to be given to alternate uses or disposal. The Council has undertaken such a process for a number of years through the annual Property Portfolio Review and this needs to continue to challenge property retention, performance and opportunities.
- 11.7 The potential for joint asset plans and strategies ifs being explored with public sector partners through the Making Cambridge Count initiative. This could lead to the identification of more effective use of assets, with the possibility of capital receipts and reductions in running costs being delivered.
- 11.8 The Council's Office Accommodation Strategy is due for review in 2010/11 but some preliminary work has been done to identify where and how improvements can be made in the future. This has been discussed at the Asset Management Group and Corporate Management Team and will be developed further in the formal review. This is dealt with specifically elsewhere in the MTS.
- 11.9 The strategy for the management of Housing related assets covering the period 2007-2010 was agreed by Community Services Committee on 19 July 2007. This strategy is due to be revisited during 2010. With the completion of the Decent Homes programme in December 2010, the core of a new strategy will be the retrofitting of homes in order to meet carbon emission and energy requirements. The application, installation and maintenance of new technologies will present many challenges for those involved. However, the provision of any external future funding arrangements for works of this type is currently uncertain.
- 11.10 Should housing self-financing come about, then the current stock condition survey database will require external verification. This will be required as the database projects financial investment requirements over the long term, representing a significant component of the HRA business plan.
- 11.11 One major benefit of self-financing will be that long-term planning of investment programmes may be undertaken with certainty, rather than having to adjust programmes to match resources arising from the annual HRA determination which can vary significantly from year to year. In turn this will allow service improvement in keeping our residents informed as to future events.

Property Portfolio Review

11.12 The significant growth requirement around the City has provided the Council with opportunities to bring forward land for development (commercial and / or housing), with possible additional capital receipts or to meet other objectives of the Council. This may result in significant opportunities for capital reinvestment over the medium-term as the receipts are realised or enable delivery of other objectives through partnerships or collaborative agreements.

- 11.13 Major sites identified through the Property Portfolio Review include land at Orchard Park and Clay Farm for housing, and land at Cowley Road for commercial uses. Smaller sites have also been identified but with potential to generate reasonable capital receipts or provide land for the Council's own purposes such as Council house building. Given the pressure for development, other windfall sites may be identified, e.g. the redevelopment on land currently occupied by low density housing that is in need of renewal, infill sites.
- 11.14 The Property Portfolio Review also considers under-utilised property and allows consideration of more beneficial uses. The Guildhall Project, for example, freed up space for commercial development and allowed for reinvestment in improving both service delivery and the Council's property.
- 11.15 The current year's Property Portfolio Review is underway looking at the majority of the Council's commercial assets and other key asset groups such as public conveniences, car parks, swimming pools and community centres. This will challenge the reasons for holding such properties, identify those where more detailed review is necessary or where assets may be suitable for community transfer. This should lead to future asset disposal and reinvestment opportunities as well as more localized/individualized property strategies at property, not portfolio, level.
- 11.16 Some potential strategic acquisitions have also been identified through this process and these are reported through the Asset Management Group. The Property Portfolio Review should help to identify possible funding solutions for these by disposal of under-performing properties with reinvestment into strategic acquisitions.
- 11.17 Current market conditions mean that in the short term, decisions not to sell may be made pending an improvement in the market or alternative approaches to open market sale may be considered.
- 11.18 As receipts from disposals cannot be guaranteed until buyers are found and legal agreements concluded, possible usable receipts are not taken into account for funding purposes until a sale is contractually committed. On completion of a sale, the receipt would be applied in line with the Council's financing strategy, effectively replacing existing use of reserves in the first instance. This prudent approach allows the Council to manage the financial risks around disposals and this is especially necessary in uncertain market conditions.
- 11.19 Figures for rental income built into the forecast allow for changes due to the projected disposals.

 Detailed findings from the review are normally reported through the Asset Management Group with larger development or collaboration opportunities reported to the Strategy and Resources Committee.
- 11.20 When planning any further asset disposals, the revenue impact of the disposals (i.e. the potential loss of net rent income from the asset against the income which would be received from the investment of the set-aside portion of the receipt) is also taken into account.
- 11.21 A key part of the Property Portfolio Review, complete in 2010, has been the Asset Register an reference guide to all commercial and administrative buildings within the City. Key data is included for each individual property including a brief description, building size and energy consumption as well as standard data such as the site address.
- 11.22 This will provide an enhanced basis not just for identifying any under-performing assets, but also the priority requirements for repair or reinvestment in assets as well as those where investment can address poor environmental performance.

Asset Disposals Programme & Management

11.23 The portfolio review process has highlighted a number of assets which the Council has identified for disposal, and these are outlined in the table below. However, the current market conditions continue to create risk and uncertainty about both price and timing of sales:-

Table 22: Assets Scheduled for Disposal

Anticipated Point of Disposal	Fund	Asset	Comments
2010/11	GF	Site of Former Yasume Club, Auckland Road	Sale agreed subject to planning consent.
2010/11	GF	Sale of 45-47 Castle Street	Proposed sale in progress
2012/13	GF	Site K1, Orchard Park	Identified for possible self provided housing scheme
2011/12	HRA	Site of former Nursery, Wadloes Road	Currently considering most appropriate use
2012/13	GF	Former Park & Ride Site and Golf Driving Range, Cowley Road	Subject to Area Action Plan being prepared and agreed by cross Authority Section 29 Planning Committee
2013/14	GF	Land at Clay Farm	Within wider Southern Fringe development, subject to Collaboration Agreement with adjoining land owner

Development Sites

- 11.24 The Council has several potential and/or identified development sites for disposal in the future and these include Site K1 at Orchard Park, Clay Farm, Cowley Road and Mill Road Depot. The last of these sites would require relocation of the Council's operational activities to another location either in isolation or with other services depending on the outcome of the Office Accommodation Strategy as referred to elsewhere in the MTS. The timing of disposal of these sites is flexible to some extent, although some receipts are considered necessary to finance infrastructure and other related disposal costs.
- 11.25 These sites can create opportunity to deliver several of the Council's key objectives in the following areas: -
 - Financial, through the potential for substantial capital receipts for reinvestment in the Council's priorities
 - Sustainability, depending upon how the sites are disposed
 - Housing, both private sector and the associated provision of affordable housing
 - Efficiency, by potentially enabling changes to the Council's operational property portfolio

- 11.26 The disposal of these sites will require considerable project management to bring them to market. As well as the disposal and procurement implications, much investigatory and preparation work will be required by experts if the value of the sites (both financially and non-financially) is to be maximised
- 11.27 Whilst the Council probably has the expertise to undertake the project management, initial procurement and legal issues, sufficient resource needs to be identified and allocated if these projects are to be delivered in a realistic timescale. External expertise will be required in more specialised areas such as planning, development, contamination, valuation and local market intelligence. These costs are necessary and likely to be substantial but relatively insignificant in relation to the potential capital receipts. These costs will, however, be incurred in advance of any capital receipt and so will require funding to be available unless a development partner is appointed to bring the sites forward for development and they undertake these activities.

Property Portfolio Income Projections

- 11.28 The current market conditions remain challenging and income growth is likely to be slower than in the past. It is probable that there will be some impact on income in the short to medium term due to:
 - Businesses struggling and reducing liability by moving out at short notice or trying to renegotiate terms
 - Rental growth forecasts likely to be affected by market conditions with negative growth in some cases
 - Empty property rates increasing the cost of holding larger vacant property
 - Leases expiring during less favourable market conditions, and
 - The need for greater incentives to attract and retain tenants.
- 11.29 Revised rental income forecasts have been built into the projections for the MTS.

Housing Asset Management Strategy

- 11.30 In July 2007, Community Services Scrutiny Committee approved an update of the Asset Management Strategy for Housing Related Assets. This strategy will be due for renewal next year.
- 11.31 With the completion of the Decent Homes programme at the end of 2010, the retrofitting of existing housing stock to meet energy and carbon emission requirements is likely to dominate the housing maintenance investment agenda for some years to come. Retrofitting will pose considerable challenges, particularly in older housing, for the application of new technologies and subsequent maintenance.
- 11.32 Some critically important decisions will have to be made in the coming years as to the future installation of mechanical and electrical equipment and heating systems which are appropriate, but which also provide a solution which meets the Council's environmental aspirations, together with those of the end user in a rapidly changing energy environment. For example, is the current emphasis on high efficiency gas heating appropriate for the future?

- 11.33 Should the proposed self-financing model for the HRA be introduced, external validation of the housing stock condition survey will be required and a new assessment made of the profiling of investment needs over a 30-year period for all building related fabric.
- 11.34 The self-financing model also proposes expansion of the decent homes criteria to cover lifts and communal areas, the impact of which will need to be fully quantified.
- 11.35 In relation to the housing management strategy, a major advantage of the self-financing model would be an enhanced ability to determine investment programmes (and therefore let contracts) for some time to come with confidence, rather than the year on year process currently deployed due to the uncertainty of the annual HRA Subsidy system.

Housing Revenue Account (HRA) New Build

- 11.36 In April 2009 the then government announced £100 million of funding, to be administered by the Homes and Communities Agency, for local authorities to build 900 new council homes, providing a mix of £50 million grant funding and £50 million of loans made available through prudential borrowing. This funding commitment was later increased to £350 million.
- 11.37 New council homes delivered via this funding need to meet enhanced levels of energy efficiency and need to be fully delivered by March 2011. They will be managed as part of the HRA stock, but will fall outside of the current HRA Subsidy System.
- 11.38 Cambridge City Council were successful in securing grant funding of £295k towards the costs of building 7 new affordable homes in the city, in Harris Road, Cockerell Road and Church End. Work is now underway, with completion of all units anticipated to be within the prescribed timescales, by March 2011.
- 11.39 Preparatory work is also underway in respect of regeneration and new build schemes for other potential sites in the city, in readiness for either future bidding rounds for HCA grant or the ability to borrow and fund our own investment which may be afforded by self-financing for the HRA.
- 11.40 As part of this, feasibility work has been undertaken looking at options for redevelopment of the Seymour Court sheltered scheme, which is a sheltered housing scheme that has been approved for redevelopment as part of the Council's Sheltered Housing Modernisation Programme. Originally it had been anticipated that the scheme, once empty, would be transferred to a housing association to redevelop. With new opportunities for Councils to build new Affordable Housing direct, a process is being pursued to secure grant to enable the City Council to redevelop the site itself. The baseline scheme being worked-up is to provide 21 new Affordable Homes to be managed within the HRA, plus 9 new homes for sale with a house-builder/developer partner taking all of the risk on the homes for sale. Assuming grant from the Homes and Communities Agency at a competitive rate the balance of the Affordable Homes would need to be funded by prudential borrowing of approx £1.625m.

12. External Funding Projections - Capital

12.1 Legislative and regulatory changes introduced from 1 April 2004 resulted in significant changes to the funding regime for capital. The changes brought an end to the use of a system of credit approvals to each authority as a means of limiting the power to borrow, replacing it with a more flexible system based around affordability.

Prudential Framework

12.2 The Local Government Act 2003 introduced changes to the financing of capital expenditure, including a new prudential capital finance system (the Prudential Framework), effective from 1 April 2004.

Prudential Borrowing

- 12.3 Under the Prudential Framework local authorities are now free to make their own judgements as to whether new borrowing is affordable and prudent, subject to a duty to follow agreed professional principles.
- 12.4 These professional principles are contained within the Prudential Code, which was developed specifically for the purpose by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 12.5 Under the Framework the Secretary of State retains a national 'long stop' limit on the power to borrow, so as to be able to ensure that the overall position is consistent with national economic policy. This power has not been used to date.
- 12.6 The main advantages offered through borrowing under the Prudential Framework are in terms of :
 - a) Rescheduling capital expenditure where existing levels of revenue used to directly fund capital schemes are used instead to meet the costs of borrowing, allowing a significant initial amount to be spent. The downside of this is that it is primarily a one-off move, bringing forward expenditure or facilitating a single expenditure on a significantly higher level than could otherwise be afforded.
 - b) Spend-to-Save schemes where the capital investment achieves revenue savings which could wholly or largely meet the ongoing revenue costs associated with the level of borrowing required.
- 12.7 The Prudential Framework seeks to formalise and standardise good practice, particularly in terms of making clear the revenue consequences of capital spending decisions. To this end a set of Prudential Indicators must be approved and published by authorities each year (shown in the Treasury Strategy at Appendix C).
- 12.8 The City Council has always ensured that revenue implications and affordability are central to decisions on capital, and the decision-making framework proposed this year incorporates the marginal prioritisation of available funding between capital and revenue spending, without requiring any additional Council Tax increase to meet specific new approvals.

National Pooling of Housing Capital Receipts

- 12.9 The redistribution of housing capital receipts has been a fundamental principle of national housing capital finance since the national pooling regime was implemented from 1 April 2004.
- 12.10 Pooling applies to 75% of receipts from right to buy sales and 50% of other receipts, unless specific exemptions can be claimed. The pooling arrangements also apply to non-monetary receipts.
- 12.11 Capital receipts below £10,000, nomination rights and stock transfer receipts are specifically excluded from pooling. The regulations also allow the deduction of administrative costs of, and incidental to, disposal and costs of improvements made to the asset in the 3 years preceding disposal.
- 12.12 Authorities are also allowed to exclude from pooling non right to buy receipts if offset against their Capital Allowance, which includes the amount of any spend (or resolution to spend) on the provision of affordable housing or regeneration. To this extent the definition of these two areas are critical to effective capital planning.
- 12.13 The current legislation unfortunately appears to capture capital receipts in relation to the re-sale of shared ownership dwellings, where the intention of the scheme is to recycle the shared ownership stock, buying back properties when residents wish to move, allowing their re-sale to those qualifying to be on the Council' shared ownership register, thus ensuring that we maximize this type of intermediate housing. Indications are that it may not have been the intention of CLG to capture these receipts as part of the pooling regime, and the treatment of these is subject to review for the future.
- 12.14 If self-financing were to be implemented in respect of the HRA, following the outcome of the consultation 'Council Housing: A Real Future', there will no longer be a requirement to pool housing capital receipts. Receipts from HRA new build can already be excluded from the pooling regime, subject to the relevant approvals.

Major Repairs Allowance (MRA)

- 12.15 MRA is currently received through the HRA Subsidy system and is "ring-fenced" to be spent on major repairs and improvements to the Council's own housing stock. The allowance for 2010/11 is £5.020m (compared to £5.048m in 2009/10) and assumptions are made, based on the current HRA Subsidy System, that it will be increased by inflation on an annual basis, with proportional reductions for right to buy sales.
- 12.16 This allowance is one of the key funding streams in relation to achievement and maintenance of the Decent Homes Standard in council housing stock. It is however, recognised in the latest consultation, which reviews future funding for council housing, that the level of funding provided via the subsidy system is significantly lower than required. Despite recognition, this under-funding was not addressed as part of the 2010/11 HRA Subsidy Determination, and the outcome of the current consultation or alternatively the 2011/12 Subsidy Determination are therefore awaited.

Right to Buy Sales (RTB)

- 12.17 The proceeds of dwelling sales under the RTB scheme were historically the major source of capital receipts, and have been a major factor in our expectation that we would achieve decent homes by the end of 2010.
- 12.18 The Council has, for a number of years, given a commitment to earmark the usable element of receipts from the sale of council houses for housing purposes.
- 12.19 A combination of the impact of the requirement to pool a proportion (75%) of right to buy receipts and a decline in the level of right to buy sales, has resulted in a significantly lower resource being available for reinvestment in housing.
- 12.20 In 2009/10 and 2008/09, only 13 and 6 dwellings were disposed of under the right to buy scheme respectively. This compares to the previous two years, where 43 and 72 dwellings had been sold under this scheme. Sales to date during 2010/11 remain at the lower level experienced last year, anticipated to be as a result of the current economic climate. This drives a prudent assumption of future sales in the HRA financial modelling, which directly impacts on the authorities ability to deliver its Housing Capital Investment Programme going forward.

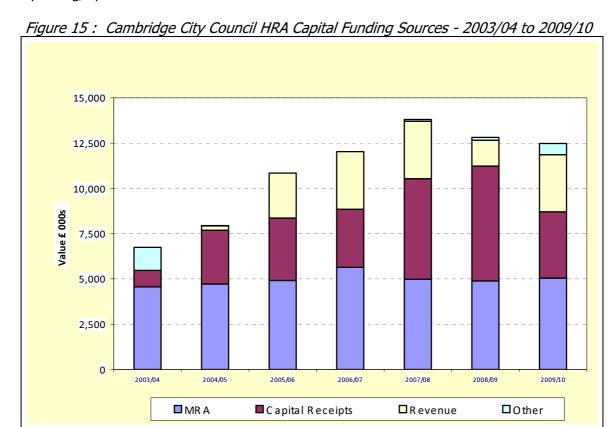
Table 23 : Right to Buy Sales - 2006/06 to 2012/13

	Actual Sales				Forecast Sales			
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Sales - Houses	41	23	2	11	7	5	4	3
- Flats	31	20	4	2	6	5	4	3
Total Sales	72	43	6	13	13	10	8	6
	£m	£m	£m	£m	£m	£m	£m	£m
Net Capital Receipt	8.306	5.760	0.860	1.892	1.623	1.248	0.999	0.749
- of which 'Usable'	3.720	1.512	0.142	0.505	0.430	0.327	0.261	0.196

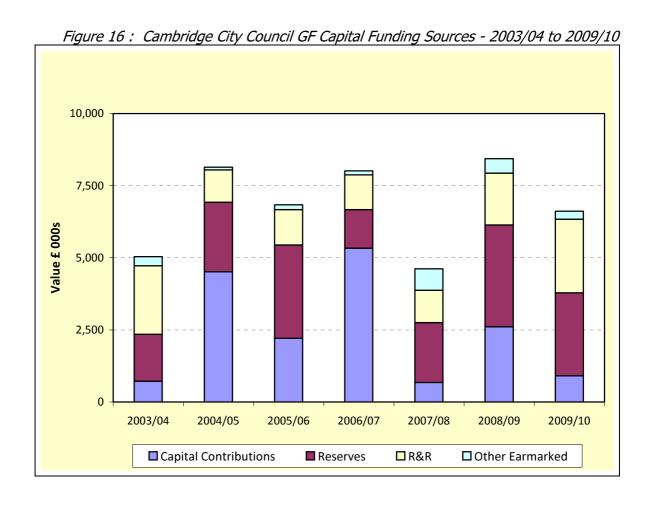
- 12.21 Predicting the level of right to buy sales continues to be a particularly difficult area to estimate accurately, as it is affected by external factors, such as interest rates, property prices and the economic position in general.
- 12.22 From a revenue perspective currently, a reduction in right to buy sales results in the retention of a greater housing stock, bringing with it a higher rental stream, but also greater negative HRA Subsidy payment. Should self-financing be introduced, the Council would retain the full benefit of the rental stream in the HRA.

Summary

- 12.23 Whilst bidding to specific funding sources continues to be a key part of obtaining capital funding, the Council continues to employ a policy of making Direct Revenue Funding contributions from the General Fund to provide for capital expenditure requirements although these are reviewed for relative affordability each year.
- 12.24 The graphs below illustrates the trend in terms of the sources of funding for the Council's capital spending, by Fund :-



- 12.25 This demonstrates that the amount of funding available for capital has increased due to the introduction of MRA, however as this is ring-fenced for use on the HRA the Council is reliant upon its own resources to support the wider Capital Plan.
- 12.26 The increase in City Council Funding from 2003/04 was due to the Council being able to utilise 100% of Right-to-Buy receipts.
- 12.27 Capital Plan schemes are shown at gross cost, with all funding sources shown. This enables more effective targeting and monitoring of external funding for capital



- 12.28 This shows the uneven nature of the capital spending for General Fund schemes and Programmes.
- 12.29 It also demonstrates the reliance upon funding from other sources and one-off funding to be able to undertake significant projects.

13. Capital Spending Pressures

Review of Approved Capital Programmes

- 13.1 Each of the Council's approved Programmes has a remit statement (as detailed in Appendix N) which includes a specified end date. This point tasks the relevant lead officer with reporting back to the relevant committee to confirm that the objectives of the Programme have been achieved, or that an extension should be considered with an associated capital bid.
- 13.2 The table below shows the approved periods for the existing Programmes.

Table 24: Approval Periods for Current Capital Programmes

Capital Ref	Description	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015
PR003	City Centre Management Programme	46				
PR006	Safer City Programme	22				
PR007	Cycleways	451	50			
PR010	Environmental Improvements Programme	105				
PR010a	Environmental Improvements Programme - North Area	191				
PR010b	Environmental Improvements Programme - South Area	155				
PR010c	Environmental Improvements Programme - West/Central Area	175				
PR010d	Environmental Improvements Programme - East Area	376				
PR010di	Environmental Improvements Programme - Riverside/Abbey Road Junction	577				
PR010j	Environmental Improvements Programme - Fitzroy/Burleigh Street	183				
	Environmental Improvements - Wulfstan Way Local Centre	174				
PR014	Environmental Safety Fund	25				
PR016	Public Conveniences	147				
PR017	City Services - Vehicle Replacement Programme	1,350	1,420	540	960	750
PR018	Bus Shelters	166	55			
PR019	Car Parks Infrastructure and Equipment Replacement Programme (also see individual schemes)	96	630	269	244	789
PR020	ICT Infrastructure Programme	811	520	300	560	540
PR022	Local Nature Conservation	4				
PR023	Admin Buildings Asset Replacement Programme	179	68	52	41	70
PR024	Commercial Properties Asset Replacement Programme	60	272	90	80	0

Capital Ref	Description	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015
PR025	New Town Community Development Capital Grants Programme	125				
	Capital-Programmes	5,418	3,015	1251	1885	2149

- 13.3 This serves to highlight the approach previously adopted of seeking to ensure that the majority of Programmes come to the end of their approved time period at 31 March 2011, so that consideration of any further funding could be made in the context of the next Spending Review and Grant Settlement periods. This is also reflected in the high levels of uncommitted capital funding available in latter years of the projection.
- 13.4 Reviews of these programmes are required as part of the current budget process, to identify progress to date against the agreed remit, and whether there is any requirement for bids to extend the funding of the programme in future years.
- 13.5 The following programmes, ending in March 2011, were reviewed at Scrutiny Committees during 2010/11:

Table 25: Current Capital Programmes Already Reported to Committee

Programme	Scrutiny Committee	Date	Action
Public Conveniences	Environment	12 January 2010	Consider ongoing investment (see also Section 13)
Car Parks Infrastructure and Equipment Replacement Programme	Environment	22 June 2010	Note progress and consider Hold List item (Park Street Car Park)
New Town Community Development Capital Grants Programme	Community Services	1 July 2010	Proposed further bid of £125,000 into MTS 2010 to extend programme into 2012/13

13.6 It is anticipated that the following programmes will be reviewed during the 2011/12 Budget process and appropriate programme reviews submitted during the January Committee cycle.

Table 26: Current Capital Programmes Still to be Reviewed

Programme	Scrutiny Committee	Date
Cycleways	Environment	January 2011
Environmental Improvements Programme (all)	Environment	January 2011
Local Nature Conservation	Environment	January 2011
City Centre Management	Strategy & Resources	January 2011

Review of Hold List

- 13.7 It is also important that items currently on the Council's capital Hold List are reviewed. These are items which have been approved in principle, but are awaiting the identification and approval of appropriate funding before they can proceed.
- 13.8 There is currently a single scheme on the hold list:
 - H28 Park Street Car Park repair and refurbishment
- 13.9 Park Street will need extensive repairs, on a scale comparable to projects at the multi-storey car parks at Queen Anne Terrace (£2m in 2004), and Grafton East (£2.4m in 2008).
- 13.10 Initially the works were estimated to be required during 2011/12, at a cost in the region of £1m. Subsequent work has identified that the works will not be required until 2012/13, but that the cost of the works is now expected to be around £3m.
- 13.11 In order to obtain a more detailed understanding of the works and costs that will be involved, a bid was submitted for funding from the LAPE Fund as part of the 2010/11 budget process. The approval of £47k of funding (Capital bid C2046) has meant that corrosion monitoring work has been commissioned, and will start on site shortly.
- 13.12 A site survey will be carried out and a specification for repairs and refurbishment prepared, and costed, by July 2011 so that a capital project appraisal can be drawn up and a budget bid submitted as part of the 2012/13 budget process.
- 13.13 In parallel with this work consideration can be given to the medium and long-term requirement for the car park; and possible alternate uses. This will provide an appropriate context for a decision on the level and nature of the works to be undertaken (e.g. 'make do and mend' if it is not required as a car park in the longer-term, through to full remedial works for a longer-term solution).

Car Parks

- 13.14 Further work is needed In order to sustain the efficiencies achieved since the Car Parks Review in 2008, and to retain both increased demand for car parking and the profitability of operations. A programme of works is planned, that includes the following projects:
 - completing the centralisation programme, replacing the parking control equipment at the Grand Arcade in 2011/12
 - relocating the accommodation for the parking administration and operations teams and Shopmobility services to within the Grand Arcade car park in conjunction with the above centralisation programme to realise further sustainable efficiencies in 2011/12
 - maintaining the structural integrity of other car parks including projects to decorate and renew the fixtures and fabric of the car parks

 introducing new parking charging schemes such as more cashless parking and emissionsbased charging

Lion Yard

- 13.15 Section 8 detailed the further development being undertaken and proposed by the head-lessee, Barclays Nominees, in relation to the Lion Yard Shopping Centre and the revenue implications in terms of future rental streams have been reflected in forecast income.
- 13.16 Capital scheme SC221b provides funding of £704k for the additional Phase 1+ works as described in Section 8. The timing of these works is uncertain due to market conditions. It is anticipated that Phase 1+ will be concluded within 3 years or sooner if pre-lets can be agreed with tenants.
- 13.17 Scheme SC221c relates to a £458k contribution to Phase 2 works, which are proposed but not yet confirmed. Phase 2 is dependent on changes to and timing of tenant's leases, but is likely to commence within the next 1-2 years. This will improve the integration with Grand Arcade Shopping Centre. There is likely to be an under-spend on the Phase 1 works in the region of £484k and this will be allocated so Phase 2, providing total funding available of £942k.
- 13.18 These capital schemes are the Council's 25% contribution to the cost of the works rather than having a substantial income reduction in perpetuity to reflect the head-lessee's capital investment in the Shopping Centre.

Public Conveniences

- 13.19 The Council is committed to maintaining the current level of public toilet provision in the city. The strategy agreed by Environment Scrutiny Committee 2001, which was extended in 2006, to provide capital funding to improve the quality of public toilets has now been completed. Whilst the public toilets originally identified as priority for investment have been modernised, over this period of time others have now fallen below acceptable standards are in need of capital investment. The priorities are:-
 - Silver Street underground facilities
 - Barnwell Road
 - Coleridge Recreation Ground
 - Jesus Green
 - Cherry Hinton Hall
- 13.20 The continued growth of the late evening and nighttime economy in Cambridge city centre is putting ever-increasing pressure on the need to provide toilets to which the public have access. Street urination, whilst not something that is reported, is never the less very evident every morning amongst the market stalls, shop doorways, stairways and passages. Seeking partnerships with businesses have been explored but without success. Capital investment in toilet provision that caters for nighttime economy is a priority in order to keep the streets and public places safe and clean for everyone to use.

13.21 A programme of repairs and renewals for the twenty public conveniences currently provided by the Council is being undertaken following the recent review of all assets. This report will help determine the future funding requirements for maintenance, repairs and modernisation and establish a realistic annual contribution to the R & R fund to ensure the level of service attained can be continued. The present contribution to the repairs and renewals fund is £25,000 per year. This was increased by £25,000 in 2008/09 for three years only, additional funding will be sought in the forthcoming budget round.

Orchard Park and Clay Farm Developments

- 13.22 The City Council owns land which forms part of each of these developments, and as such is, or will be, party to collaboration agreements for the provision of the infrastructure necessary to facilitate the developments.
- 13.23 The collaboration agreement is already in place for Orchard Park (formerly Arbury Park) and the Council has already made significant contributions towards the collaboration costs. The remaining contractual commitment forecasts have already been provided for in the MTS projections.
- 13.24 The Council is seeking to dispose of Orchard Park for an innovative self provided housing scheme. This will defer any capital receipt until probably 2012/13 at the earliest although the Council will still need to meet collaboration costs as they arise. This disposal approach will incur additional disposal/project management costs estimated to be in the region of £50,000 but it is believed that these costs may be funded externally to the Council.
- 13.25 The collaboration agreement in relation to Clay Farm has yet to be finalised, but it anticipated that this will be concluded shortly. The Council's share of the collaboration costs will probably be due for payment from 2013/14 and the phasing of payments is yet to be confirmed. It is anticipated that the Council's share will be in the order of £5m and this may be due before a capital receipt is received thus requiring the Council to fund in the interim.
- 13.26 Until capital receipts are received for each site, these costs represent key pressures. Consideration needs to be given as to how best to provide for these payments if such payment is required prior to the disposal of the Council's land.

Development Sites

- 13.27 The Council has some large potential development sites including land at Cowley Road and the current Mill Road Depot. The Depot site would require relocation of the Council's operational activities to another location either in isolation or with other services depending on the outcome of the Office Accommodation Strategy.
- 13.28 Initial feasibility work has been undertaken with regard the Mill Road site, and has identified the potential for an improved location dealing with access problems and offering reduced running costs from a more efficient purpose-designed facility. This would also provide a possible opportunity to explore co-location for similar requirements with other public sector partners as referred to elsewhere in the MTS.
- 13.29 Considerable additional work would be required to progress either site, and the joint work with other public sector organisations through the Making Cambridge Count initiative may offer an opportunity to identify the full range of options for future consideration.

- 13.30 These sites could create the opportunity to deliver against several of the Council's key objectives, such as:
 - Financial, through the potential for substantial capital receipts for reinvestment in the Council's priorities
 - Sustainability, depending upon how the sites are disposed
 - Housing, both private sector and the associated provision of affordable housing
 - Efficiency, by potentially enabling changes to the Council's operational property portfolio

Repair and Renewal (R&R) Funds

- 13.31 The Council is committed to the provision of R&R Funds to ensure that funding is accumulated to meet the cost of major repairs or replacement of assets which have a finite life.
- 13.32 This serves to even-out the cost associated with these major items of expenditure, whilst ensuring that ongoing services are fully sustainable.
- 13.33 Over recent years work has been undertaken to develop medium and long-term programmes of work for which R&R Funding is being provided. This achieves two important aims, firstly to ensure that the level of provision is in line with the anticipated costs that will be faced over the long-term, and secondly to identify opportunities to plan for the most effective timing and form of procurement exercise.
- 13.34 No further programmes have been requested for inclusion within the current Capital Plan at this time.

Housing Capital Expenditure

- 13.35 The Housing Capital Investment Programme continues to be subject to significant financial pressure. Decline in the level of right to buy sales, combined with the requirement to nationally pool a proportion of the associated capital receipt, results in a far lower level of anticipated resources than in previous years.
- 13.36 A further reduction in future capital resources is anticipated as the revenue position for the HRA, driven currently by the HRA Subsidy System, worsens, resulting in lower levels of revenue funding being available for use as Direct Revenue Financing (DRF) of capital expenditure.
- 13.37 The last full review of the 10-year Housing Capital Investment Programme, undertaken every 3 years, was approved in November 2008, following a major zero based budget review of all of the schemes within the programme. The 5-year programme of detailed delivery was reconsidered as part of the 2010/11 budget process in February 2010, and amended for any required re-phasing at outturn, in June / July 2010.

- 13.38 Subsequent to approvals sought in the June / July committee cycle, work has progressed in respect of the remaining fire safety risk assessments, where only the higher risk blocks of flats had been surveyed initially. Early indications are that approximately £3,000,0000 will need to be invested in the communal areas of the remaining blocks to ensure that the Council complies with statutory legislation. This provisional investment has been included as part of the Housing Capital Investment Programme below, with costs assumed to be incurred over a ten year period from 2011/12.
- 13.39 Resources of £130,000 per annum from 2011/12, to begin to tackle failures in PVCU window installations have also been included in the Housing Capital Investment Programme as part of this MTS, facilitated by revisiting the ongoing requirement for HHSRS funding within the programme.
- 13.40 Existing capital allocations for both decent homes and other investment in the housing stock have been re-visited and re-profiled to facilitate the above unavoidable investment.
- 13.41 Resources of £40,000 have also been ear-marked for the potential demolition of the former Ditton Fields Nursery School in Wadloes Road. The building is vacant, in very poor repair and is not suitable for re-let. Demolition of the existing building is currently being explored, as this would avoid the ongoing revenue costs associated with the void such as business rates and security costs. It is not considered that demolition of the building would detract from the value of the site in any way. Of the £40,000, £6,000 can be met from an existing repairs and renewals fund for the site, with the balance being funded from housing capital reserves.
- 13.42 The table below demonstrates the impact on capital balances, of the latest overall 10-year Housing Capital Investment Programme, with the above amendments, where the ability to deliver statutory commitments in respect of HRA capital investment, depends heavily upon a significant level of revenue contributions to capital from the HRA, putting additional pressure on the HRA to cuts costs to create surpluses to allow for this investment.

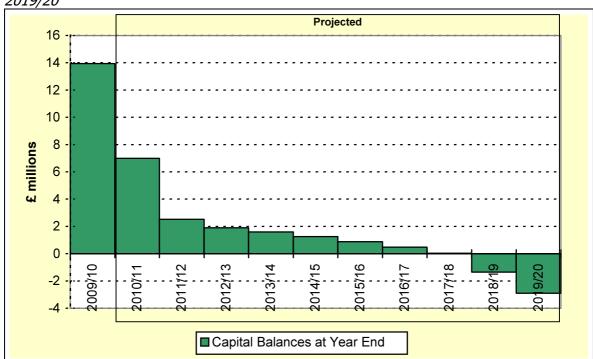


Figure 17: Capital Resources Available for Housing Purposes / Shortfall - 2009/10 to 2019/20

- 13.43 The Housing Capital Investment Programme uses all available housing capital balances and anticipated receipts, in addition to assuming a significant level of revenue contribution over the period, to deliver decent homes and environmental improvements in our housing stock, and if resources allow, to enable additional investment in affordable housing in Cambridge.
- 13.44 The significant decline in right to buy sales in recent years, impedes the ability for capital investment in respect of General Fund Housing and in the provision of new affordable housing in particular. Any further opportunities to bid for HCA (Homes and Communities Agency) grant funding, as an alternative route for the delivery of new affordable housing, will be actively pursued.
- 13.45 By 2018/19, it is currently anticipated that there will be insufficient resources to fund the existing approved Housing General Fund capital commitments, as capital balances will have been fully utilised and ongoing right to buy receipts are expected to be minimal. Decisions will be required in respect of the Council's longer-term ability to invest, particularly in respect of disabled facilities grants, private sector housing grants and loans and long term vacant properties in the private sector.

14. Capital Plan Forecast

Financing Strategy

- 14.1 The Council's current financing strategy for capital is geared toward ensuring the maximisation of the resources available to the Council. The strategy has been developed, and operated, over a number of years now and has proved successful.
- 14.2 In order to maximise the total level of resources available, funding is applied in the following order:-
 - (1) Specific grants
 - (2) Usable capital receipts
 - (3) Revenue contributions (Direct Revenue Financing DRF)
 - (4) Reserves.
- 14.3 This enables the Council to maintain a greater degree of flexibility, as usable capital receipts can only be used to finance capital spending, whereas both revenue and reserves can be used for both capital and revenue purposes.
- 14.4 In light of the success of this strategy in recent years it is recommended that it is continued.

Overall Resource Availability

- 14.5 The projected availability of resources for capital is outlined in Appendix Q.
- 14.6 The existing stock of non-housing usable capital receipts was fully expended during the 1995/96 financial year, as part of the financing strategy. Since that point the usable receipts are, therefore, based on use of receipts due in that particular financial year only.
- 14.7 Projections of usable receipts are primarily based on Right-to-Buy sales of council housing stock, together with disposals resulting from the review of the general property portfolio.

Capital Plan

- 14.8 The updated Capital Plan is shown at Appendix P. This includes rephasing to reflect movement in scheme costs between 2010/11 and future years, with appropriate adjustments made to the funding profile.
- 14.9 The current Hold List is shown at Appendix O.
- 14.10 The Housing Capital Investment Programme (HCIP) is subject to separate scrutiny by the Housing Portfolio / Community Services Scrutiny Committee. It includes the investment of HRA capital resources in our own stock (meeting decent homes, improving sheltered schemes and other capital investment) and in housing in the private sector (disabled facilities grants, private sector grants and loans and the provision of new affordable housing).

14.11 It is recommended that this practice continues, with HCIP being included in the Capital Plan as a single programme line to ensure that there is control of the overall allocation of resources and spending at Strategy & Resources Scrutiny Committee.

Commitment of Available Funds

- 14.12 A projection of the level of funding available over the period through to 2014/15 has been drawn up based on the analysis included in Section 9 of this document.
- 14.13 When compared with the projected funding available for capital expenditure the overall position is :-

Table 27: Commitments Against Available Capital Funding - 2010/11 to 2014/15

	2010/11 £ 000	2011/12 £ 000	2012/13 £ 000	2013/14 £ 000	2014/15 £ 000
Schemes	5,378	3,430	948	5	0
Programmes	22,636	15,200	9,084	9,817	10,183
Total Spend	28,014	18,630	10,032	9,822	10,183
Available Funding	(28,252)	(19,605)	(11,412)	(11,202)	(11,563)
(Surplus) / Shortfall in Funding	(238)	(975)	(1,380)	(1,380)	(1,380)

- 14.14 This highlights that the majority of the revenue funding for capital from 2011/12 is still unapplied, although this should be viewed in the context of the fact that the majority of the existing capital Programmes have remits ending on 31 March 2011 and are currently being reviewed (as detailed in Section 13).
- 14.15 This reflects the standard policy of returning any unapplied use of reserves at this stage of the process, so that more effective consideration of its application can be made. The main decision point for funding will be made following the January 2011 meeting of the Strategy & Resources Scrutiny Committee, at which time new bids from the budget cycle will have been received from service committees and the position with regard to any further receipts from asset disposals should have been clarified.

Part E

Budget Strategy

15. Budget Strategy and Process

REVENUE - GENERAL FUND

The Budget Process

- 15.1 The introduction of cash limited budgets from the 1997/98 budget cycle onward has enabled the completion of the budget process to the agreed timescales and enabled overall control of the budget to be maintained, whilst allowing discretion within individual spending committees, and more latterly, service portfolios.
- 15.2 This approach has been successful as a means of control, and has enabled balanced budgets to be set for the General Fund. However, the use of standard percentage savings targets at Portfolio level has resulted in a 'salami-slicing' approach in many instances as managers look to exemplify that level of savings for their particular service area.
- 15.3 Whilst this has served to provide a level of efficiency challenge to all service areas it is not the most effective means of identifying and delivering the step-changes in services which the current financial context requires.
- As a result, the Council has, over recent years, been developing a Service Review process which seeks to identify particular service areas for detailed review work. This also facilitates an earlier start to work in these areas, so that changes with longer-lead times for consideration, approval and implementation can be more readily incorporated.

Budget Timetable and Key Events

- 15.5 In reviewing the budget process for 2011/12 the aim has been to minimise changes in light of the success of the existing process and the pressures resulting from the corporate restructure and other key projects.
- 15.6 However, it has been necessary to amend some of the key events in the process in order to be able to effectively respond to the anticipated content of the Government's Spending Review (SR); which is scheduled to be published on 20 October 2010.
- 15.7 As the publication date fell the day before the scheduled meeting of Council which would have considered the MTS, a special Council meeting has been arranged for 8 November 2010. This will allow sufficient time to review the SR content and to determine if, at that stage, any material changes are required to the MTS prior to approval by Council. As a result of this change, the meeting of the Executive has been rescheduled to 24 September 2010, allowing greater time for the consideration and incorporation of implications from a range of pre-SR announcements and measures.
- 15.8 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.
- 15.9 As was the case last year, a key process issue considered for 2011/12 was how to deal with the impact of the Growth Agenda, a project which has far-reaching and complex interactions with most of the services across the Council, and will run for a considerable period of time.

- 15.10 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 parallel stream of work to the main budget process for 2011/12.
- 15.11 No further changes to the process are anticipated and the overall budget and decision making process is broadly similar to that for 2010/11.
- 15.12 Key features of the process are:
 - Executive Councillors are responsible for putting together a package of budget proposals for consideration by each Scrutiny Committee and by The Executive.
 - Portfolio Plans are prepared to reinforce the performance management process. The staff performance review process is integrated with the service planning process and Portfolio Plan objectives and targets feed through into objective setting for individual staff members and teams.
 - Consideration of 2010/11 revised budget and 2011/12 budget proposals takes place during one cycle of Scrutiny Committee meetings, in January 2011. Portfolio Plans and budget reports will be sent out for all scrutiny committees in December 2010, so that Members have an overview of all proposals at one point in time, as last year.
 - The Council's Risk Assurance framework is integrated with the key decision making points within the annual cycle.
- 15.13 An outline of the programme / timetable for the overall budget process is included at Appendix A.

Approach to Savings

- 15.14 The September 2009 MTS set a target of £3.985m of ongoing savings to be achieved over the period from 2010/11 to 2012/13, inclusive.
- 15.15 As part of last year's budget process the 2010/11 target of £985k was achieved, together with additional achievements which served to reduce the target set in each of the following two years. This represented a significantly earlier contribution towards the £3m which had been targeted for 2011/12 and 2012/13, reducing the requirement to £2.560m.
- 15.16 More significantly this demonstrated the successful cultural change which the Council's budget process has been seeking to achieve, with officers and members looking to identify savings opportunities over the medium-term period not just in the budget year in question. This will be a very important factor in seeking to deal with the very challenging financial climate currently being experienced.

The Calculation of the General Fund Cash Limit

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

- 15.18 For 2011/12 the previous approach of seeking to achieve a sustainable underlying financial position, where the levels of spending and Council Tax are not unduly dependent on use of reserves is being maintained; in line with the Annual Statement. This reflects the availability of reserves for specific one-off / unexpected events, and the need to consider carefully the level of uncertainty when agreeing the level of reserves.
- 15.19 As a result, a near nil use of reserves in the medium / long-term is a key determinant for a sustainable position. This is assessed by using the full 25-year financial projection model. The importance of this approach is shown in Section 9, which demonstrates the need to smooth-out short-term peaks and troughs in order for the Council to be able to effectively manage cost pressures at the end of, and beyond, the MTS period.
- 15.20 The calculation of the affordability of the projected base position for the General Fund in 2010/11 was outlined earlier, and results in the determination of the overall level of savings required, as shown below :-

Table 28: Calculation of 2011/12 Savings Requirement

			£ 000	£ 000
	SPEND	Inflated Committee Base	22,131	
		Capital adjustments and MRP	(2,725)	
		Other appropriations	3,081	22,487
		7		
add	NEW REQUIREMENTS	Net unavoidable costs	607	
		Priority Policy Fund	500	
		Repayment of temporary use of reserves	(789)	318
			·	22.805
less	AFFORDABILITY	Use of Reserves	1,214	
		Council Tax	6,836	
		Total External Support	12,687	20,737
	Need to reduc	e overall base by :-		2,068

- 15.21 In seeking to achieve this level of reduction an adjusted gross expenditure total is used to generate an equivalent percentage reduction across controllable gross expenditure.
- 15.22 The effect of this is an implied reduction of 4.11% in the calculation of the overall Cash Limit (compared with 2.58% last year), based on an adjusted gross expenditure base of £50.376m.

- 15.23 The more detailed calculation of the General Fund cash limit is contained in Appendix R.
- 15.24 Given the information currently available, it would seem prudent at this stage to plan based on an overall net spend (after use of reserves) of £19,523,750
- 15.25 A similar process generates the projected savings requirements for future years. As noted above, the aim of this MTS has been to enable a position where savings levels for the MTS period are identified that will allow the future level of savings to be reduced to a more manageable level.
- 15.26 The result of this has been to identify significantly higher net savings requirements than had been the case for the September 2009 MTS or February 2010 BSR. This reflects clearly the implications of the 22 June Emergency Budget and the anticipated measures to be announced as part of the 20 October 2010 Spending Review announcement.
- 15.27 A summary of the overall changes to the savings plan outlined in the September 2009 MTS is shown below:

Table 29: Calculation of Revised MTS Savings Requirements

	Factor	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	2014/15 (£'s)
	Net Savings Requirement (Sept 2009 MTS)	1,750,000	1,250,000	725,000	725,000
less	Overachievement in 2010/11 Budget process	162,110	277,550	0	0
	Feb 2010 BSR Net Savings Requirement	1,587,890	972,450	725,000	725,000
	•				
add	Increase in Net Savings identified in Sept 2010 MTS	480,340	0	622,860	1,147,210

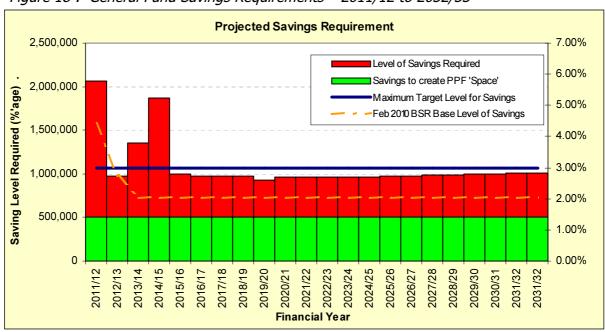
- 15.28 From 2015/16 onward the net savings requirement falls to a level around £1m per year. This represents a £275k increase on the level of £725k from the February 2010 BSR, largely reflecting the cumulative impact of the reduction assumed in the level of Council tax increase in each year.
- 15.29 As part of the MTS, consideration needs to be given to the achievability of the savings targets for 2011/12 and future years. In doing this the degree of progress against the 'Future Savings Strategy' outlined in the February 2010 BSR needs to be considered.
- 15.30 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. This has been supplemented by an exercise to identify other potential areas for savings.
- 15.31 Although the current round of Service Reviews are not yet complete, and have not reported back final recommendations at this stage, current indications are that around £1.649m of savings could be realised in 2011/12.
- 15.32 The full level of potential savings identified from the reviews, to date, are summarised below:

Table 30:	Contributions	Towards Savings	s From Servi	ce Reviews

	Factor	2011/12	2012/13	2013/14	2014/15
		(£'s)	(£'s)	(£'s)	(£'s)
less	Net Savings Requirement (Sept 2010 MTS)	2,068,230	972,450	1,347,860	1,872,210
	Projected Net savings from Service Reviews	1,649,400	545,000	0	300,000
	Net Savings Requirement - sources still to be identified	418,830	427,450	1,347,860	1,572,210
	%'age of Controllable Gross Expenditure	0.83%	0.85%	2.68%	3.12%

- 15.33 Although over £2m of net ongoing savings are required for 2011/12, this serves to demonstrate that there are already plans in place to deliver around 83% of this amount, as well as contributions towards the targets in future years.
- 15.34 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.
- 15.35 Given the importance of delivering the savings from Service Reviews, and reflecting the degree of change implied and 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 achieved through making contributions to the Council's Efficiency Fund of £475k in 2011/12 and £200k in 2012/13.
- 15.36 The longer-term profile of savings requirements, and the comparison with the levels projected in the February 2010 BSR are shown graphically below:

Figure 18 : General Fund Savings Requirements – 2011/12 to 2032/33



- 15.37 This clearly shows the anticipated pressure from the predicted reductions in Formula Grant through to 2014/15, and the impact of lower assumptions in Council Tax levels in the longer-term.
- 15.38 It should be noted that the ongoing level of savings of around £1 million includes a sum of £500k to provide funding for a Priority Policy Fund, so only £500k p.a. is 'required' in order to produce a balanced budget.
- 15.39 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 2011 BSR, based on the latest information updates then available.

Council Tax

15.40 In arriving at the overall financial framework the February 2010 BSR assumptions on the level of Council Tax increase have been revisited. This has been dealt with in detail in Section 7.

General Fund Reserves

15.41 The reserves table (included in Appendix K, and reviewed in Section 10) 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.

REVENUE - HOUSING REVENUE ACCOUNT

- 15.42 The minimum level for HRA balances remains at £1m, with a target level of balances at £3m. This aims to give enough flexibility, so that structured decisions can be made in light of any uncertainties, particularly surrounding subsidy announcements, rental income and the decision taken a number of years ago to self-insure the housing stock up to a stop-loss of £250,000 per annum.
- 15.43 The HRA Financial Model assumes that spending on day-to-day repairs will reduce in line with the reduction in the stock, (although the level of this reduction is now limited), and also builds in assumptions of on-going reductions in management expenditure across the ten-year forecast, necessary to deliver a balanced Housing Revenue Account, while also maximising the ability to invest in the housing stock.
- 15.44 The savings expectation included in the Housing Revenue Account financial model used for this MTS has been retained at 3% for 2011/12 and amended to this level going forward. However, this will only deliver a sustainable HRA revenue position for 14 years, with HRA balances being exhausted in year 19.
- 15.45 In order to deliver a sustainable HRA over the longer term, for 25 years, it would be necessary to reduce management costs (controllable and otherwise) by 4.3% per annum on an ongoing basis. This level of ongoing savings would far outstrip the level of inflation built into the modelling, meaning significant cuts in the level and quality of services provided into the future.

- 15.46 This results from the assumptions being made in inflation levels for the forecast period, including proposals for a pay freeze for 2010/11 to 2012/13, with the exception of a pay award of £250 for those on lower incomes (below £21,000). Provisions for increases in future pension costs and national insurances rate changes are also included. The level of savings identified still assumes the creation of headroom to allow policy space in the HRA of £75,000 per annum from 2011/12 onwards.
- 15.47 The savings target has been held at 3% recognising that this is not sustainable, but pending the outcome of the national review of Council Housing Finance, with a clear expectation that the HRA Subsidy system will be abolished / replaced as a result of this consultation, irrespective of the details of the final outcome.
- 15.48 The financial pressures identified above result not only in the need to continue to assume savings, at 4.3% if the HRA is to be sustainable, but also result in a reduction in available revenue funding for capital purposes, which forces utilisation of capital balances to meet capital commitments in the short term, resulting in an inability to fund general fund housing capital investment in the medium to long term at levels previously anticipated. A further review of the 10-Year Housing Capital Investment Programme will be required as part of the 2011/12 budget process to address this.

Use of balances

- 15.49 The available balances at the end of 2009/10 were approximately £5.2m. The Housing Revenue Account forecast contains the assumption that HRA balances will be reduced to the target of £3m by the end of 2011/12. This will be achieved by making additional direct revenue financing (DRF) of capital contributions, albeit at a lower level than previously anticipated, to contribute towards the investment need identified in the Housing Capital Investment Programme.
- 15.50 The financial modelling for the HRA suggests, using current assumptions for inflation and interest rates, that a sustainable HRA can be only be maintained for a 18-year period (25-year period at 4.3% annual ongoing savings), but with all HRA balances being utilised in the later years. This model does not, however, result in delivering enough revenue resource to fund the housing capital programme to meet the identified need to spend.
- 15.51 This highlights the need for a fundamental review of the prospects for the HRA in light of the outcome of the consultation on the changes being proposed to the national financing regime for social housing.

CAPITAL

The Budget Process

- 15.52 The process for capital items is based around two main categories, the Capital Plan and the Hold List. The Capital Plan lists all of the items of expenditure which have received the necessary approvals from the relevant Executive Councillors and Council, and have been allocated funding. The Hold List comprises items where the content of the proposed scheme has been agreed, but funding has not yet been allocated, this forms the basis for consideration on how to use any unallocated capital funding.
- 15.53 There are two main categories for capital items:
 - a. Programmes effectively rolling programmes 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 Plan, a programme can be drawn upon by smaller projects, which enable the remit to be met
 - b. Schemes specific individual projects which are finite in nature, and which have been approved by Council for inclusion in the Capital Plan.
- 15.54 The Housing Capital Investment Programme (Capital Plan PR01) is subject to separate detailed scrutiny and control by the Housing Portfolio / Community Services Scrutiny Committee. It is recommended that this practice continues, with control over the overall allocation of resources being retained through the inclusion of the single programme line in the Capital Plan.
- 15.55 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.

Table 31 : Capital Bidding Process

	Dynamic Didning 110ccs
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.
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 Plan. Following consideration at Strategy & resources scrutiny committee the Leader will recommend additions to the Capital Plan to Council. The scheme can only proceed when it has been approved for inclusion in the Capital Plan, and hence the required funding agreed.

- 15.56 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.
- 15.57 In terms of timing there are three key phases to consideration of capital items during the year, as shown below.

Table 32: Consideration of Capital Items

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. Housing Business Plan Statistical Appendix Programme submission made to the CLG. 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 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 Plan. This will include proposals to ensure full funding of the commitments for the next financial year. Council confirms new Capital Plan.

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

Summary

- 15.59 The Medium Term Strategy review recommends budget strategies for the General Fund and Housing Revenue Account which seek to continue the prudent financial management of the Funds which the Council operates on the public's behalf.
- 15.60 In fulfilling this aim one of the key factors is ensuring medium and long-term sustainability of services and policies adopted by the Council, and the analysis in this paper serves to demonstrate that this is achievable.
- 15.61 Whilst the financial pressures resulting from the current economic downturn present an obvious financial challenge, the context for forward projections is also complicated by the high degree of uncertainty regarding a number of key factors at this time.

- 15.62 The central aim in the drafting of the 2010 MTS has been to maintain the core policies of creating a sustainable financial position for the Council, with achievable levels of savings required leading to achievement and maintenance of the Target levels of reserves (£5m for the General Fund and £3m for the HRA) over the medium to long term, whilst not falling below the Minimum levels (£1.5m for the General Fund and £1m for the HRA) in the short-term.
- 15.63 This is made particularly difficult for the General Fund by the continuing period of economic downturn, the anticipated significant reduction in Government Formula Grant, the impact of the shortfall in Government funding for the current Concessionary Fares scheme and the anticipated cost pressures arising from the Growth Agenda.
- 15.64 In terms of the Housing Revenue Account, the key factor is the continued uncertainty regarding the potential for the ending of the current HRA Subsidy system and a move to a self-financing basis.
- 15.65 It is hoped that the publication of the Government's Spending review on 20 October 2010 will clarify the position with regard to a number of these key factors. Any revisions to the MTS projections will be considered in light of this announcement and reported to Council on 8 November 2010.
- 15.66 It can be expected that services and Executive Members will face difficult decisions in seeking to meet the overall Cash Limit target whilst responding to need.
- 15.67 The MTS shows that the major pressures faced over the medium-term period can be met with savings targets being held to a reasonable level, as a result of benefits derived from the Council's financial strategies.

Appendices

Appendix A

Financial Planning Timetable

Date	Major Stage				
2010					
27 May	Council AGM: adopts Annual Statement which indicates outline plan & priorities for 2010/11				
by 2 July	Managers' input (MTS deliverables) returned to Finance for consideration / inclusion in the MTS				
	Finance despatch:				
	Service Planning and Budget Process Guidance				
w/c 27 September	Savings requirements for 2011/12				
	Budget proposals pro-forma				
	Budget working papers to Cost Centre Managers				
24 September	The Executive recommends MTS to Council (8 November)				
1 & 8 October	Finance run Budget Process Workshops (Lion House Training Room)				
October	Accountable Officers to begin discussions with portfolio holders on the content of Portfolio Plans for 2011/2012				
20 October	Government Spending Review published - spending plans for the years 2011/12 to 2014/15				
	Managers to complete and return Budget Proposal Forms to Finance:				
	 Revised Budget items (either revenue savings proposals and unavoidable bids) 				
25 October	 Revenue savings proposals (including Efficiencies) and unavoidable bids for 2011/12 				
	Capital proposals for 2011/12				
	Outcomes of Service Reviews				
1-5 November	Officer Working Groups consider and comment on budget proposals				
4 November	 Despatch papers for Strategic Leadership Team / Executive Councillors (9 Nov) 				
	Despatch budget proposals to each Executive Councillor				
8 November	Council considers Medium Term Strategy 2010/11 to 2014/15				
	Strategic Leadership Team / Executive Councillors review:				
9 November	 the latest position against Cash Limit, priorities for Capital Bids, savings proposals and the validity of "unavoidable" revenue budget bids 				
9-12 November	Executive Councillors meet Heads of Service to agree final package/wording of budget proposals				

Date	Major Stage
15 November	Managers return completed budget working papers to Finance (incorporating agreed budget proposals)
tba November	Strategic Leadership Team / Executive Councillors consider overall position (date to be agreed)
7 December	Strategic Leadership Team / Executive Councillors final review of Budget- Setting Report
17 December	Budget Setting Report 2011/12 published for Strategy & Resources Scrutiny committee (for ultimate recommendation to Council 17 February 2011)
January Scrutiny committee cycle	See table below for Committee dates and deadlines for 2011/12 Portfolio service plans and 2011/12 budget proposals
20 January	Executive Budget meeting to consider final Portfolio Plans, budgets and Council Tax requirements
4 February	Special Strategy & Resources Scrutiny Committee considers any budget amendment proposals
17 February	Council sets Council Tax precepts and levels

January Scrutiny Committee Cycle

[to consider Portfolio Service Plans and Budget proposals]

	Housing Management Board	Environment	Community Services	Strategy & Resources	Executive Budget Meeting
2011/12 Portfolio Plans	week commencing 13 December 2010				
Final Agenda Publication *		17 January			
Committee Date	4 January	11 January	13 January	17 January	20 January
Final Agenda Publication				26 January	
Special Strategy & Resources				4 February	

^{* 2011/12} Budget and Portfolio Service Plan reports

Appendix B

Annual Statement 2010-2011

The 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.

Our vision is for

- A city which is diverse and tolerant, values activities which bring people together and where everyone feels they have a stake in the community
- A city 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 in the forefront of low carbon living and minimising its impact on the environment from waste and pollution
- 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
- A city where getting around is primarily by public transport, bike and on foot
- A city with a thriving knowledge-based economy that benefits the whole community and builds
 on its reputation as a global hub of ideas and learning

The Annual Statement can also be found at: http://www.cambridge.gov.uk/public/docs/Annual%20statement.pdf

Foreword

In this Annual Statement we state our vision for Cambridge and illustrate steps that we are taking and actions we will pursue, to help build that vision through the City Council's leadership.

In common with all public services we face an uncertain financial climate. We will give priority to important services and functions of which the City Council is the only provider and will seek to protect the basic services provided for all citizens of the city. We will continue to apply new thinking and creativity to how we deliver services to make sure we achieve our ongoing programme of savings from efficiency.

We will continue to nurture the future development of the city, focusing on measures that we have only the one chance to get right. In a growing city, we will maintain our focus on the provision of affordable homes and homes for families, in locations close to public transport.

We continue to be fully committed to fairness in Cambridge. We believe that the future prosperity of the city should be shared by all, and will seek to secure this by enabling and attracting new jobs and housing through our planning policies.

We will play our part in tackling climate change, seeking environmentally sustainable solutions that are fair to future generations of Cambridge citizens and to those who have more precarious existences elsewhere in the world.

And finally, we will honour our commitment to transparent and accessible local democracy and maximising direct local input into local choices.

The eight objectives stated in our vision provide the framework in which we outline our priority programmes for the medium term period 2010-2013. Set out below are the actions that will help us to deliver against each of our objectives and to prepare for further initiatives to enable us to realise our vision in future years

We will continue to support the Chief Executive in bringing in new structures for the senior management of the Council which provide clearer strategic and corporate responsibilities for Directors and clearer accountability and more evenly distributed roles for Heads of Service.

We will continue to be open to the possibility of other organisations providing services on our behalf, including shared arrangements with other public bodies, and will agree clear criteria for judging whether alternative arrangements provide a better deal for Cambridge citizens.

We conclude this statement by outlining the ways in which the Council will continue to promote, in the ways it operates, the values of openness, accessibility, responsiveness, value for money, innovation and learning, while speaking out for the city and advocating for all-purpose government for Cambridge.

Our Medium Term Programme

Towards a city which is diverse and tolerant, values activities which bring people together and where everyone feels that they have a stake In the community

We will:

- Run community centres across the city where residents of all ages can engage in social activities
- Set up, with partners, a programme of activities to address the needs of young and old in the city centre
- Support free cultural events, such as Arbury Carnival, Chesterton Festival, Cambridgeshire Celebrates
 Age, Black History and LGBT Months, Holocaust Memorial Day, Heart of the World Festival, the Big
 Weekend and Bonfire Night
- Involve children and young people in play and youth provision through community centres, schools and on open spaces, targeting activities to support them making choices and enhancing awareness and respect for their neighbourhoods and the natural environment

Towards a city which recognises and meets needs for housing of all kinds - close to jobs and neighbourhood facilities

We will:

- Require most new developments to include 40% housing for social rent and low cost equity purchase
- Allow building on locations adjacent to the city and close to jobs
- Insist on real neighbourhoods with a vibrant mix of housing and a full range of community facilities and generous open space in similar proportion to the best provision in the existing city
- Resist higher Government housing targets than we are already working towards, and oppose taking more land out of the green belt

Towards 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

We will:

- Remain committed to high design standards by prioritising strong design disciplines in the planning process and by using advisory panels such as the Design & Conservation Panel, the Public Art Panel and the Quality Panel for new neighbourhoods
- Continue our proactive conservation work with new area assessments, including the Mill Road and St Matthews area, combined with Romsey, and West Cambridge
- Re-invigorate the public realm with improvement schemes, such as those planned for Riverside, Fitzroy and Burleigh Streets, Wulfstan Way and Arbury Court

 Pursue ambitious plans for adding to the city's public open spaces, ensuring that the new developments share the best standards of Cambridge

- Invest in our nature reserves to improve bio-diversity
- Make a major additional investment in new tree planting on Midsummer Common and Jesus Green to add to the one-for-one replacement of diseased trees on public open space

Towards a city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution

We will:

- Press ahead with new energy policies including through a "Decarbonising Cambridge" study for our next local plan
- Implement our Climate Change Strategy within the Council's own operations, by:
 - continuing to cut our carbon footprint through a travel and fleet management plan,
 - the use of green electricity; and
 - improved energy management including installation of LED lighting into the Grand Arcade Annexe car park
- Develop our outreach work under the Cambridge Climate Charter, by:
 - providing further charter events throughout the year; and
 - maintaining our backing for innovative ways to achieve sustainability from community organisations such as Cambridge Carbon Footprint, Close the Door and Transition Cambridge
- Aim to break through the 45% recycling rate barrier, by:
 - extending blue bins to more businesses
 - including half of the remaining blocks of flats that do not currently have recycling facilities into the recycling service
 - Introducing recycling of fluorescent light bulbs; and
 - expanding battery recycling across the city
 - Develop a new annual city target for overall waste reduction and support it by working with local retailers and increasing public awareness, as well as campaigning nationally for legislation to require manufacturers and retailers to minimize packaging

Towards a city whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives

We will:

- Continue to engage with a range of stakeholder groups, including residents' associations and children and young people, to gain feedback from and inform Council decisions
- Build on our Area Committees as the principal way of taking local decision making to people, by:
 - involving them in setting priorities for Street Scene, Open Spaces and Community Development,
 - finding ways for children and young people to get involved in decision making processes
- Develop a code of best practice on consultation, to establish a more consistent approach across the Council for seeking public input and using that input in decision making
- Continue to award grants to support and encourage voluntary community action across a wide range of priorities from social enterprise to community development

Towards a city where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all

We will:

- Continue to work in close partnership with the Police, sanctioning and withdrawing special
 police powers sparingly and in strict response to hard evidence of incidents and avoiding
 measures likely to limit innocent behaviour
- Encourage greater transparency, public debate and scrutiny on policing priorities
- Review and update bye-laws relating to parks and open spaces
- Seek to deal with the causes of anti-social behaviour in children and young people through working in partnership with the County Council, police, health and voluntary organisations

Towards a city where getting around is primarily by public transport, bike and on foot

We will:

- Continue to press for major public investment to support public transport, cycling and walking, recognising the need to limit the growth of private vehicles within the city and reduce transport related carbon emissions
- Act to win additional resources, such as through the recent Cycling Demonstration Town status, enabling schemes like The Tins, New Bit and Madingley Road cycle paths
- Expand the Car Club in the city, helping to make car ownership less necessary

• Campaign for a new approach to bus access to the city centre that is safer for walkers and cyclists and friendlier to the environment

- Press the County Council to work more closely with the City Council to find transport solutions to meet the growth of jobs and homes in Cambridge
- Seek the urgent establishment of an Integrated Transport Authority enabling a joined-up approach to transport into and within the city

Towards a city with a thriving knowledge-based economy that benefits the whole community and builds on its reputation as a global hub of ideas and learning

We will:

- Support the growth of jobs in the city through the planning process
- Enable the growth of the higher education sector in Cambridge through our planning policies, whilst expecting the universities to set exemplary design and sustainability standards
- Use university research for ideas on city development such as in transport, art, low energy technologies, criminology and architecture
- Seek partnership with the universities on broader community objectives, recognising their role as landowners, and discuss issues of mutual concern with their student representative bodies

In these programmes the City Council will continue to promote its values and objectives by:

- Seeking to achieve openness in all of the Council's activities on all possible occasions, by:
 - further developing the Council's website to enable information to be more easily accessed
 - putting information onto the website that will reduce the need for formal Freedom of Information Requests
 - putting the Council's responses to individual requests under the Freedom of Information
 Act onto the website
 - requiring the various partnership bodies in which the City Council participates to adopt our code of open meetings, public questions and published agendas and minutes
- Seeking to maximise the accessibility and responsiveness of our services, by:
 - achieving even better response times both on the phone and for visits in person
 - ongoing development of email and website communications, to ensure we meet the increasing public preference for electronic contact
 - using "Cambridge Matters" magazine to ensure that it informs and supports communication between the Council and the public about all aspects of the Council's services

- Seeking value for the public money the Council spends, by:
 - continuing our review of services, looking next at the way we provide Arts and Entertainment including the operation of the Corn Exchange
 - finding further opportunities for savings including looking at joint commissioning of services where appropriate
 - further developing the capacity of the Customer Service Centre to take up routine enquiries to free up other professional staff to focus on their main work
 - in consultation with the community, spending funds negotiated from developers to improve Cambridge and mitigate the impact of growth, for example in public art, cycleways, the public realm and open spaces
- Seeking to improve services through innovation and readiness to learn from experience, by:
 - involving councillors of all parties in making decisions so that they are 'right first time'
 - taking forward the suggestions we made to the last Government and which were selected for further study, of powers that would make a difference locally:
 - retention of council house revenues to build new sustainable housing. We will carefully study and consult on a proposal from Government that would permit this under a different scheme
 - the removal of obstacles to the introduction of renewable energy schemes
 - working with the County Council at times of winter snowfall to improve the clearance of main pedestrian and cycling routes in the city and to enable more self help by providing access to a supply of grit
 - acknowledging and learning from experience when things go wrong
 - continuing to implement robust and strengthened safeguards arising from the collapse of the Icelandic Banks
- Speaking out for Cambridge locally and nationally, by:
 - pressing the County Council to implement meaningful controls on the bus fleet to improve air quality in the city centre
 - campaigning for the Government to restore a fair level of housing allowance for the residents of Cambridge
 - seeking local authority powers to encourage competition in the local market and shape an environment in which independent businesses can thrive
 - championing the local economy, recognising the importance to it of the education sector and the key values of access and high quality education
- Pursuing the goal of forming the core of an all-purpose single-tier integrated local authority providing full local government by Cambridge for Cambridge

Appendix C

Treasury Management Strategy Statement, Annual Investment Strategy & Minimum Revenue Provision Policy Statement: 2010/11

1. Introduction

The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

- 1.1 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as paragraph 9). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.2 The suggested strategy for 2010/11 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, SECTOR Treasury Services Ltd. The strategy covers:
 - treasury limits in force which will limit the treasury risk and activities of the Council;
 - Prudential Indicators;
 - the current treasury position;
 - the borrowing requirement;
 - prospects for interest rates;
 - the borrowing strategy;
 - the investment strategy;
 - the MRP policy
- 1.3 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -
 - (a) increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
 - (b) any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2. Treasury Limits for 2010/11 to 2012/13

2.1 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".

- 2.2 The Council must have regard to the Prudential Code when setting the Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.
- 2.3 Whilst termed an "Affordable Borrowing Limit", this description also has to take into account any capital expenditure intended to be financed by other forms of liability, such as credit arrangements (e.g. finance leases). The Affordable Borrowing Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

3. Prudential Indicators for 2010/11 – 2012/13

- 3.1 The following prudential indicators are relevant for the purposes of setting an integrated treasury management strategy.
- The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted on 13 February, 2003 by the full Council.

PRUDENTIAL INDICATOR £ 000's	2008/09 actual	2009/10 probable outturn	2010/11 estimate	2011/12 estimate	2012/13 estimate
Capital Expenditure					
General Fund	12,553	19,799	7,069	1,101	905
HRA	12,778	14,803	13,302	9,665	7,355
TOTAL	25,331	34,602	20,371	10,766	8,260
Ratio of financing costs to net revenue stream					
General Fund	(19.99%)	(3.20%)	(2.79%)	(7.15%)	(8.45%)
HRA	(1.43%)	(0.23%)	(0.13%)	(0.50%)	(0.56%)
Net borrowing requirement	(63,079)	(65,089)	(57,507)	(55,409)	(58,190)
Capital Financing Requirement as at 31 March					
General Fund	(4,844)	(3,565)	(3,565)	(3,565)	(3,565)
HRA	3,565	3,565	3,565	3,565	3,565
TOTAL	(1,279)	0	0	0	0

PRUDENTIAL INDICATOR £ 000's	2008/09 actual	2009/10 probable outturn	2010/11 estimate	2011/12 estimate	2012/13 estimate
Annual change in Capital Financing	Requirement				
General Fund	0	1,279	0	0	0
HRA	0	0	0	0	0
TOTAL	0	1,279	0	0	0
Incremental impact of capital investment decisions	£р	£р	£р	£р	£р
Increase in council tax Band D (per annum)	0.00	0.00	0.00	0.00	0.00
Increase in housing rent per week	0.00	0.00	0.00	0.00	0.00
(no increase in either council tax or housing rents anticipated)					

PRUDENTIAL INDICATOR Specific Treasury Management Prudential Indicators £000's	2008/09 actual	2009/10 probable outturn	2010/11 estimate	2011/12 estimate	2012/13 estimate
Authorised limit for external debt					
Borrowing	10,000	10,000	10,000	10,000	10,000
Other long term liabilities	0	0	0	0	0
TOTAL	10,000	10,000	10,000	10,000	10,000
Operational boundary for external	debt				
Borrowing	3,000	3,000	3,000	3,000	3,000
Other long term liabilities	0	0	0	0	0
TOTAL	3,000	3,000	3,000	3,000	3,000
Upper limit for fixed interest rate of	exposure				
Net interest re fixed rate borrowing / investments	(4,200)	(900)	(750)	(1,500)	(2,000)
Upper limit for variable rate expos	ure				
Net interest re variable rate borrowing / investments	(140)	(40)	(120)	(375)	(420)
Upper limit for total principal sum	s invested for o	over 364 days			
(per maturity date)	5,000	5,000	5,000	5,000	5,000

Maturity structure of new fixed rate borrowing during 2010/11	Upper Limit	Lower limit
Under 12 months	0%	0%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

4. Current Portfolio Position

4.1. The Council's treasury portfolio position at 30/11/09 comprised:

	Principal	Average rate
	(£m)	(%)
TOTAL DEBT	0	
TOTAL INVESTMENTS (excl Iceland)	73.72	0.64

5. Borrowing Requirement

£ '000s	2008/09 actual	2009/10 forecast outturn	2010/11 estimate	2011/12 estimate	2012/13 estimate
New borrowing	0	0	0	0	0
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	0	0	0	0
TOTAL	0	0	0	0	0

Appendix D

Investments: Counterparties List

Changes t	o Counter	party List
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Deletions:

UK Banks

Alliance & Leicester United Kingdom

Additions:

UK Passenger Transport Authorities United Kingdom

Revised Counterparty List

The full listing of approved counterparties is shown below:

UK Building Societies

None

UK Banks

Barclays Bank Plc United Kingdom
HSBC Bank Plc United Kingdom
Santander UK Plc United Kingdom
Standard Chartered Bank United Kingdom

Local Authorities

All UK Local Authorities United Kingdom

Passenger Transport Authorities

All UK Passenger Transport Authorities United Kingdom

Police Authorities

All UK Police Authorities United Kingdom

Fire Authorities

All UK Fire Authorities United Kingdom

Nationalised Industries

All UK Nationalised Industries United Kingdom

Debt Management Account

Deposit Facility United Kingdom

Appendix E

Annual Treasury Management Report 2009/10

MID - YEAR TREASURY MANAGEMENT REPORT 2010/11

1. Executive summary

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 was adopted by this Council on 27 Ma 2010.
- 1.2 The purpose of this report is to meet the Code's requirement to provide, to this Committee and Council, a mid-year report on treasury management activities for the current financial year, i.e. 2010/11.

2. Economic Background

The Council's Strategy for 2010/11 - Original Forecast

- 2.1 Council approved its Treasury Management Strategy Statement (TMSS) for 2010/11 in February 2010. At that time many central banks around the world had cut their bank rates to between 0.10% and 1.00% and most major economies had resorted to a major expansion of fiscal stimulus packages in order to counter recession.
- 2.2 There was a sharp division of opinion on how quickly the major world economies would recover, as evidenced by the differences in the forecasts for annual average UK Bank Rate for 2010 (i.e. a range between 0.50% and 1.30%). Maintenance of low interest rates indicated a weak recovery whereas higher, and increasing, rates indicated a stronger recovery.
- 2.3 The Council's treasury advisors, Sector Treasury Services Ltd, had taken a mid-position i.e. there would be a moderate return to growth for the UK economy. This would result in the first increase in Bank Rate (i.e. from 0.50% to 0.75%) taking place in September 2010. Bank Rate was then forecast to increase to 1.50% by the end of March 2011.

2.4 However, Sector clearly highlighted that there were major uncertainties with such a forecast due to the significant difficulties in forecasting the following areas:

- Degree of speed and severity of fiscal contraction after the general election.
- Timing and amounts of the reversal of Quantitative Easing
- Speed of recovery of banks' profitability and balance sheet imbalances.
- Changes in the consumer savings ratio.
- Rebalancing of the UK economy towards exporting and substituting imports by domestically produced goods.
- 2.5 It was also explained that there was a downside risk to their interest forecast should economic recovery prove weaker and slower than expected. In addition, there remained a small but identifiable risk of a double dip recession.

Economic Activity since Original Forecast

- 2.6 There has been 'encouraging' growth in UK GDP for the quarter ending June of 1.2% (revised) but this is not expected to be sustained through the second half of 2010.
- 2.7 The August minutes of the Monetary Policy Committee (MPC) clearly showed that a further increase in Quantitative Easing (QE) is now a serious topic of discussion, although the MPC was unanimous in taking no action at this time.
- 2.8 The Governor of the Bank of England has expressed concern at the lack of expansion of credit in the economy by the banks. However, the banks have replied saying that consumers are focused on repaying, as opposed to taking on any more, debt.
- 2.9 The August Bank of England Inflation Report downgraded UK growth forecasts for 2011 from 3.4% to 2.8% and for 2012 from 3.5% to 3.2%. These are seen by many forecasters as optimistic, given the fact that the UK

economy is facing a fiscal squeeze set to be the most severe since the end of the 1930's, probable increases in unemployment, reductions in consumer and business confidence and weak recovery in exports. However, Sector report that a double dip recession remains unlikely at the current time.

- 2.10 Signs of an equity rally have reversed amid concerns about the weakness in the global economic recovery, especially in the U.S. where unemployment appears to be on the increase and the Fed has decided not to reduce the size of its QE operations.
- 2.11 There are also considerable risks around a re-emergence of major sovereign debt concerns in the EU which could increase the safe haven status of UK gilts, thereby suppressing yields even further.

3.0 Revised Interest Rate Forecast

Bond Yields

3.1 Bond investors demand a yield that covers inflation plus a real rate of return and they look beyond one off movements in the inflation figures, e.g. VAT rate changes. These investors currently believe that 'real' inflation will decline over the medium term and consider that the relatively low yields on bonds can still offer a reasonable rate of return. Sector does not believe, given current conditions, that the economy will see a sudden reversal of the decline in bond yields.

Share Prices

3.2 The bond markets and share markets are inextricably linked. Share prices have declined in recent weeks on the back of weaker economic recovery and hence the prospect of smaller corporate profits. The negative impact on shares is expected to underpin the demand for bonds, raising bond prices and, in turn, lowering bond yields. Low yields on government bonds leads to lower Public Works Loans Board (PWLB) interest rates.

Outlook

3.3 Markets have moved considerably over recent weeks and these developments have been incorporated into Sector's revised (August 2010) interest rate forecast shown in the table below.

3.4 As a consequence, Sector have put back the time of the first Bank Rate increase (i.e. from 0.50% to 0.75%) to September 2011.

3.5 The table below compares Sector's forecasts on interest rates for 2010/11 between those shown in the Council's TMSS and those revised for the Medium Term Strategy (MTS 2010) (note: actuals are shown for the quarters ending March & June 2010).

Table 1.

Interest Rate Forecast 2010/11: Original (O) v Revised (R)

	Mar 10		Jun	10	0 Sep 10			: 10	Mar 11	
	0	Actual	0	Actual	0	R	0	R	0	R
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.50%	1.00%	0.50%	1.50%	0.50%
5yr PWLB rate	3.05%	2.89%	3.20%	2.27%	3.30%	2.20%	3.40%	2.20%	3.60%	2.20%
10yr PWLB rate	4.00%	4.19%	4.05%	3.54%	4.15%	3.30%	4.30%	3.30%	4.45%	3.30%
25yr PWLB rate	4.55%	4.67%	4.65%	4.27%	4.70%	4.20%	4.80%	4.20%	4.90%	4.30%
50yr PWLB rate	4.60%	4.70%	4.70%	4.26%	4.75%	4.20%	4.90%	4.20%	5.00%	4.30%

4.0 Annual Investment Strategy

- 4.1 The Council's Annual Investment Strategy, incorporated into the TMSS, outlines the Council's investment priorities as:
 - Security of Capital
 - Liquidity
- 4.2 The aim is to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, thereby maximising the opportunity to invest at a higher lever of interest when rates do, eventually, increase.
- 4.3 The Council is continuing with its policy to suspend lending to all overseas financial institutions and their UK subsidiaries (pending the outcome relating to investments with Icelandic Banks) except for those UK subsidiaries of

foreign institutions where the parent company meets the Council's lending criteria and resides in a country with a sovereign credit rating of AAA.

- 4.4 It is also maintaining the maximum sum which may be invested with approved counterparties belonging to the same company group at 1.5 times the level for a single named institution (note: current limit for a single named institution is £6m). The maximum limit remains at £12m for investments with HSBC Bank Plc (the Council's banker).
- 4.5 As illustrated in Table 1 above, investment rates remain at an historical low point. The average investment return for investments <u>placed</u> during 2010/11 was originally estimated at 0.90%. However, this has now been reduced to 0.50%, with the subsequent reduction in interest receipts factored into the 2010 MTS. The average rate so far achieved on investments for the current financial year is 0.38%.
- 4.6 A full list of investments held at 31 August, 2010 is shown in Annex A and the average level of funds available for investment since the beginning of the financial year was £62,060,000.
- 4.7 The Leader and Executive Councillor for Customer and Democratic Services continue to receive a monthly update on treasury activity.

5.0 Borrowing

- 5.1 External borrowing for 2010/11 was not anticipated for either capital or revenue purposes and this has been the position to date. However, this may change later in the year when details surrounding the allocation of debt for HRA self-financing are known.
- 5.2 Should borrowing be required, the Council will need to approve a revised set of Prudential Indicators.

6.0 Icelandic Bank Defaults

Heritable Bank Limited

6.1 To date the Council has received dividends totalling £1,679,970, which represents 41.25 pence in the pound of the total claim of £4,072,360.55. The remainder is expected to be paid at 5% per quarter from September 2010 to September 2012 and equates to a total recovery of 84.98 pence in the pound.

6.2 This claim is being dealt with by the UK legal process.

Landsbanki Islands hf

- 6.3 This claim is currently part of a joint action organised by the LGA, consisting of Local Authorities who are creditors of Landsbanki.
- 6.4 The action revolves around the priority status of the Council's claim and is passing through the Icelandic legal system.
- 6.5 Current forecast is for payments to be made from October 2011 to October 2018, as follows:

	2011	2012	2013	2014	2015	2016	2017	2018
October	22.17%	8.87%	8.87%	8.87%	8.87%	8.87%	8.87%	19.47%

This equates to a total recovery of 94.86 pence in the pound.

7.0 Background papers

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

Treasury Management Strategy Statement, Annual Investment Strategy & Minimum Revenue Provision Policy Statement: 2010/11 – report to Council, February 2010;

Sector Treasury Services Ltd – Newsflash dated 24 August 2010.

8.0 Annexes

Annex A – List of current investments.

9.0 Inspection of papers

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

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CURRENT INVESTMENTS (as at 31st August 2010)

Annex A

<u>Counterparty</u>	<u>Principal</u>	% Rate	Maturity Date	<u>Broker</u>	Invest Date	Interest	
Heritable Bank Limited	1,000,000	5.65000%	Overdue	(Tulletts)	09-Jan-08	42,413.70	United Kingdom
Heritable Bank Limited	1,000,000	6.21000%	Overdue	(Martins)	13-Jun-08	32,666.30	United Kingdom
Landsbanki Islands hf	2,000,000	6.22000%	Overdue	(Martins)	30-Jun-08	64,756.16	Iceland
Heritable Bank Limited	2,000,000	6.00000%	Overdue	(Martins)	05-Sep-08	59,506.85	United Kingdom
Landsbanki Islands hf	1,000,000	6.35000%	Overdue	(Martins)	01-Jul-08	51,669.86	Iceland
Landsbanki Islands hf	2,000,000	6.42000%	Overdue	(Martins)	01-Jul-08	114,328.77	Iceland
Investments placed in 2008/09	9,000,000					365,341.64	
Aberdeen City Council	3,000,000	0.60000%	03-Aug-11	(Tradition)	16-Aug-10	17,358.90	Local Authority
Aberdeen City Council	1,000,000	0.55000%	27-Jun-11	(Tradition)	26-Jul-10	5,063.01	Local Authority
Kingston upon Hull City Council	1,000,000	0.60000%	16-May-11	(Tradition)	16-Aug-10	4,487.67	Local Authority
Newcastle-upon-Tyne City Council	2,000,000	0.50000%	04-Apr-11	(Prebons)	18-Jun-10	7,945.21	Local Authority
Thurrock Borough Council	1,000,000	0.45000%	23-Feb-11	(Martins)	23-Aug-10	2,268.49	Local Authority
Eastleigh Borough Council	2,000,000	0.42000%	09-Feb-11	(Tradition)	09-Aug-10	4,234.52	Local Authority
Salford City Council	1,000,000	0.38000%	02-Feb-11	(Tradition)	02-Aug-10	1,915.62	Local Authority
Plymouth City Council	1,000,000	0.35000%	31-Jan-11	(Martins)	30-Jul-10	1,773.97	Local Authority
Birmingham City Council	2,000,000	0.40000%	31-Jan-11	(Tradition)	27-Aug-10	3,441.10	Local Authority
Basildon District Council	1,000,000	0.45000%	24-Jan-11	(Prebons)	22-Jul-10	2,293.15	Local Authority
Midlothian Council	1,000,000	0.38000%	05-Jan-11	(Tradition)	25-Jun-10	2,019.73	Local Authority
Plymouth City Council	2,000,000	0.35000%	04-Jan-11	(Martins)	30-Jun-10	3,605.48	Local Authority
Salford City Council	1,000,000	0.38000%	04-Jan-11	(Tradition)	25-Jun-10	2,009.32	Local Authority
Eastleigh Borough Council	2,000,000	0.30000%	04-Jan-11	(Martins)	01-Jul-10	3,073.97	Local Authority
Lancashire County Council	1,000,000	0.70000%	16-Dec-10	(Tradition)	06-Jan-10	6,597.26	Local Authority
Lancashire County Council	5,000,000	0.62000%	08-Dec-10	(Prebons)	05-Jan-10	28,621.92	Local Authority
Newcastle-upon-Tyne City Council	4,000,000	0.45000%	08-Dec-10	(Prebons)	08-Jun-10	9,024.66	Local Authority
Salford City Council	2,200,000	0.45000%	08-Dec-10	(Martins)	08-Jun-10	4,963.56	Local Authority
Barclays Bank plc	1,000,000	0.95000%	18-Nov-10	(Direct)	18-May-10	4,789.04	United Kingdom
Dundee City Council	2,500,000	0.55000%	17-Nov-10	(Martins)	01-Dec-09	13,222.60	Local Authority
Redditch Borough Council	1,300,000	0.40000%	15-Nov-10	(Prebons)	16-Aug-10	1,296.44	Local Authority
Basildon District Council	2,000,000	0.50000%	05-Nov-10	(Prebons)	05-May-10	5,041.10	Local Authority
Redditch Borough Council	1,000,000	0.32000%	26-Oct-10	(Prebons)	26-Jul-10	806.58	Local Authority
Dumfries & Galloway Council	1,000,000	0.32000%	22-Oct-10	(Tradition)	23-Jul-10	797.81	Local Authority
Barclays Bank plc	2,000,000	0.95000%	21-Oct-10	(Direct)	21-Apr-10	9,526.03	United Kingdom

Thurrock Borough Council	1,000,000	0.31000%	19-Oct-10	(Martins)	20-Aug-10	509.59	Local Authority
Barclays Bank plc	3,000,000	0.95000%	15-Oct-10	(Direct)	15-Apr-10	14,289.04	United Kingdom
Salford City Council	1,000,000	0.35000%	11-Oct-10	(Tradition)	10-Jun-10	1,179.45	Local Authority
South Lanarkshire Council	1,500,000	0.45000%	30-Sep-10	(Prebons)	26-Aug-10	647.26	Local Authority
Salford City Council	800,000	0.30000%	24-Sep-10	(Martins)	04-Jun-10	736.44	Local Authority
Thurrock Borough Council	3,000,000	0.43000%	22-Sep-10	(Martins)	18-May-10	4,488.49	Local Authority
Barnsley M.B.C.	1,000,000	0.30000%	20-Sep-10	(Prebons)	18-Jun-10	772.60	Local Authority
Falkirk Council	2,500,000	0.50000%	01-Sep-10	(Martins)	01-Dec-09	9,383.56	Local Authority
Conwy County Borough Council	2,000,000	0.35000%	01-Sep-10	(Martins)	01-Jun-10	1,764.38	Local Authority
HSBC Bank Plc [Deposit A/c]	1,790,000	0.27500%	01-Sep-10	(HSBC)	31-Aug-10	13.49	United Kingdom
Current Investments (post 1 st Apr 2009)	61,590,000					179,961.44	
TOTAL CURRENT INVESTMENTS	70,590,000					545,303.08	

Appendix F

Unavoidable Spending Pressures

(a) General Fund

General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
Previously Approved:						
Lion Yard - Rent Income	0	0	(278,670)	(278,670)	(278,670)	Balance of net change in rents projected after contribution to capital
Council Tax Income earmarked for Growth Spend	50,080	159,720	339,850	533,340	-	Balance of Earmarked Provision (after previously approved bid X1888)
Lion Yard rent income	0	0	121,180	121,180	121,180	Reworked for capital and rent projections
Employers National Insurance Rates	0	145,300	152,200	152,200	152,200	Impact of pre-Budget Report 2008 measures
Fuel Duties	24,330	26,680	29,020	29,020	29,020	Impact of pre-Budget Report 2008 measures
Pensions Fund Revaluation Provision	0	164,250	328,500	328,500	•	Provision for an increase of 0.75% in both 2011/12 and 2012/13 in the Employer's Pension Contribution rate, in anticipation of the 31 March 2010 triennial revaluation of the Pension Fund.
Pay Awards (Pre-Budget Report 9 December 2009 pay cap at 1% for 2 years)	0	(109,500)	(438,000)	(438,000)		Change to provisions since Sept 09 MTS as follows: 2011/12 (from 1.5% to 1.0%), 2012/13 (from 2.5% to 1.0%), future yrs remain at 2.5%
National Insurance (Pre-Budget Report 9 December 2009, additional 0.5% increase w.e.f. 2011/12)	0	109,500	109,500	109,500	109,500	Additional 0.5% increase w.e.f. 2011/12
Maternity Fund	0	0	0	0		Pressures on costs of covering maternity leave. Future year effects to be assessed in a review.

General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
Icelandic Investments	1,543,550	(161,910)	(71,810)	(5,760)	0	Projected net loss of principal (impact of anticipated repayments are built into the latest external interest projections) - updated since MTS Sept 2009
Pensions Fund Revaluation Provision	0	0	0	164,250	328,500	Extension of provision for a 0.75% increase for each year 2013/14 to 2016/17
New for 2011/12						
Pay Award 2010/11 - remove 1% provision	(285,000)	(285,000)	(285,000)	(285,000)	(285,000)	
Pay Freeze 2011/12	0	(428,000)	(428,000)	(428,000)	(428,000)	
Pay Freeze 2012/13	0	0	(715,000)	(715,000)	(715,000)	
Less than £21k cost of £250s	0	68,000	136,000	136,000	136,000	
Employer's NI thresholds raised	0	(81,000)	(81,000)	(81,000)	(81,000)	
Parking Income	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	Increase due to usage
Parking Income - impact of VAT increase 4 Jan 2011	75,000	0	0	0	0	
Insurance Premium Tax	0	3,500	3,500	3,500	3,500	
NNDR 2010 Valuation increases	124,100	232,310	232,310	232,310	232,310	Rate relief reduces after 2010/11
NNDR refund re Mill Road Depot	(214,040)	0	0	0	0	
External Interest	256,000	1,007,000	300,000	0	0	
CCTV reduced income	0	45,000	45,000	45,000	45,000	UNDER REVIEW
Homelessness - penalties for terminating contract following loss of DCLG grant	0	107,000	0	0	0	
Review incremental progression	0	(50,000)	(50,000)	(50,000)	(50,000)	From 2.2% to 1.9%

General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
Inflation adjustments - Property Rents	0	154,670	154,670	154,670	154,670	Compared to CPI 3.2%
TIF contribution - remove after 2011/12	0	(84,320)	(84,320)	(84,320)	(84,320)	
Climate Change - one-off contribution	250,000	0	0	0	0	
One year extension of growth-related fixed-term posts - gross costs	0	873,900	0	0	(1)	Extension allows further consideration as part of the developing an integrated planning service
One year extension of growth-related fixed-term posts - part funded from additional income	0	(436,950)	0	0	0	Assumes additional planning income including New Homes Bonus
Total Net Effect	1,324,020	960,150	(980,070)	(856,280)	(302,500)	

(b) Housing Revenue Account (HRA)

HRA Category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
Previously approved:						
Increase in negative subsidy payable due to LIBID rate change	78,550	78,550	78,550	78,550	78,550	
Increased income relating to capitalisation of costs of right to buy sales	(17,500)	(12,000)	(10,000)	(7,500)	(7,500)	Increased income due to marginal increase in right to buy sales and ability therefore to capitalise associated administrative costs
Investment income	61,320	179,000	155,000	107,000	84,000	Impact of interest rate changes on investment and mortgage income
Interest Payable	(6,700)	(4,000)	0	5,000	9 (100)	Changes in interest due to General Fund for notional debt based on reduced interest rates initially followed by assumed recovery
Pension Costs	0	133,590	204,860	280,940	360 370	Ear-marked resource for anticipated additional pension costs to the HRA (direct and recharged)
National Insurance (Additional 1% wef 2011/12)	0	70,200	70,200	70,200	70,200	Increase in rate from April 2011
New from 2010/11						

HRA Category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
Increase in base budget funding for day to day and void repairs service	380,000	380,000	380,000	380,000	380,000	Increase in base budget to reflect actual costs incurred in previous 5 years and negate need to adjust at revised budget in year
One-off cost of external validation of Stock Condition Survey data	9,500	0	0	0	0	Work required in preparation for potential self-financing of the HRA
Professional fees for structural engineer assessment for East Road garages	20,000	0	0	0	0	Work required to enable investment appraisal for extensive garage block at East Road
New for 2011/12						
Pay Award 2010/11 - remove 1% provision	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	Prudent financial assumption included in financial modelling based upon prior year experience
Pay Freeze 2011/12	0	(165,000)	(165,000)	(165,000)	(165,000)	
Pay Freeze 2012/13	0	0	(275,000)	(275,000)	(275,000)	
Less than £21k cost of £250s	0	22,000	44,000	44,000	44,000	
Employer's NI thresholds raised	0	(27,000)	(27,000)	(27,000)	(27,000)	
Total Net Effect	415,170	545,340	345,610	381,190	441,620	

Appendix G

Areas of Uncertainty

The main areas of uncertainty, for which no allowance has been made in the forecast but which are potentially material, are: -

(a) All Funds

Ref.	Area of Uncertainty
(1)	Rating Revaluation Appeals
	 The Council is reviewing the 2010 valuation list, which may raise additional issues to those recently completed for the 2005 list. The property team will consider the need to register challenges
(2)	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.
(3)	VAT: Partial Exemption
	 The calculation has previously been close to the threshold. However, actions to 'opt to tax' on selected assets has reduced the potential of a breach and the associated cost implications in terms of non-recoverable VAT. If the threshold is increased or removed altogether, then it will give the Council more scope to recover Input Tax which was previously irrecoverable. It is anticipated that the forthcoming mercury abatement installation at the crematorium will cause the Council to exceed its threshold during 2011/12.
(4)	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
	o the timely use of Section 106 funds
	o the acquisition, sale or retention of property throughout the City
(5)	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 Cambridgeshire Horizons and neighbouring authorities to determine the capital and revenue consequences. Revenue pressures are anticipated in terms of increased demand on a number of services.

Area of Uncertainty Ref. (6) **Boundary Change** The earliest implementation of any boundary changes will be in 2013. Further information is shown in Section 2 under 'Review Of The City / South Cambs Administrative Boundary'. The overall net financial impact of the proposed changes is uncertain and will depend, in part, on the methodology used to re-assign Formula Grant between the two authorities. (7) Joint Working and Services Funded Jointly with Other Organisations The future funding plans and decisions by partner organisations in such circumstances can result in pressures for the City Council, particularly where government funding has been removed or is under threat. (8) **Electricity & Gas prices** The Council has recently retendered its energy contracts which has brought about significant savings. The budget saving was only been taken for the 2-year period of the contracts, as prices are expected to rise materially after that point. (9) **External Legal fees** There are a number of outstanding legal cases that could result in substantial additional costs to the Council if our action is not successful. This area needs monitoring closely as there could be significant financial consequences. Council services also require infrequent access to expert witnesses or barristers for which there is no budget provision. There may also be costs awards which are also unbudgeted and not within the SLA with Legal Services. (10)Climate Change The impact of climate change may have broad ranging effects across the council including, inter alia, fuel pricing, housing insulation, vehicle purchase and design of new and refurbishment of existing buildings. It is not possible to quantify the financial impact of this however the Council's Climate Change Fund is available for support for appropriate projects, subject to key criteria and overall affordability. (11)Review of Mill Road Depot As identified in the February 2009 Budget Setting Report, the current operating site was reviewed through an initial Feasibility study. However, the economic downturn will affect timings of any proposals coming out of the review and may mean a longer tenure at Mill Road, pending a firm decision on the site and alternate site provision. The site is over 100 years old and changes are likely to be needed and funding identified to meet both operational requirements, increasing maintenance demands and Health and Safety concerns.

(b) General Fund

Ref.	Portfolio	Area of Uncertainty
(1)	Strategy & Resources	General Fund / Housing Revenue Account Transfers
	Resources	 There is an ongoing review into the basis for the transfers relating to services shared by the whole community. This involves central overheads, corporate and democratic core and appropriations. The charges from the HRA to the General Fund are also being reviewed as part of this process.
(2)		Council Tax Collection Fund deficit / surplus contributions
		This has a one-off effect, and is assessed in January each year.
		 Projections for 2011/12 have been provisionally included in the Medium Term Strategy and will be reassessed as part of the budget process.
(3)		Growth Areas Delivery Grant
		 The amount of future funding involved is unclear at the moment, however there is potential for a significant contribution to the Council's asset base in the medium term.
(4)		Travellers
		 Regional Spatial Strategy targets requiring provision of 15 permanent pitches in the City by 2011 and 28 by 2021 are being revoked under the Government's review of the planning system, leaving it to local authorities to assess what provision is required locally. As part of this work. officers have been developing on a set of site assessment criteria to assist in identifying locations for sites within the City.
		 Decisions will now need to be made on whether to continue to seek permanent site provision, or to start to look again at provision of an emergency stopping place, either in the City, or on the urban extensions in collaboration with South Cambridgeshire District Council.
		 The future funding of Gypsy and Traveller sites under the new Government is uncertain. There will be no further capital grant funding available during 2010-2011, and whether and how site provision will be funded beyond that remains to be seen.

Ref.	Portfolio	Area of Uncertainty	
(5)		Local Land Charges	
		 Income will vary dependant on activity in the housing market, the recent housing downturn has thus brought about a significant reduction in searches. The introduction of Home Information packs has led to a change in the way in which searches are commissioned, with much greater use of personal search companies, some of which have moved into the home information pack market. 	
(6)		Electoral Administration	
		 Currently we do not budget for by-elections. If there is an unexpected by-election costs of £6,000 would be incurred. 	
(7)		Office Accommodation Review	
		 work is in progress to review options across the Council's office accommodation following the opening of the new Customer Service Centre and the implications of the corporate restructure. 	
(8)	Environment & Planning (Climate	Concessionary Fare scheme	
	Change & Growth)	 The final impact of the transfer of the management of concessionary bus fare scheme is unknown with wide variations in the various options available to the Government. 	

Ref.	Portfolio	Area of Uncertainty			
(9)		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 with all forecasting there is uncertainty regarding a number of the assumptions made which could impact on the income projections.			
		 The Council's approach to dealing with 'carbon footprint' issues and the potential for the introduction of congestion charging in the City's boundaries in the longer term could impact on future car park income levels. 			
		 A review of the overall parking portfolio, started in 2008/09, may impact on the future strategy for repair and replacement of car parks and could impact on the need for significant repair and refurbishment work currently required at Park Street Car Park in 2011/12. 			
		Other issues impacting on Parking services include:			
		 The transfer of CCTV and Shopmobility services into Parking Services' management control. Changes in retail occupancy in the city centre Traffic management and transport planning strategies, particularly road pricing 			
(10)	Environment and Planning	Legislation will require new or enhanced enforcement regimes to be implemented, including:			
	(Environmental & Waste)	 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. These costs may be mitigated by grants under the Contaminated Land Capital Projects Programme by DEFRA but is unlikely to cover the full costs or the initial investigation costs. 			
(11)		Landfill Tax			
		 The Government's drive to reduce landfill disposal has resulted in significant increases in landfill tax. The Council's commitment to recycling should limit the impact of the increased tax on the Council. 			

Ref.	Portfolio	Area of Uncertainty
(12)		Dry Recycling
		 The new Dry recycling contract is based on a gate fee per tonne for the bulking, transport and sorting (at a materials recycling facility) of dry recyclates. There will be two elements of price variation which will affect the gate fee — an annual RPI adjustment and a gate fee adjustment mechanism as a result of change in the market price of recyclates. The latter adjustment may be made at six monthly intervals and will make it difficult to set an accurate annual budget as prices may vary depending on the value of recyclates.
(13)		Food Hygiene
		 There may be a requirement for additional budget provision in order to ensure appropriate enforcement action can be taken in all appropriate cases.
(14)	Community	Reduction in Home Aid Agency Contributions
	Services (Housing)	Potential reduction in contributions towards the Home Aid Agency from both external sources and fee generation.
(15)		Community Safety Funding
		 Potential loss of Community Safety funding via the Community Safety Partnership, resulting in an inability to deliver grant programmes managed previously.
(16)		CLG Homelessness Grant
		 Doubt over receipt of CLG Homelessness Grant for 2011/12 onwards of £401,050 per annum, with a proportion of the anticipated grant contractually committed to third sector organisations. Notice give to exercise break clauses on 31/3/2011 would result in financial liability of a minimum of £107,000.
(17)	Community	Parkside Pool
	Services (Arts & Recreation)	 The outcome of legal assessments regarding the defects is not yet established, there could be financial implications arising from this.
(18)		Corn Exchange
		 Income streams are driven by levels of disposable income which are anticipated to remain static or reduce for the foreseeable future. His will impact on show attendances which may be mitigated by a review of the current programme.

Ref.	Portfolio	Area of Uncertainty	
(19)		The Council needs to assess the impact and opportunities arising from the Olympics 2012 in terms of adding value to existing service provision, maximising legacy i.e. making sure that city clubs and facilities can cater for the enthusiasm generated by 2012 and managing the potential impact on infrastructure and services.	
(20)	Community Development & Health	Ongoing revenue funding of Community Development facilities The impact of growth in the city and surrounding area will require the creation of community facilities. The creation of the facilities will be covered by \$106 contributions, however the revenue funding of these facilities may require ongoing City Council support.	

(c) Housing Revenue Account

Ref.	Portfolio		Portfolio		Area of Uncertainty		
(1)	Housing Revenue Account		 Review of the HRA Subsidy System and Self-Financing for the HRA The proposals from the Review of Council Housing Finance have recently been subject to consultation, with the outcome anticipated in the autumn of 2010. A new model for the HRA could potentially be introduced with effect from April 2011, or more realistically April 2012. The proposals would see a new self-financing HRA, with financial freedoms to retain rents at a local level, following an initial redistribution of housing debt. 				
(2)			The number of sales remained low in 2009/10. Early indications in 2010/11 suggest that sales are likely to occur at a similar level this year. The implications of this for revenue are now significant, as there is no longer the ability to capitalise all of the costs associated with the right to buy service.				
(3)			 Care and support services currently provided in Extra Care housing at Ditchburn Place have been subject to formal tender by the County Council. The city has submitted a tender to continue to provide these services, with the outcome anticipated in October 2010. There are significant financial risks associated with the submission of this tender and conversely significant financial implications of not tendering or of being unsuccessful, with the impact extending to the catering and cleaning services currently provided. 				

Ref.	Portfolio	Area of Uncertainty	
(4)		Independent Living Service – Sheltered and Supported Housing	
		 Funding for the Independent Living Service is at risk in a number of areas. The level of voids, as a result of the sheltered housing investment strategy, is still significant, producing shortfalls in rent, service charge and support income. This is compounded by concerns in the level of future funding from Supporting People for support, combined with the loss of the majority of business from warden agencies as a result of their needs to cut costs. Emergency alarm services provided to owner occupiers are also reducing over time. It is anticipated that the County Council will re-tender support services in these areas in the short to medium term. 	
(5)		Floating Support Services	
		 Following the County Council tender for a framework of suppliers to deliver Floating Support Services across the county and the City Council's failure to secure a place on this, notice is awaited in respect of our current contract to deliver services in the city. The staff involved in providing this service will transfer under TUPE to a new provider, but the Council will be left to either reduce or re-absorb overheads previously apportioned across this service area. 	
(6)		Corporate Restructure	
		 There is anticipated to be a financial benefit to the HRA in respect of the corporate restructure and resulting reduction in Directors and Heads of Service. The review of Support Services will also have a direct impact on the HRA, both in terms of up front costs and anticipated ongoing savings. Work corporately is not yet sufficiently progressed to quantify the impact for the HRA specifically. Any savings realised will contribute to the target required as part of the 2011/12 budget process. 	
(7)		Electricity Smart Meters	
		 The introduction of Smart Meters to enable the remote reading of electricity meters was expected to result in some large one- off costs / refunds in respect of meters that have historically been estimated. Evidence to date suggests that the financial impact will not be huge and will therefore be addressed as part of the 2011/12 budget process. 	

Ref.	Portfolio	Area of Uncertainty	
(8)		HRA New Build	
		 Following successful award of HCA grant for 7 units of new build HRA dwellings, options to bid for further funding are being exercised. The opportunity to work with a developer partner to redevelop the Seymour Court site is currently being progressed. If the scheme is successful in securing grant funding, a considerable sum of prudential borrowing will also be required to deliver the anticipated affordable housing. 	
(9)		HRA Commercial Property	
		 Review of the ownership of some commercial property in the Council's portfolio is required to ensure that both rental income and maintenance liabilities are being correctly accounted for. 	
(10)		HRA Stock Valuation	
		 It is anticipated that revised stock valuation guidance will be received from the CLG in early autumn 2010, which could require a full revaluation of our Council housing stock on a new basis. Until the detailed guidance is available, the cost implications are uncertain and will therefore need to be addressed as part of the 2011/12 budget process. 	
(11)		HRA Review of Area Offices	
		 It is anticipated that a review of the future use of housing area offices will take place, following one year of operation after the transfer of housing services to the CSC. The revenue implications of this review will be quantified and incorporated as part of the report that will be presented to HMB for decision. 	

(d) Capital

Ref.	Portfolio	Area of Uncertainty	
(1)	Housing Capital	Sheltered Housing	
		 The existing Sheltered Housing Modernisation Programme is progressing well, with Brandon Court scheduled for refurbishment during 2010/11. There is a need to review the decisions made in respect of the latter stages of the programme, to determine the best use of limited resources in the current financial climate, with options currently being considered for Seymour Court, Ditchburn Place and Roman Court. 	

Ref.	Portfolio	Area of Uncertainty	
(2)		Achievement of Decent Homes	
		 97.7% of the stock was considered decent at 1st April 2010, however additional properties become non-decent during the year. 	
		Our target is still to meet Decent Homes by December 2010 in line with Government deadlines.	
(3)		Expansion of Decent Homes to include Communal Areas	
		 The CLG Consultation 'Review of Council Housing Finance' indicated a desire to expand the Decent Homes criteria to include lifts and common parts in flatted accommodation. This change would require both up front investment to survey and ongoing investment to meet and maintain the standards set. 	
(4)		Sulphate Attacks	
		 Sulphate attack has been identified in a number of council dwellings, resulting in the possible need to invest £3m to eradicate the problem. Currently £1m is allocated in the Housing Capital Programme over the next ten years, allowing remedial works to be undertaken in void properties. There is the potential for similar sulphate attacks in the structures of a number of other council dwellings, which could result in the need for significant additional investment to undertake these works. 	
(5)		Disabled Facilities Grants and Private Sector Housing Grants and Loans	
		 Council investment in both DFG's and Private Sector Housing Grants and Loans is dependent upon existing capital balances or capital receipts in year. Historic capital balances will to be fully utilised by the end of 2016/17, and the level of receipts anticipated on an ongoing basis will not be sufficient to support the desired investment. 	
(6)		Right to Buy Sales	
		 The number of sales remained low in 2009/10, with only 13 sales completed. Early indications in 2010/11 suggest that the number of completions will remain at this level. The negative impact of this fall in available capital resources has been built into the Housing Capital Investment Programme, resulting in an inability to fully fund the programme in years 5 to 10. 	
(7)		Decent Homes – PVCU Windows	
		 Need to consider resources required to replace PVCU windows in HRA stock, where failures in existing installations are emerging, resulting in replacement far sooner than would be anticipated by the Decent Homes Standard. Some funding has been included to tackle the worst of these issues as part of this MTS. 	

Ref.	Portfolio	Area of Uncertainty	
(8)		Asbestos Removal	
		 Potential to change strategy for asbestos removal, to ensure that blocks / streets are tackled as projects as opposed to in isolation while dwellings are void. This approach may bring forward the need for resources previously anticipated to be spent much later in the programme and also incur the additional costs of decant, but would accelerate the programme and reduce the additional revenue costs of repairs in properties with asbestos. 	
(9)		Easiform Flats – Structural Adaptation & Rendering	
		 Potential need to undertake internal structural adaptation of additional flats to ensure internal fire escape routes comply with latest fire regulations as is already being undertaken in the Easiform flats. 	
		 Concerns exist with regard to the rendering of some Easiform flats, where a survey will be undertaken to ascertain whether resources will be needed and if so at what level. 	
(10)		Potential Structural Repair	
		 Potential need for structural repair works due to cracks in properties in two blocks of flats. Monitoring of the properties will determine whether this settles or will dictate further action that is required. 	
(11)		Garages – East Road & St Matthew Streets	
		 It is anticipated that there will be significant investment required to the garages at East Road and St Matthews Street. Securing the services of a structural engineer is required to quantify the costs involved and facilitate an options appraisal. Initially there will be revenue costs related to this expenditure, but dependent upon the results received from the structural engineer this could determine the investment required to these garages. 	
(12)		Energy Efficiency – Boiler Replacement	
		 Potential for legislative requirements to increase energy efficiency of boilers resulting in a replacement programme of every 10 to 15 years as opposed to every 15 to 20 years. 	
(13)		Stamp Duty Land Tax Liability – Eastfield Project	
		Stamp Duty Land Tax liability on acquisitions (Eastfield Project)	

Appendix H

Current Major Contracts & Agreements

Financial Year	End Date	Contract Period	Contract / Agreement	Current Service Provider
EXTERNAL C	ONTRACTS			
2010/11	30 Mar 2011	5 yrs	Building Maintenance etc	Apollo London Ltd
	30 Mar 2011	5 yrs	Decent Homes maintenance – Kitchens and bathrooms (2)	Luminus Group and N&S Building Services
	30 Mar 2011	5 yrs	Decent Homes maintenance – Heating (2)	Aqua Mechanical Services Ltd and Chaps Ltd
	30 Mar 2011	5 yrs	Decent Homes maintenance – Electrical (2)	Coulson Building Group and Eastern Contracting
	30 Mar 2011	5 yrs	Decent Homes maintenance – Roofing (2)	Lodge Roofing and K&C Roofing
	30 Mar 2011	5 yrs	Decent Homes maintenance – Decorating (2)	Mitie Property Services and Cundy Anglia Ltd
2011/12	19 Jul 2011	2 yrs	Corporate Mobile Phones	Orange
	31 Jul 2011	2 yrs	Non half hour Electricity Sites	Opus Energy
	31 Jul 2011	2 yrs	Half hour Electricity Sites	SWALEC
	31 Jul 2011	2 yrs	Gas	Shell Gas Direct Ltd
	31 Jul 2011	3 yrs	Environmental Improvement Schemes & Minor Highway Works	J P Webster
	23 Nov 2011	2 yrs	Supply of casual staff	Comensura
2012/13	30 Apr 2012	4 yrs	Mechanical and Electrical Services	Aqua Planned Maintenance
	30 Apr 2012	4 yrs	Lift Maintenance	Kone Lifts
	30 Apr 2012	4 yrs	Air Cooling Maintenance	Constant Cooling
	30 Apr 2012	4 yrs	Door Entry Maintenance	Power Control Panels
	30 Apr 2012	4 yrs	Fire Safety Equipment Inspection & Maintenance	Cromwell Fire
	23 Nov 2012	3 yrs	Supply of Temporary Staff	Comensura

Financial Year	End Date	Contract Period	Contract / Agreement	Current Service Provider
	1 Mar 2013	4 yrs	Insurance Services	Zurich Municipal
2013/14	30 Jun 2013	5/7 yrs	Information Technology (includes a 2 year extension to 2013)	SERCO
	30 Sept 2013	7/10 yrs	Swimming Services (includes a 3 year extension to 2013)	Sports & Leisure Management Ltd
2014/15	31 Jun 2014	5 yrs	Gas Maintenance & Inspection	Morrisons
2017/18	2018	10 yrs	Provision of Pay on Foot Parking Equipment	Parkeon Ltd

Earmarked and Specific Funds

Appendix I

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- 1 Repairs & Renewals
- 2 Section 106
- 3 Technology Investment Fund
- 4 HPDG Revenue
- 5 HPDG Capital
- 6 LAPE
- 7 Fixed Term Posts
- 8 Climate Change

1 Repairs & Renewal Funds at 31 August 2010

Portfolio	Balance at 1 April 2010	Contribution 2010/11	Expenditure to August 2010	Balance at 31 August 2010	Balance at 31 August 2009
Arts & Recreation	(£797,517)	(£418,830)	£131,748	(£1,084,599)	(£1,260,167)
Climate Change & Growth	(£699,913)	(£238,647)	£59,959	(£878,601)	(£883,189)
Community Development & Health	(£1,106,303)	(£115,340)	£24,039	(£1,197,604)	(£1,042,481)
Customer Services & Resources	(£4,694,384)	(£1,023,727)	£8,863	(£5,709,248)	(£5,045,640)
Environmental & Waste Services	(£525,607)	(£175,130)	£7,985	(£692,753)	(£563,450)
Housing (General Fund)	(£285,691)	(£49,940)	£6,854	(£328,777)	(£286,138)
Strategy	(£240,598)	(£56,010)	£4,190	(£292,418)	(£243,521)
City Services *	(£4,335,824)	(£36,844)	£84,022	(£4,288,646)	(£4,900,916)
Total General Fund	(£12,683,826)	(£2,114,285)	£329,670	(£14,470,605)	(£14,223,462)

^{*} The City Services fund will be reallocated during the corporate restructure to the relevant new department

Portfolio	Balance at 1 April 2010	Contribution 2010/11	Expenditure to August 2010	Grand Total	2009
Housing Revenue Account	(£1,622,708)	(£248,140)	£13,656	(£1,857,192)	(£1,646,804)

2 Section 106

		Compl	eted S106 Agree	ements		F	Future Forecast			
Category	Balance b/f (as at 31/3/10)	Approvals (Note 1)	Net Available	Adjustments for completed projects still to be financed from \$106	Fund Balance	Contributions due from Non-Growth Sites (Note 2)	Contributions due from Growth Sites (Note 3)	Projected Balance Available		
Affordable Housing	(473,711)	197,000	(276,711)		(276,711)	(159,358)		(436,069)		
Community Facilities*	(1,525,376)	317,000	(1,208,376)	414,086	(794,290)	(933,760)	(6,252,794)	(8,394,930)		
Allotments				6,827	6,827					
Formal Open Spaces/Outdoor Sports Facilities*	(1,433,690)	687,000	(746,690)	54,458	(692,232)	(877,545)	(1,905,383)	(3,529,618)		
Informal Open Spaces	(1,318,889)	560,000	(758,889)	5,663	(753,226)	(685,527)	(160,000)	(1,604,416)		
Childrens Play Area/Provision for Children & Teenagers	(546,000)	125,000	(421,000)	134,407	(286,593)	(358,132)	(585,000)	(1,364,132)		
Indoor Sports Facilities							(1,184,500)	(1,184,500)		
Public Art	(494,153)	167,000	(327,153)		(327,153)	(51,829)		(378,982)		
Public Realm	(391,480)	286,000	(105,480)		(105,480)	(384,990)		(490,470)		
Waste & Recycling*							(712,017)	(712,017)		
Nature Conservation							(77,907)	(77,907)		
S106 monitoring							(287,500)	(287,500)		
Misc	(24,777)		(24,777)		(24,777)	(19,000)	(20,000)	(63,777)		
Education and Transport awaiting transfer to the County	(703,950)	703,950				(3,089,209)		(3,089,209)		
(Surplus) / Deficit	(6,912,026)	3,042,950	(3,869,076)	615,441	(3,253,635)	(6,559,350)	(11,185,101)	(21,613,527)		

Notes:

1. Includes only those approved capital projects that are in the Capital Plan (2010/11 - 2014/15) to be financed from S106 contributions. There are currently no Affordable Housing approvals beyond 2008/09, however all growth sites have to provide the full amount of affordable housing on site.

- 2. Includes where S106 agreements are completed, but development has not commenced. Most of these contributions (and those in the Balance b/f column) are non-site specific and can be used to finance a variety of projects promoted by the Local Authority and which meet the requirements of the Planning Obligation Strategy.
- 3*. These figures are taken from four completed growth area S106 agreements where development has not commenced plus indicative figures from two draft S106 agreements that have not yet been completed. These contributions are almost wholly tied to specific elements of infrastructure within the new developments or for specific purposes where spending can be only associated directly with the new developments. Similarly, the Council will also collect contributions that are due to other public bodies i.e. the Primary Care Trust (PCT) for health facilities, but these are not included in this table. However, for the categories above marked *, certain elements are due to the County Council, as they will deliver some of the facilities.

3 Technology Investment Fund

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Notes
	(£'s)	(£'s)	(£'s)	(£'s)	(£'s)	(£'s)	
(Surplus) / Deficit Balance b/f	(558,482)	(239,040)	(190,271)	(138,313)	(138,313)	(138,313)	
Annual contribution	(84,320)	(84,320)	(84,320)				Contributions cease after 2010/11
Other contributions	(5,300)						DCLG Capital grant efficiency information (Council Tax Bills) (new since BSR Feb 2009)
Total surplus available	(648,102)	(323,360)	(274,591)	(138,313)	(138,313)	(138,313)	
less							
Existing approvals							
Earmarked for Customer Access	180,000	49,053	125,816	0	0	0	Capital Scheme SC328 (scheme also funded from other sources) (Since BSR Feb 2010 re-phased)
sub-total	(468,102)	(274,307)	(148,776)	(138,313)	(138,313)	(138,313)	
less							
Existing approvals:							
- Committee Rooms: audio-visual equipment (SC 357)		17,000	0	0	0	0	Item C1201 - approved at ICT Steering Group on 18 Oct. 2006
- E&P GIS Solution: Phase 3	0	19,000	0	0	0	0	Item C1041 - approved at ICT Steering Group on 18 Oct. 2006 (see item C1793 below)
- Cash Allocation Interface Upgrade	0	0	0	0	0	0	
- VeriSecure Web payment system enhancements	0	0	0	0	0	0	Approved by Exec Councillor and ICT Steering Group on 1 June 2007
- DIP/EDRMS	55,369	0	0	0	0	0	
- Time Recording Management System	5,000	0	0	0	0	0	Funding part of £15k the cost (£10k from

Upgrade (SC 392)							PDG)
- Flexible Working Infrastructure Roll-Out (SC 394)	77,090	9,984	0	0	0	0	Funding the total costs of £88,200
- Corporate Axis PAYe.net (SC 400)	20,000	0	0	0	0	0	
less							
2009/10 Budget approvals:							Approved Budget-Setting Report (BSR) Feb 2009:
- GIS Phase 3 - funding no longer	0	(19,000)	0	0	0	0	ltem C1793 (see C1041 above)
needed							
- Government Connect Compliance Projects (SC 411)	69,699	11,884	0	0	0	0	Item C1969
- Installation of self service and information desk PCS into the new Tourist Information Centre (TIC) (part of £8k total) (SC 428)		6,000	0	0	0	0	Item C2010
- Procurement of an information management system covering the decision making process (SC425)		33,190	3,810	0	0	0	Item C1849
2009/10 New items:							
- Secure Mobile Virtual Private	0	5,978	2,522	0	0	0	Approved by ICT Steering Group on 12
Network (VPN) (SC 437)							August 2009
2010/11 New items:							
- Electronic Licensing Management System (ELMS)		0	4,130	0	0	0	Approved by ICT Steering Group on 11 November 2009 (approved since BSR Feb 2010)
(Surplus) / Deficit Balance c/f	(239,040)	(190,271)	(138,313)	(138,313)	(138,313)	(138,313)	

4 Housing & Planning Delivery Grant - Revenue

	2009/10	2010/11	Notes
	(£'s)	(£'s)	
Balance b/fwd	(57,460)	(340,576)	
Allocation	(637,636)	0	
Total available	(695,096)	(340,576)	
less			
Existing commitments			
Revenue	331,112	513,790	
Funding shortfall		(195,414)	Funding source to be agreed
	(363,984)	(22,200)	
Approved as part of 2009/10 Budget Process			
S2131 - Contribution to E&P share of corporate Review of Learning & Development saving	21,980	22,200	As agreed by E&P DMT 23/7/09
Balance c/fwd	(340,576)	0	

5 Housing & Planning Delivery Grant - Capital

	2010/11*	2011/12*	Notes
	*	**	
	(£'s)	(£'s)	
Balance b/fwd	(343,638)	3,237	
Allocation	0	0	HPDG guidance now assumes 33% of annual
			allocation is earmarked for capital expenditure.
			2009/10 allocation was estimated as sum required to meet existing commitments in 2009/10 & 2010/11 as
			per Feb 2010 BSR.
			per resizate seria
Total available	(343,638)	3,237	
		·	
less			
Existing commitments			
Approved as part of 2008 MTS			
Contribution to Corporate	169,599	0	Balance of capital project rephased from 2009/10 to
Document Management (DIP &			2010/11
EDRMS) project			
Approved as part of 2009/10 Budget			
Process			
- C1965 Development Control -	9,750	0	
Purchase and development of the			
UNIform e-consultee access			
module			
module	l		

- C1966 Development Control - on-going development of existing UNIform system	13,525	0	
- Environment & Planning Geographic Information System (GIS) Solution Phase 3	19,000		Previously approved TIF funding now substituted by HPDG funding
- RB2192 / S2152 Landscape Architects fees associated with the Environmental Improvement Programme	105,000		Approved at CMT/Exec 15/01/09
New Bids 2010/11 Budget Process			
- C2359 Deployment of Large/2nd	30,000		
Monitors for use with Document			
Management System			
Balance c/fwd	3,237	3,237	

^{*} Minimum grant allocation to meet current commitments. Difficult to accurately forecast 2010/11 due to the uncertainties in the determination of the grant and the increasing emphasis placed on the number of housing completions within the grant mechanism. Using the new allocation of revenue and capital would require a total grant of £712,150 per annum.

^{**} HPDG funding only available for current CSR period (to 31/03/11)

6 Local Authority Parking Enforcement

	2007/08	2008/09	2009/10	2010/11	Notes
(Surplus) / Deficit Balance b/f	(269,200)	(361,669)	(410,288)	(435,376)	
(Surplus) / Deficit from LAPE a/c in year [City Council element] * provisional	(143,620)	(56,160)	(52,981)	0	2009/10 50% share (Since BSR Feb 2010 new)
Total surplus available	(412,820)	(417,829)	(463,269)	(435,376)	
- Purchase of Emergency rescue vehicle for Lion Yard car park		13,000			Approved February 2007
 Purchase of surface cleaning machine for Lion Yard car park 	27,827				Approved February 2007
- Dial-a-Ride bus	17,000				Approved February 2007
sub-total	(367,993)	(404,829)	(463,269)	(435,376)	
2008/09 Budget approvals:					
- X1735 - Real Time Enforcement		80,000			
- X1736 - Electric Vehicle Charging				17,000	(Since BSR Feb 2010 re-phased and added £5k from "Provision of green parking bays and charging units" above)
- X1737 - Free Car Parks Signage/Lines				3,000	(Since BSR Feb 2010 re-phased)
- X1739 - Traffic Management Act Implementation	6,324	3,676			
- X1746 - Consultancy for review of Shopmobility services	0	7,500			
- X1735 - Real Time Enforcement	0	(80,000)			
2009/10 Budget approvals:					
- Repair and Renewal of Pedestrian Paving at entrance to Queen Anne Terrace Car Park			3,761		Item X2047 (Completed in Aug 2009)
- Energy Service Innovation Fund			50,000		Item X2071
- Energy Service Innovation Fund - bid now withdrawn			(50,000)		

	2007/08	2008/09	2009/10	2010/11	Notes
- Car Club start up and location expansion			220	11,780	Item X2072 (Since BSR Feb 2010 some spend, rest re-phased and combined with start up costs)
- Low emission car discount scheme setup and consultation				27,500	Item X2073 (Since BSR Feb 2010 re-phased and combined with feasibilty study)
- LED car park lighting installation (part funding for scheme, SC 439)				10,000	Item X2074 (Since BSR Feb 2010 re-phased)
- Grand Arcade Balustrades			8,912		Item X2075 (Completed in July 2009)
- A one-off contribution towards the installation of smart card readers on Stagecoach buses.			15,000		Item C1947 (Completed)
- Installation of a Corrosion Monitoring system into Park Street car park				47,000	Item C2046 (Since BSR Feb 2010 re-phased)
- Purchase of Emergency rescue vehicle for Lion Yard car; underspend on shopmobility feasibilty; other minor items		(16,635)			adjust other items
2010/11 Budget Approvals					
- C2405 - Additional Pay machine for Queen Anne Terrace Car Park (SC 466)				15,000	
- X2404 - Resurfacing of Petworth Street Car Park				13,500	
- X2406 - Development of new Shopmobility Customer Database system				8,000	
- X2407 - Lining and signing of free car parks				9,000	
- X2408 - Improved security and lighting repairs to Queen Anne Terrace Car Park				8,000	
LAPE function transferred to County, so					
Provision for potential fund deficits not required so returned to account				(100,000)	Council's 50% share of the £220k provision met from previous year's surpluses
Repair and Renewals Account - Closing balance returned to account				(21,655)	Equipment replacement provision met from LAPE account no longer required
(Surplus) / Deficit Balance c/f	(361,669)	(410,288)	(435,376)	(387,250)	Additional funding available since BSR Feb 2010

7 Fixed Term Contracts

	2010/11	2011/12	2012/13	2013/14	2014/15	Notes
(Surplus) / Deficit Balance b/f	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	
Add:						
Additional Contributions	0	0	0	0	0	
Total surplus available	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	
Less:						
Existing approvals						
sub-total	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	
New approvals						
(Surplus) / Deficit Balance c/f	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	

8 Climate Change Fund

(All figures £'s)	2008/09	2009/10	2010/11	2011/12	ESG ¹ approval	Notes
Available Funding brought forward	(250,000)	(243,900)	(201,475)	(281,328)		
Additional contribution			(250,000)			MTS proposal – September 2010
Total surplus available	(250,000)	(243,900)	(451,475)	(281,328)		
Existing approvals:						
Pilot of Electric Bin Lifts	2,100				13-Oct-08	
Chesterton Road Toilet Modernisation	900				5-Nov-08	
Corn Exchange Christmas Lighting Lamps	600				5-Nov-08	
Arbury Court WC Rainwater Harvesting	2,500				4-Mar-09	
Romsey Rec Rainwater Harvesting		2,500			4-Mar-09	
Energy Audit of Pools & Leisure Centres		3,745			26-Jun-09	
Grand Arcade Annex Car Park Fan system		21,700			26-Jun-09	
Public Conveniences & Park St Car Park Energy Survey		2,725			26-Jun-09	
Watercourses Flood Risk Survey		6,000			9-Sep-09	
New approvals:						
Community Centres Energy Audits		2,995			9-Dec-09	
Corn Exchange LED lighting		2,760			9-Dec-09	
LED Lighting at the Grand Arcade Annex Car Park			100,000		9-Sep-09	Project Appraisal to Environment Scrutiny Committee 06/10/09
Mill Road water efficiency			36,000		9-Dec-09	
Replacement boiler - Barnwell House			3,150		17-Mar-10	
Guildhall Voltage optimisation			17,963		17-Mar-10	
Market Stall LED lighting			13,034		7-Jun-10	
Total Approvals	6,100	42,425	170,147			
(Surplus) / Deficit Balance c/f	(243,900)	(201,475)	(281,328)	(281,328)		

Appendix J

Budget Assumptions

The main assumptions included in the budget forecast are: -

Ref.	Assumption for 2011/12						
(1)	Base – 2010/11 Approved Budget, as amended, with known changes for 2011/12.						
(2)	General inflation on expenditure - included at 3.2% (CPI June 2010).						
(3)	Updated central provisions have been made as appropriate for fuel, electricity and gas based on current knowledge of these markets						
(4)	Employee budgets include: - cost of pay award allowance 0.00%* - allowance for incremental progression 1.90% total allowance for pay and increments 1.90% - Allowance for incremental progression has been included pending any detailed budget adjustments to reflect performance results. * Government guideline for pay freeze for 2011/12 and 2012/13. However specific provision is being made for a pay award of £250 for employees earning less than £21,000 per annum.						
(5)	Employee budgets - assume an employee turnover saving of 3.0% of gross pay budget.						
(6)	Property Rental income – based on projections from the portfolio, reflecting actual incidence of rent reviews. Overall effect is a net cost of 2.98% compared to the assumed level of general inflation.						
(7)	Income and Charges – general assumption of 3.2% built into base, but specific reviews of all charges required by committees.						
(8)	Interest rate – based on latest market projections (on average 0.5% for 2010/11 and 0.69% for 2011/12)						
(9)	Major contracts and agreements, in term are rolled forward based on the specified inflation indices in the contract or agreement.						
(10)	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.						
(11)	The same inflation factors are applied to Central and Support Services as for direct services.						

Appendix K

General Fund Projection 2010/11 to 2014/15

	General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
	Net Spending (Cttee Totals)	23,709,050	22,131,440	21,000,890	21,199,920		Inflated base budgets (includes carry forwards, savings, inflation and PPF effects from prior years)
add	Capital Adjustment Account	421,720	421,720	421,720	421,720	421,720	
less	Minimum Revenue Provision Adjustment	(3,147,120)	(3,147,120)	(3,147,120)	(3,147,120)	(3,147,120)	
		20,983,650	19,406,040	18,275,490	18,474,520	18,270,240	
add	Contribution to :						
	Efficiency Fund	75,000	475,000	200,000	0	0	To support corporate change programme
	Technology Investment Fund (TIF)	84,320	84,320	84,320	84,320	84,320	IT contract saving contribution
	Capital Plan	3,069,000	2,606,000	1,381,000	1,380,000	1,380,000	Includes all new recommendations within the MTS
		24,211,970	22,571,360	19,940,810	19,938,840	19,734,560	

	General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
add	Anticipated Changes						
	Previously Approved:						
	Lion Yard - Rent Income	0	0	(278,670)	(278,670)	(278,670)	Balance of net change in rents projected after contribution to capital
	Council Tax Income earmarked for Growth Spend	50,080	159,720	339,850	533,340	917,110	Balance of Earmarked Provision (after previously approved bid X1888)
	Lion Yard rent income	0	0	121,180	121,180	121,180	Reworked for capital and rent projections
	Employers National Insurance Rates	0	145,300	152,200	152,200	152,200	Impact of pre-Budget Report 2008 measures
	Fuel Duties	24,330	26,680	29,020	29,020	29,020	Impact of pre-Budget Report 2008 measures
	Pensions Fund Revaluation Provision	0	164,250	328,500	328,500	328,500	Provision for an increase of 0.75% in both 2011/12 and 2012/13 in the Employer's Pension Contribution rate, in anticipation of the 31 March 2010 triennial revaluation of the Pension Fund.
	Pay Awards (Pre-Budget Report 9 December 2009 pay cap at 1% for 2 years)	0	(109,500)	(438,000)	(438,000)	(438,000)	Change to provisions since Sept 09 MTS as follows: 2011/12 (from 1.5% to 1.0%), 2012/13 (from 2.5% to 1.0%), future yrs remain at 2.5%
	National Insurance (Pre-Budget Report 9 December 2009, additional 0.5% increase w.e.f. 2011/12)	0	109,500	109,500	109,500	109,500	Additional 0.5% increase w.e.f. 2011/12
	Maternity Fund	0	0	0	0	0	Pressures on costs of covering maternity leave. Future year effects to be assessed in a review.

General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
Icelandic Investments	1,543,550	(161,910)	(71,810)	(5,760)	0	Projected net loss of principal (impact of anticipated repayments are built into the latest external interest projections) - updated since MTS Sept 2009
Pensions Fund Revaluation Provision	0	0	0	164,250		Extension of provision for a 0.75% increase for each year 2013/14 to 2016/17
New for 2011/12						
Pay Award 2010/11 - remove 1% provision	(285,000)	(285,000)	(285,000)	(285,000)	(285,000)	
Pay Freeze 2011/12	0	(428,000)	(428,000)	(428,000)	(428,000)	
Pay Freeze 2012/13	0	0	(715,000)	(715,000)	(715,000)	
Less than £21k cost of £250s	0	68,000	136,000	136,000	136,000	
Employer's NI thresholds raised	0	(81,000)	(81,000)	(81,000)	(81,000)	
Parking Income	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	Increase due to usage
Parking Income - impact of VAT increase 4 Jan 2011	75,000	0	0	0	0	
Insurance Premium Tax	0	3,500	3,500	3,500	3,500	
NNDR 2010 Valuation increases	124,100	232,310	232,310	232,310	232,310	Rate relief reduces after 2010/11
NNDR refund re Mill Road Depot	(214,040)	0	0	0	0	

General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
External Interest	256,000	1,007,000	300,000	0	0	
CCTV reduced income	0	45,000	45,000	45,000	45,000	
Homelessness - penalties for terminating contract following loss of DCLG grant	0	107,000	0	0	0	
Review incremental progression	0	(50,000)	(50,000)	(50,000)	(50,000)	From 2.2% to 1.9%
Inflation adjustments - Property Rents	0	154,670	154,670	154,670	154,670	Comppared to CPI 3.2%
TIF contribution - remove after 2011/12	0	(84,320)	(84,320)	(84,320)	(84,320)	
Climate Change - one-off contribution	250,000	0	0	0	0	
One year extension of growth-related fixed-term posts - gross costs	0	873,900	0	0	0	Extension allows further consideration as part of the developing an integrated planning service
One year extension of growth-related fixed-term posts - part funded from additional income	0	(436,950)	0	0	0	Assumes additional planning income including New Homes Bonus

General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
	25,535,990	23,531,510	18,960,740	19,082,560	19,432,060	
Future Years PPF Provision						
- Future Years PPF Provision	-	500,000	500,000	500,000	500,000	New provision included in each budget year. Prior years effects are shown in Net Spending (Cttee Totals)
	25,535,990	24,031,510	19,460,740	19,582,560	19,932,060	
Net savings Requirement	0	(2,068,230)	(972,450)	(1,347,860)	(1,872,210)	New savings required in each budget year - Executive Decision
Total Net Spending Requirement	25,535,990	21,963,280	18,488,290	18,234,700	18,059,850	
	Future Years PPF Provision - Future Years PPF Provision Net savings Requirement	Future Years PPF Provision - Future Years PPF Provision - State of the second of the	25,535,990 23,531,510 Future Years PPF Provision - Future Years PPF Provision 25,535,990 24,031,510 Net savings Requirement 0 (2,068,230)	25,535,990 23,531,510 18,960,740 Future Years PPF Provision - 500,000 500,000 25,535,990 24,031,510 19,460,740 Net savings Requirement 0 (2,068,230) (972,450)	25,535,990 23,531,510 18,960,740 19,082,560 Future Years PPF Provision - Future Years PPF Provision 25,535,990 24,031,510 19,460,740 19,582,560 Net savings Requirement 0 (2,068,230) (972,450) (1,347,860)	25,535,990 23,531,510 18,960,740 19,082,560 19,432,060 Future Years PPF Provision - 500,000 500,000 500,000 500,000 25,535,990 24,031,510 19,460,740 19,582,560 19,932,060 Net savings Requirement 0 (2,068,230) (972,450) (1,347,860) (1,872,210)

General Fund - Funding Statement - 2010/11 to 2014/15

			,	,	,		
	General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
	Total Net Spending Requirement	25,535,990	21,963,280	18,488,290	18,234,700	18,059,850	
less	External Support						
	- Formula Grant	(12,438,370)	(12,687,380)	(11,716,890)	(10,829,180)	(10,017,190)	Formula Grant (RSG and NNDR Poshare)
	- Concessionary Fares Special Grant	0	0	0	0	0	Announced Special Grant Concessionary Fares
		13,097,620	9,275,900	6,771,400	7,405,520	8,042,660	
less	Collection Fund (Surplus) / Deficit						
	- Council Tax Collection Fund	0	0	0	0	0	Based on latest review of Collectic Funds
		13,097,620	9,275,900	6,771,400	7,405,520	8,042,660	
less	Income from Council Tax	(6,696,950)	(6,836,370)	(7,177,770)	(7,536,120)	(8,091,260)	
	Contribution (To) / From Reserves	6,400,670	2,439,530	(406,370)	(130,600)	(48,600)	
Mem	o Items :						
	Council Tax						
	- Taxbase	40,205	41,042	42,247	43,486	45,773	
	- Band 'D' Council Tax	£166.57	£166.57	£169.90	£173.30	£176.77	
	- Implied annual Council Tax increase	-	0.00%	2.00%	2.00%	2.00%	

General Fund - Reserves Projection - 2010/11 to 2014/15

	General Fund category	2010/11	2011/12	2012/13	2013/14	2014/15	Comments / Notes
	Balance as at 1 April (b/fwd)	10,382,080	4,442,950	2,792,340	4,012,700	4,994,650	
less	Contribution To / (From) Reserves	(6,400,670)	(2,439,530)	406,370	130,600	48,600	
less	Temporary Use / (Payback) of Reserves						Net use of Reserves for Cash Flow purposes
	- Customer Access	655,050	655,050	655,050	664,670	673,700	Payback completed by 2014/15
	- Guildhall Working Party - Option 1	(203,510)	123,870	148,940	176,680	184,630	Payback completed by 2017/18
	- Memorials	10,000	10,000	10,000	10,000	10,000	Payback completed by 2017/18
	Balance as at 31 March (c/fwd)	4,442,950	2,792,340	4,012,700	4,994,650	1 5 9 1 1 5 8 1 1	Minimum working balance level of £1.5m, medium-term target level of £5m.

Appendix L

Key Risk Analysis Issues

Ref.	Risk Area	Risk / Issue	Controls / Mitigation Action
(1)	Effects of Legislation / Regulation	Implications of new legislation / regulation or changes to existing are not identified.	Effective processes are in place across the Council to ensure that implications are identified and raised.
		 Funding is not identified to meet the costs associated with statutory requirements. 	 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)	Service / Spending Plans	The Council approves Plans which are not sustainable into the future, leading to increasing problems in balancing budgets.	 Council has adopted medium and long-term modelling (up to 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

Ref.	Risk Area	Risk / Issue	Controls / Mitigation Action
(3)	Growth Agenda	 Government support is not provided for the costs of delivering Growth Insufficient capital funding is available to effectively deliver Growth Growth results in ongoing revenue costs which cannot be funded Growth is adversely affected by economic slow down in construction/housing market. 	 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 'credit crunch', and where appropriate budgets being adjusted.
(4)	Financial planning lacks appropriate levels of prudency	 Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available 	 Council has adopted key prudency principles, reflected in: 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

Ref.	Risk Area	Risk / Issue	Controls / Mitigation Action
(5)	External income / funding streams • Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	 Modelling over the medium and long-term is conducted for key income sources including Government grants, including sensitivity analysis on potential changes 	
		Following the end of the current Spending Review period :	 Council seeks to influence national settlements through provision of information to negotiation bodies such as LGA and SDCT
		 Changes to the grant mechanism under adversely affect the Council: 	 Formula Grant is based on a relatively prudent level of increase at 0.5% p.a.
		- removal, or phased withdrawal of, the Floor	The effect of the Floor being removed is regularly evaluated, and taken into account in agreeing an appropriate level of reserves to
		- Grant increases are lower than anticipated	be retained. This is linked to the particular impact associated with the growth agenda
	 Other changes in methodology have an adverse effect Population figures used as part of the Formula Grant methodology fall due to changes in assessment, or at the next Census 	 Proposed changes in grant methodology are carefully reviewed. The Council also considers the interim projections of the County Group to identify actual underlying population trends 	
		Grant methodology fall due to changes in	 Specialist consultancy support is used to model car park income over the medium- term, in light of the significant level of income involved
		 The projected levels of car park usage, and hence income, are not achieved. 	 Regular reviews of income projections and achievement are undertaken by all services.
		 Possible adverse affect on usage of car parks due to changes in County Transport policies, e.g. Congestion charging is introduced 	andertaken by an services.
		 Fees and charges income is adversely affected by the economic downturn 	
		The economic downturn reduces the ability to fund capital pressures from the sale of assets	
		Swine Flu impacts on the level of income from events through cancellations	

Ref.	Risk Area	Risk / Issue	Controls / Mitigation Action
(6)	Use of resources including Projects and Partnerships	 There is ineffective use of the resources available to the Council The move to Comprehensive Area Assessment in 2009 adversely affects the Councils performance rating. Failure to deliver Council Major Projects, ie return on capital, project on time etc. Change in emphasis on Partnership delivery activity (through Local Area Agreement Board) is not recognised or shared with our key Partners 	 Council employs robust business planning in key activity areas Council has adopted a standard project management framework All services are required to produce Service Plans, linked directly to resources MTOs 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 The Council has been recognised as a high performer under the national Use of Resources assessment, scoring a maximum rating of 4 in 2008 Partnership review by the Local Area Agreement Board.

Appendix M

HRA Summary Forecast – 2010/11 to 2014/15

Description £000s	2010/11	2011/12	2012/13	2013/14	2014/15
Expenditure					
Supervision & Management - General	4,736	4,807	4,914	5,075	5,242
Customer Access Strategy / EDRMS	23	(91)	(88)	(87)	(84)
Supervision & Management - Special	1,858	1,900	1,944	2,029	2,117
Repairs & Maintenance	5,142	5,130	5,281	5,510	5,767
HRA Subsidy (including MRA)	11,728	13,244	14,320	14,360	15,517
Depreciation - transferred to Major Repairs Res.	7,407	7,407	7,407	7,407	7,407
Other Expenditure	323	336	350	365	380
Total Expenditure	31,217	32,733	34,128	34,659	36,346
Income					
Rental Income	(29,434)	(31,181)	(32,565)	(34,168)	(35,916)
Service Charges	(1,908)	(1,968)	(2,031)	(2,095)	(2,163)
Other Income	(386)	(390)	(397)	(404)	(412)
Total Income	(31,728)	(33,539)	(34,993)	(36,667)	(38,491)
Net Cost of Services	(511)	(806)	(865)	(2,008)	(2,145)
Asset Management Revenue Account (AMRA)					
Loan Interest	7	9	13	18	22
Interest Receivable	(30)	(34)	(86)	(157)	(178)
Mortgage Interest Receipts	(1)	(1)	0	0	0
Redemption Premium charged to Revenue	546	346	301	0	0
Net Operating Expenditure	11	(486)	(637)	(2,147)	(2,301)
Appropriations					
Depreciation Adjustment	(2,387)	(2,302)	(2,197)	(2,119)	(2,009)
Direct Revenue Financing of Capital	2,743	1,814	1,399	2,768	2,746
FRS17 Adjustment	1,372	1,403	1,435	1,498	1,564
(Surplus) / Deficit for Year	1,739	429	0	0	0
Balance b/f	(5,168)	(3,429)	(3,000)	(3,000)	(3,000)
Total Balance c/f	(3,429)	(3,000)	(3,000)	(3,000)	(3,000)

Appendix N

Remits for Capital Programmes

PR1	HOUSING CAPITAL INVESTMENT PROGRAMM	
	Approved Timescale:	Ongoing

Remit:

The Housing Capital Investment Programme is the City Council's annual approved allocation for funding of Housing investment in Cambridge. The Executive Councillor for Housing, with scrutiny by the Community Services Scrutiny Committee, approves the investment of HRA capital resources in our own stock (meeting decent homes, improving sheltered schemes and other capital investment) and in housing in the private sector (disabled facilities grants, private sector grants and loans and the provision of new affordable housing). PR1a relates to S106 funded schemes.

PR3	3 CITY CENTRE MANAGEMENT PROGRAMME	
	Approved Timescale:	to 2010/11
	Lead Officer:	E Thornton

Remit:

The City Centre Management Programme is designed to provide pump-priming finance for capital schemes which improve the commercial and retail environment in the City Centre. The programme enables the Council to work in partnership with the private and voluntary sectors to 'kick start' projects that would not otherwise take place. The Council will seek matching external funding equal to the annual total of the programme.

PR4	SUSTAINABLE CITY PROGRAMME	
	Approved Timescale:	to 2010/11
	Lead Officer:	S Pidgeon

Remit

The Sustainable City Programme is designed to encourage bids for capital schemes from a broad range of local organisations which improve the sustainability of Cambridge City. Judgements about the relative contribution made by different schemes to sustainability will be made against their predicted or potential impact on various 'sustainability' indicators adopted by the Council. Matching external funding, equal to at least half of the total of the annual programme, will be sought by the Council.

PR7	CYCLEWAYS	
	Approved Timescale:	to 2010/11
	Lead Officer:	C Rankin

Remit:

The City Council has promoted cycling by investing in improvements to cycle facilities for over 20 years. The work has consisted of the introduction of new facilities as well as improvements to existing facilities. With greater emphasis now on the need to provide good alternatives to the car, this work is becoming increasingly important. The City Council works jointly with the County Council on developing and promoting cycling and the two authorities have adopted a joint strategy for looking at areas for improvements. The County Council normally provides additional funding which at least matches the amount allocated by the City Council. A priority list of schemes to be funded from this programme has been agreed by the Cambridge Traffic Management Area Joint Committee.

PR10 ENVIRONMENTAL IMPROVEMENTS PROGRAMME (and sub sets)
Approved Timescale: to 2010/11
Lead Officer: D Foley-Norman

Remit:

This programme, allocated to area committees based on population, allows local people and organisations, Councillors and officers to put forward ideas to improve their neighbourhood. Both small and large-scale schemes can be considered if there is local support and if the proposal is likely to be a significant and long-term improvement to the street or place. This programme incorporates funding previously held on Capital Programmes for Pavement replacement, Traffic Calming road safety schemes and Pedestrian Crossings.

PR17	VEHICLE REPLACEMENT	
	Approved Timescale:	Ongoing
	Lead Officer:	J Lally & B Hadfield

Remit:

This reflects the vehicle replacement programme, and associated provision of earmarked repair and renewal funding, which has been set up to cover the Council's vehicle fleet.

PR18	BUS SHELTERS	
	Approved Timescale:	2004/05 to 2011/12
	Lead Officer:	D Roberts

Remit:

The Council currently owns 63 shelters across the City, of varying age and construction type. This budget is to provide for up to 5 new or replacement bus shelters each year. The exact number will depend on size, layout and location of the shelters.

PR19 CAR PARKS INFRASTRUCTURE AND EQUIPMENT REPLACEMENT		TURE AND EQUIPMENT REPLACEMENT
	Approved Timescale:	Ongoing
	Lead Officer:	P Necus

Remit

This reflects the scheduled repair and renewal works which have been programmed for all the City's car parks. The programmed works are covered by the specific earmarked repair and renewal funds, operated by the Council.

PR20	ICT INFRASTRUCTURE REPLACEMENT AND UPGRADE	
	Approved Timescale:	Ongoing
	Lead Officer:	J Nightingale

Remit:

This reflects the scheduled replacement and upgrade works required to maintain the Council's ICT infrastructure. The programmed works are covered by the specific earmarked repair and renewal funds, operated by the Council.

PR22	LOCAL NATURE CONSERVATION	
	Approved Timescale:	Ongoing
	Lead Officer:	G Belcher

Remit:

The Local Nature Conservation programme is for the improvement and promotion of long-term nature

conservation and biodiversity in the City through the implementation of the adopted Nature Conservation Strategy (2006) and ongoing work on Local Nature Reserves (LNR). Projects will be assessed according to partnership opportunities, LNR site management plan priorities and availability of external match funding.

PR23	ADMIN BUILDINGS ASSET REPLACEMENT PROGRAMME	
	Approved Timescale:	Ongoing
	Lead Officer:	J Stocker

Remit:

This reflects the scheduled repair and renewal works which have been programmed for all the Council's Administrative Buildings. The programmed works are covered by the specific earmarked repair and renewal funds, operated by the Council.

PR24	COMMERCIAL PROPERTIES ASSET REPLACEMENT PROGRAMME	
	Approved Timescale:	Ongoing
	Lead Officer:	D Prinsep

Remit:

This reflects the scheduled repair and renewal works which have been programmed for all the Council's Commercial Properties. The programmed works are covered by the specific earmarked repair and renewal funds, operated by the Council.

PR25	NEW TOWN COMMUNITY DEVELOPMENT CAPITAL GRANTS PROGRAMME	
	Approved Timescale:	Ongoing, subject o available funding
	Lead Officer:	K Hay

Remit:

To provide funding and grant aid for capital projects that will improve community provision, services and development for residents living in the New Town area of the city.

Appendix O

Hold List

Ref.	Proposed Scheme / Portfolio	Cost to CCC	2011/12	Fun	ding Sou	rce
Environr	nent Scrutiny Committee - Clima	te Change &	Growth	Сар	R&R	Rev
шэо	Park Street Car Park					
H28	New Bid – MTS September 2007	1,000	1,000	✓	×	x
	TOTAL	1,000	1,000			

Appendix P

Capital Plan Approved Items - Summary

(i) Capital Schemes

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC033B	CCTV Street Lighting	D Roberts	47	40	0	0	0	0	Held in reserve for implementation of lighting strategy in association with the County Council. Additional £6k external contribution received.
SC072	Poster Boards	N Jones	33	6	0	0	0	0	Approved City Board 29/3/99. Funded from use of reserves. Work almost complete. Funding for Phase 2 approved at 31/01/00 City Board. Additional £13k approved City Board 29/1/01
SC106	Enhance Existing Community Facilities - East Chesterton	К Нау	145	27	0	0	0		Approved at City Board 29/1/01. Funded from use of reserves. £100k transferred from SC105 - approved at City Board 9/7/01. Grant of £100k awarded to St. George's Church for hall refurbishment. Budget reduced by £5k 08/9 Outturn.
SC121	Sports Development	l Ross	332	8	0	0	0		Earmarked fund set up for further developments from underspend on Parkside Pool Dev. £403,062). Apprd at City Board 26/3/01. Report to June 2001 CD&L Committee. £110k in 2004/05 tfr'd to SC206. Addl £39k funding from Sport England Nov 06.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC159	Midsummer Common - Access & Path Re- enforcement	l Ross	55	0	0	0	0	0	Approved July 03 £55k funded from S106 scheme.
SC163	Compulsory Purchase Orders (CPOs)	S Anderson	1,336	400	0	0	0	0	£200k approved at City Board 9/7/01. £435k approved at Strategy Scrutiny 28/01/03. Funded from Usable Capital Recipts
SC192	Development Land on the North Side of Kings Hedges Road	P Doggett	5,548	268	360	0	0	0	Appr Strategy Scrutiny 17/11/03 £22k from Property Strategy Fund. £64k Stamp duty appr 26/1/04 from PSF. Addl £11k appr Jan 06. Capital rec £2155k to purch land. MTS July 06 appr £1838 from Cap Rec. £20k appr Jan 07. £538k appr MTS Jul 09.
SC210	Hard Surface Cherry Hinton Hall Car Park	I Ross	68	4	0	0	0	0	Funded from S106 (£50k) and R&R (£18k). Project Appraisal to Community Development & Leisure Scrutiny 29 April 04.
SC215	Christ's Piece - Trees/Landscaping	A French	11	9	0	0	0	0	Funded from S106
SC216	Nightingale Avenue - MUGA	I Ross	205	38	0	0	0	0	Funded from S106. Project appraisal approved 6.7.06 £60k. Extended project approved Aug 09 with additional £145k S106 funding.
SC221a	Lion Yard - Contribution to Works	P Doggett	3,268	280	0	0	0	0	App 9/9/04, £1m UCR. Add £2,610k MTS 06 LABGI. Since approved at Council 2008 - Project reprofiled and contribution to Phase 2 approved at Full Council 21/02/08.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC221b	Lion Yard - Contribution to Works Phase 1+	P Doggett	641	50	638	0	0	0	Approved S&R 1/9/08.
SC221c	Lion Yard - Contribution to Works - Phase 2	P Doggett	458	0	0	942	0	0	Approved at Full Council 21/02/08 (See SC221a).
SC226	Refurbishment of Play Areas - Numerous (NOV 04) Church End, Coleridge, Ditton Fields, Ramsden Square, Queen Edith's	l Ross	254	13	0	0	0		Approved Scrutiny 18.11.04. £236k S106 funded. Additional £18k approved July 08.
SC234	Histon Road Cemetery Landscaping	A Wilson	31	11	0	0	0	0	Approved at Env Scrutiny 16.11.04. £31.8k S106 funded. Moved from Bereavement to Active Comms 01.04.08
SC240	Barnwell West Nature Reserve	D Roberts	2	0	0	0	0	0	S106 funded
SC282	Kettle's Yard	G Saxby	40	40	0	0	0	0	Council contribution to Kettle's Yard extension programme. Timing of contribution will be dependent on other funding agencies' timescales
SC283	City Centre Youth Venue	К Нау	150	100	0	0	0	0	Approved at July 2005 Committee £20k funded from \$106. Further £130k funding approved from \$106 6.07.06, subject to project appraisal.
SC289	Storage receptacles for residents with white sack refuse	J Robertson	12	6	0	0	0	0	Approved at Scrutiny 10.1.06 £11.5k funded from Other Sources
SC312	Automated Energy Monitoring System	J Stocker	35	23	0	0	0	0	Approved at Scrutiny 17.1.06 £35k funded from Reserves.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC329	Corporate Document Management (DIP & EDRM)	J Nightingale	978	521	0	0	0	0	Included in MTS July 2006. Funding from HRA £147k, Efficiency Fund £172k, E/R £300, UOR £288k, TIF £71.
SC334	King George V Rec Ground Pavilion Refurbishment (Subject to appraisal)	К Нау	187	0	0	0	0	0	Apprd July 06 Scrutiny subject to appraisal. £150k from S106. Further £107k funding agreed following project appraisal CD&L 16.11.06. Addl £22 approved July 08. Leader approved further £30k from S106 July 08. Project consolidated see SC440.
SC335	Customer Access Strategy - IT Workstream	C Bolton	773	288	0	0	0	0	CAS approved MTS July 06. See SC328.
SC337	Customer Access Strategy - Telecommunications	C Bolton	190	15	0	0	0	0	CAS approved MTS July 06. See SC328.
SC338	Customer Access Strategy - Web Development	A Perry	35	12	0	0	0	0	CAS approved MTS July 06. See SC328.
SC342	Guildhall Working Party Project	J Stocker	1,197	73	0	0	0	0	Approved CS&R Committee 14.11.06 £600 from Use of Reserves and £13k Other. Additional LABGI funding £567k MTS Sept 08. Additional £17k R&R.
SC346	Equipment for Eastern Gate Court Community Centre	К Нау	90	90	0	0	0	0	£90k approved at Scrutiny Committee 6.7.06 funded from S106.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC347	Histon Road - Refurbishment of play area	l Ross	75	25	0	0	0	0	Funded from S106. Project Appraisal approved £75k - Non Key Decision Nov 06
SC348	Allotment Improvements	l Ross	34	17	0	0	0	0	£29k funded from S106 transferred from various Allotment improvements schemes (SC94, SC154 & SC182). Additional £5k approved 2008/09 Outturn.
SC349	Fencing and Security at Jesus Green Pool	I Ross	30	30	0	0	0	0	Approved Jan 07 Committee. £30k funded from R&R.
SC350	Improvements to pump out facility at Jesus Green	D Kaye	60	4	0	0	0	0	Approved at January 07 Committee. £20 funded from R&R, £40 from Use of Reserves.
SC351	Memorial Choice	T Lawrence	110	60	0	0	0	0	£100k from Use of Reserves approved at January 07 Committee. Additional £10k funding approved 2007/08 Outturn.
SC353	Grafton East Car Park refurbishment	P Necus	2,400	0	0	0	0	0	Phase 1 approved Scrutiny Committee 16.1.07 £140k from R&R, £10k UOR. Phase 2 transferred from Hold List MTS 2007 - further £2,250k from UOR.
SC354	Guildhall Power Circuits Renewal	J Stocker	60	45	0	0	0	0	Approved at Council 14.2.07 £60 funded from UOR
SC356	Cambridge Northern Fringe East - Development Appraisal	P Doggett	20	0	0	0	0	0	£20k approved at Council 14.2.07, funded by the Property Strategy Fund.
SC361	Disabled Access and Facilities - Guildhall Halls	G Saxby	80	0	80	0	0	0	£80k approved at Council 14.2.07 funded from UOR.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC362	Lighting and Power in Committee Rooms	J Stocker	15	15	0	0	0	0	£15k approved at Council 14.2.07 funded from UOR.
SC366	Green Parking Bays	P Necus	5	5	0	0	0	0	£5k approved by Council 14.2.07 funded from LAPE surplus.
SC368	GIS Phase 2 & 3	P Boucher	57	19	0	0	0	0	£38k for Phase 2 and £19k for Phase 3 approved by Council 14.2.07. £39k funded from PDG, £19k from TIF (funding now HPDG)
SC379	Mercury Abatement	T Lawrence	2,023	25	1,990	0	0	0	From Hold List MTS 07. £2,023k - funded £1,500 UOR, £58 R&R, £466 Other. (inc irrecoverable VAT)
SC383	Replacement of Carpet & Shock Pad on the Astroturf at Abbey Pool	I Ross	200	0	0	0	0	0	Approved at Council 21/02/08. £200k funded from Reserves (50k) & R&R (£150k).
SC384	Improvements to Abbey Leisure Complex	I Ross	140	0	0	0	0	0	Approved at Council 21/02/08. £120k funded from Reserves (£100k) & R&R (£20k).
SC385	Energy Efficiency Programme - Meadows	К Нау	62	32	0	0	0	0	Approved at Council 21/02/08. £48k funded from Reserves. Additional £14k approved on appraisal 24.07.09.
SC386	HMOs - Management Orders	S Anderson	50	50	0	0	0	0	Approved at Council 21/02/08. £50k funded from Temporary Use of Reserves.
SC390	Improving Recycling Volumes from Admin Buildings	J Stocker	28	14	0	0	0		Approved at Council 21/02/08. Funded from Reserves. £10k transferred from SC389 Aug 2008.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC391	La Mimosa Punting Station	P Doggett	10	10	0	0	0	0	Approved at Council 21/02/08. Funded from Use of Reserves. Project Appraisal to Strategy & Resources 21/01/08.
SC396	Ravensworth Gardens - Remedial & Improvement Work	D Kaye	25	25	0	0	0	0	Approved at Council 21/02/08. Funded from Reserves.
SC403	Improvements to the Riverbanks on Jubilee Gardens, Jesus Green, Midsummer Common & Stourbridge Common	l Ross	71	0	0	0	0	0	Project Appraisal approved at Community Services Scrutiny Cttee 10 April 2008. Funded from R&R.
SC404	Play Boat	К Нау	87	137	0	0	0	0	Funded by Big Lottery
SC405	Improvements to play areas & open space at land behind St Matthews Street	I Ross	120	120	0	0	0	0	Project Appraisal approved at Community Services Scrutiny Cttee 24 July 2008. Funded from S106 & R&R.
SC406	The Junction Development Programme	К Нау	130	130	0	0	0	0	Project Appraisal approved at Community Services Scrutiny Cttee 24 July 2008. £130k funded from \$106.
SC409	Romsey Recreation Ground Play & Recreation Facilities	I Ross	160	0	0	0	0	0	Approved Scrutiny Committee 13.11.08 - £145k S106, £15k R&R.
SC410	Mill Road Cemetery	A Wilson	50	44	0	0	0	0	Approved November Scrutiny 2008 - £49 Heritage Lottery, £1 Trustees.
SC413	Urban Adventure Play Projects	К Нау	55	25	0	0	0	0	Approved Council 26.2.09, £55k Deferred Capital.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC414	Landlord Accreditation Scheme	Y O'Donnell	100	96	0	0	0	0	Approved Council 20.2.09, £100k Other Sources (East of England RA).
SC416	UNIform e-consultee Access Module	P Boucher	15	10	0	0	0	0	Approved Council 26.2.09, £15k from H&PDG.
SC417	Development of UNIform System	P Boucher	15	14	0	0	0	0	Approved Council 26.2.09, £15k from H&PDG.
SC420	Corrosion Monitoring System at Park Street	P Necus	47	47	0	0	0		Approved Council 26.2.09, £47k from LAPE.
SC421	E&P Server Replacements	P Boucher	55	7	0	0	0	0	Approved Council 26.2.09, £70k from R&R.
SC423	Recycling Bins for Flats	J Robertson	185	156	0	0	0	0	Approved Council 26.2.09, £185k from UOR.
SC427	Oracle Financials Server	J Minns	67	67	0	0	0	0	Approved Council 26.2.09, £67k from R&R
SC429	Telephony System Upgrade	J Nightingale	70	70	0	0	0	0	Approved Council 26.2.09, £70k from R&R.
SC432	Mill Road Cemetery Memorial Artwork	G Richardson	62	62	0	0	0	0	£62k from S106 approved Environment Scrutiny 23.6.09.
SC433	Snowy Farr Memorial Artwork	G Richardson	70	70	0	0	0	0	£70k from S106 approved Environment Scrutiny 23.6.09.
SC434	Floodlit Astroturf - Chesterton Community College and Netherhall School	l Ross	270	270	0	0	0	0	£20k from S106 approved at Community Services Scrutiny July 09. Project Appraisal with extended scheme approved 5.10.09 with additional £250k funded from S106.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC435	Biodiversity Projects Year 2&3	E Selway	99	72	0	0	0	0	Approved Scrutiny Committee 23 June 2009, funded from Housing Growth Fund. Budget reduced to reflect revised allocation, see Feb 2010 BSR report.
SC436	Pye's Pitch Rec Facilities	l Ross	100	100	0	0	0	0	£100k approved by Community Services Committee 25.6.09 funded from S106.
SC437	Secure Mobile Virtual Private Network	J Nightingale	9	3	0	0	0	0	Approved MTS October 2009, £9k from TIF.
SC439	LED Lighting - Grand Arcade Annex Car Park	P Necus	120	120	0	0	0	0	£120k approved MTS October 2009. Climate Change Fund £100k, LAPE Surplus £10k, R&R £10k.
SC440	King George V Rec Ground (consolidated)	К Нау	458	42	0	0	0	0	Consolidation of SC334 and SC402 agreed Scrutiny Committee 8.10.09 with additional funding £203k S106 and £22 External funding.
SC441	Sheep's Green Canoe Clubhouse Extension	I Ross	160	190	0	0	0	0	Approved Scrutiny 8 October 2009 £80k from S106 and £80k Other Sources.
SC445	Monitors for use with Document Management System	P Boucher		30	0	0	0	0	£30k approved at Council February 2010 funded from HPDG.
SC446	Car Park	P Necus	15	15	0	0	0	0	£15k approved at Council February 2010, funded from ER.
SC448	Rebuild Grafton West Car Park Wall at Salmon Lane	P Necus	100	100	0	0	0	0	£100k approved at Council February 2010, funded from R&R.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC449	Holy Trinity War Memorial Shelter	J Preston		24	0	0	0	0	£24k approved at Council February 2010. £9k funding transferred from PR10, £5k DRF and £10k external grant.
SC450	Changing Facilities at Cherry Hinton Village Centre	I Ross	70	70	0	0	0	0	Approved outside Budget Cycle, £60k from S106 and £10k R&R.
SC451	Green End Road Play Area Improvements	I Ross	70	70	0	0	0	0	Approved outside budget Cycle, £70k from S106
SC452	Climbing Wall at Kelsey Kerridge Sports Centre	I Ross	60	90	0	0	0	0	Approved outside Budget Cycle. £60k from S106.
SC453	Upper River Cam Biodiversity Project	E Selway	130	107	23	0	0	0	Approved outside Budget Cycle, £130k funded from S106.
SC454	Logan's Meadow Swift Tower	G Belcher	35	35	0	0	0	0	Approved outside budget Cycle, £35 from S106.
SC455	Logan's Meadow LNR Extension	G Belcher	190	25	165	0	0	0	Approved outside Budget Cycle, £190k from S106.
SC456	Coldhams Common LNR Extension	G Belcher	62	26	25	6	5	0	Approved outside Budget Cycle. Funded by transfer of £13k S106 from SC240, transfer of £2k Reserves from PR022 and further£27k S106 and £20k grant from DEFRA.
SC457	Voltage Optimisation Guildhall Trial	J Stocker		18	0	0	0	0	
SC458	Capita Re-Licence	J Frost	61	61	0	0	0		£61k approved as Urgent Decision 22.4.10. £46k from R&R, £15k transfer from SC335.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
SC458	Elections Software	G Clift		23	0	0	0		Urgent Approval June 10. £23k funded £16k R&R and £7k DRF.
SC460	Kings Hedges Learners Pool Electricity	I Ross		25	0	0	0		Approved Council 22.7.10 £25 funded from R&R.
SC461	Jesus Green Skatepark Upgrade	I Ross		65	0	0	0	()	Approved Council 22.710 £65k funded from S106.
SC464	Grey Water Recycling at Mill Road Depot	J Church		39	0	0	0	0	Approved Council 22.7.10 £39k. £36 funded from Climate Change Fund and £3k from R&R.
	Upper River Cam Biodiversity Public Art project	N Black		0	29	0	0	0	New scheme
	Replacement Air Monitoring Equipment	J Dicks		0	120	0	0	0	New scheme
	Capital-GF Projects		24,973	5,378	3,430	948	5	0	

(ii) Capital Programmes

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
PR001	Housing Capital Investment Programme	J Hovells		17,218	12,185	7,833	7,932	8,034	Detailed review of schemes is undertaken by Housing Committee.
PR001a	Housing Capital Investment Programme S106 Funded	J Hovells		0	0	0	0	0	Programme of Section 106 spend on affordable housing
PK003	City Centre Management Programme	E Thornton	174	46	0	0	0	0	Since approved at Council 2008 - Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR006	Safer City Programme	L Kilkelly	302	22	0	0	0	U	Three year extension of programme approved at City Board 31/01/00. Three year extension of programme approved at Strategy Scrutiny 28/01/03. Extn to programme to 2009/10 £50k pa.
PR007	Cycleways	C Rankin		451	50	0	0	0	Since approved at Council 2008 - Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PK010	Environmental Improvements Programme	D Foley-Norman		105	0	0	0	0	Scheme apprvd 8/5/00 City Board, was shown as SC90. Additional £150k pa apprvd at City Board 29/1/01. Funding for programme timescales revised to run through until 10/11. Resources for 11/12 trf'd to avail funding as apprvd at Full Council 21/02/08
PR010a	Environmental Improvements Programme - North Area	D Foley-Norman		191	0	0	0	0	Budget now allocated to area committees. Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
PRIIIIN	Environmental Improvements Programme - South Area	D Foley-Norman		155	0	0	0	0	Budget now allocated to area committees. Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR010c	Environmental Improvements Programme - West/Central Area	D Foley-Norman		175	0	0	0	0	Budget now allocated to area committees. Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR010d	Environmental Improvements Programme - East Area	D Foley-Norman		376	0	0	0	0	Budget now allocated to area committees. Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR010di	Environmental Improvements Programme - Riverside/Abbey Road Junction	D Foley-Norman		577	0	0	0		Initial design fees (£60k) to be funded from contribution from East Area EIP. Further £578k approved Feb 2010. £214 from S106, £140 from Cycleways programme & £224 from Env. Improvement Programme.
	Environmental Improvements Programme - Fitzroy/Burleigh Street	D Foley-Norman		183	0	0	0	0	£184k approved at Council February 2010. Funded £72k from S106, £100k from West/Central EIP, & £12k from Env. Safety Fund.
	Wulfstan Way Local Centre Environmental Improvements	A Preston		174	0	0	0	0	New Scheme within the EIP Programme
PR014	Environmental Safety Fund	D Foley-Norman		25	0	0	0		Approved at City Board 9/7/01. Agreed at Environment Scrutiny 11/11/03 that fund be used to improve street lighting in those areas with highest violent crime figures.
PR016	Public Conveniences	B Kerry		147	0	0	0	0	Since approved at Council 2008 - Addl £6k for Rainwater Harvesting funded from reserves & £110.9k for addl expenditure on Chesterton Road WCs funded from £69.4k Reserves, £40k Reserves & £1.5k Other. Also Romsey Rec £150k funded from \$106.

Capital Ref	Description	Lead Officer	Scheme Approval	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
PR017	City Services - Vehicle Replacement Programme	T Ainley		1,350	1,420	540	960	750	Apprvd C/Bd 29/01/01 funded from R&R. Further approvals at C/Bd 26/11/01. Ext of prog apprvd in 03/04 MTS. £338.5k 03/04 apprvd 28/01/03. £95k Refuse Vehicle. apprvd at Strat. 7/7/03. £338k apprvd Strat. 26/1/04. Tfr'd 2 PVCu vans from 05/06 Co
PR018	Bus Shelters	D Roberts	250	166	55	0	0	0	Approval at Strategy Scrutiny 26/1/04. Four year prog to 2007/08. Funded from use of reserves. Further funding approved Scrutiny 10.1.06 to 2011/12 funded from Reserves. Addl £30k per annum funded from Reserves, apprvd at Council 21/02/08.
PR019	Car Parks Infrastructure and Equipment Replacement Programme	P Necus	1,748	96	630	269	244	789	R&R Programme approved MTS 2006. Schemes 292, 298, 299, 302, 303, 304, & 305 transferred to Programme.
PR020	ICT Infrastructure Programme	J Nightingale	2,470	811	520	300	560		Programme of £960k over 5 years from 2006/07 funded from R&R approved MTS July 2006. £580 transferred to specific projects Nov 06. Programme extended to 2013/14 MTS 2009. Further £1810k R&R funding approved Feb 10.
PR022	Local Nature Conservation	G Belcher	30	4	0	0	0	0	Approved at Council 21/02/08. Funded from Reserves.
PR023	Admin Buildings Asset Replacement Programme	J Stocker	427	179	68	52	41	70	Approved at Council 21/02/08. Funded from R&R.
PR024	Commercial Properties Asset Replacement Programme	J Stocker	421	60	272	90	80	0	Approved at Council 21/02/08. Funded from R&R.
PR025	New Town Community Development Capital Grants Programme	К Нау		125	0	0	0	0	Project Appraisal approved at Community Services Scrutiny Cttee 24 July 2008. Funded from S106
	Capital-Programmes		5,822	22,636	15,200	9,084	9,817	10,183	

Capital Ref	Description	Lead Officer	Scheme Approval		2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	Comments
TOTAL CAPITAL PLAN			30,891	28,014	18,630	10,032	9,822	10,183	

(iii) Housing Capital Plan

	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
External Support					
GO-East Housing Capital Allocation	(62)	0	0	0	0
Disabled Facility Grants (CLG Grant)	(262)	(262)	(262)	(262)	(262)
Major Repairs Allowance (MRA)	(5,020)	(5,004)	(4,995)	(4,946)	(4,926)
Retrofit Grant	(141)				
HCA New Build Grant	(295)	0	0	0	0
CLG Assessment Centre Grant	(995)	0	0	0	0
Total External Support	(6,775)	(5,266)	(5,257)	(5,208)	(5,188)
City Council					
Usable Capital Receipts	(430)	(327)	(261)	(196)	(163)
Other Land Sales Capital Receipts	0	0	0	0	0
Usable Capital Receipts - Low Cost Shared Ownership	(300)	(300)	(300)	(300)	(300)
Section 106 Resources	(299)	0	0	0	0
Direct Revenue Financing	(2,743)	(1,814)	(1,399)	(2,768)	(2,746)
R&R Funding	(144)				
Prudential Borrowing	(283)	0	0	0	0
Total City Council Funding	(4,199)	(2,441)	(1,960)	(3,264)	(3,209)

	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Total Available Finance	(10,974)	(7,707)	(7,217)	(8,472)	(8,397)
Less Expenditure on Housing within the HRA					
Spend on Own Stock - Decent Homes	5,710	4,730	4,325	4,521	4,723
Other Spend on Own Stock	3,404	2,508	2,116	2,116	2,016
HRA New Build	1,085				
Cambridge Standard Works	370	200	200	200	200
Other HRA Capital Spend (Incl. Low Cost Home Ownership)	513	330	330	330	330
Sheltered Housing Modernisation	4,412	1,440	60	0	0
Total Expenditure on HRA	15,494	9,208	7,031	7,167	7,269
Resources (remaining) / required after funding expenditure on the HRA	4,520	1,501	(186)	(1,305)	(1,128)
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Appendix Q

Capital Plan Funding Availability Projections – 2010/11 to 2014/15

Funding		Fir	nancial Ye	ar	
Туре	2010/11 £,000	2011/12 £ 000	2012/13 £ 000	2013/14 £000	2014/15 £ 000
External Support					
Basic Credit Approval (BCA)	0	0	0	0	0
Specified Capital Grants (SCG)	(842)	(262)	(262)	(262)	(262)
Supplementary Credit Approvals (SCA)	0	0	0	0	0
Deferred Capital Contributions e.g. Lottery Grant (Capital Financing Reserve)	(112)	0	0	0	0
Other Sources	(465)	(76)	(5)	(5)	0
Major Repairs Allowance (MRA)	(5,020)	(5,004)	(4,995)	(4,956)	(4,926)
Section 106	(2,575)	(237)	0	0	0
TOTAL - External Support	(9,014)	(5,579)	(5,262)	(5,213)	(5,188)
City Council					
Other Sources	0	0	0	0	0
Usable Capital Receipts	(1,398)	(987)	(436)	(561)	(463)
Direct Revenue Financing (DRF) - HRA	(2,743)	(1,814)	(1,399)	(2,768)	(2,746)
Direct Revenue Financing (DRF) - GF Services	(84)	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(3,152)	(3,503)	(1,251)	(1,885)	(2,149)
Earmarked Reserve - Capital Contributions	(1,982)	(638)	(942)	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(3,069)	(2,606)	(1,381)	(1,380)	(1,380)
Earmarked Reserves - Technology Investment Fund	(129)	0	0	0	0
HRA Capital Balances	(6,288)	(4,478)	(616)	540	363
Direct Revenue Financing (DRF) - Temporary Use of Reserves	(110)	0	0	0	0
Prudential Borrowing	(283)	0	0	0	0
TOTAL - City Council	(19,237)	(14,026)	(6,150)	(5,898)	(6,375)
<u>Total Available Finance</u>	(28,252)	(19,605)	(11,412)	(11,202)	(11,563)

Key:

DRF Direct Revenue Financing HRA Housing Revenue Account

GF General Fund

Appendix R

Cash Limit Calculation – 2011/12

Port	folio / (Scrutiny Committee)	Inflated Base Budget		
Gene	eral Fund Portfolio Totals	22,131,440		
add	Priority Policy Fund	500,000		
add	Unavoidable costs	523,200		
add	Other items (Temporary use of reserves)	(788,920)		
add	Contribution to capital	2,606,000		
add	Contribution to Efficiency Fund	475,000		
add	Contribution to Technology Investment Fund (TIF)	84,320		
less	Capital Adjustments Account	(2,725,400)		
less	Use of Reserves	(1,213,660)		
less	Council Tax income	(6,836,370)		
less	Total External Support	(12,687,380)		
	Reduction Target	2,068,230		

Appendix S

Sensitivity Analysis

Topic	Quantum	MTS Assumption	Risk
General Fund & HRA			
Employer's Pension Contribution	£39m	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	£39m	0% in 2010/11 plus, in line with Government guidance,0% in 2011/12 and 2012/13 – then 2.5% ongoing.	Actual pay award settlements are agreed at a higher level, mitigated by central government's proposal for 0% increases for the public sector in 2011/12 and 2012/13
Section 106 expenditure	c. £7.0m	All Section 106 funding is used in compliance with terms of agreements	Failure to meet conditions of individual schemes leads to the requirement to repay contributions and accrued interest to developers.
			Developers seek to renegotiate current agreements in order to improve the viability of their schemes putting at risk the ability to deliver essential infrastructure
			If the Community Infrastructure Levy is implemented then may reduce income from individual developments.
Energy costs	£1.1m	Officer assessment of current conditions and trends, based on latest contracts	Volatility of world market prices
Future Capital Receipts	Income	Occasional disposal of assets as outlined in the Disposal Programme. Income not taken into account until received.	Market conditions significantly reduce the value of Council assets with the associated reduced level of funding available for new capital investment. Purchaser's ability to buy is limited due to financing constraints.

Topic	Quantum	MTS Assumption	Risk
Investment Income	+/- 1% is £313k in 2010/11, increasing to £559k for 2011/12.	Detailed assumptions are shown in Section 6 and Appendix F. These are based on a midrange level provided by market analysts.	Rates fall further than anticipated or for a longer period. A shorter period of recession or a less steep decline in rates would result in increase in investment income. (Positive)
General Fund			
Housing Benefits		Officer assessment of current conditions and trends	Council funded element of provision of the service. Potential increase in Housing Benefit fraud
Council Tax Income	£6.7m p.a.	0% increase for 2011/12, 2.0% for 2012/13 and ongoing are built into projections	Capping criteria are set retrospectively and breaching the criteria could lead to a requirement for rebilling and associated costs together with the loss of Council Tax income. Economic climate may require an increase in enforcement activity.
Car Parking Income	c. £7.6m	Based on Officer and external consultants' projections of usage	Economic downturn reduces usage and/or increased use of Park & Ride and impact of new guided bus Increase in rate of VAT to 20% means that higher charges reduce usage
Bereavement Services Income	£1.4m	Current mortality rates built into BSR assumptions	Falling mortality rate Opening of competitor facilities (new Crematorium opening in town of March during 2010) further planning applications are anticipated in view of the expansion of Cambridge sub region and the comparatively low investment required for a profitable new build crematorium with private sector operating costs
Planning Fee Income	c. £1.0m	Income projections have been increased in line with anticipated reductions in applications	Impact of economic downturn is greater or longer than anticipated
Building Control Fee Income	c. £0.5m	Based on break-even full cost recovery position for the Building Control Service	Impact of economic downturn is greater or longer than anticipated Increased competition from approved insepcetors leading to smaller narket

Topic	Quantum	MTS Assumption	Risk
			share
			New LABC fees guidance leads to significant over or under-recovery of costs
Corn Exchange Income	c. £1.4m	Based on Officer projections of attendance	Economic downturn leads to fall in attendances.
			Social change leads to lower attendance at live concerts
Folk Festival Income	c. £1.2m	Based on assumption that all tickets will be sold	Economic downturn leads to fall in attendances (as in 2010) and/or failure to secure sponsorship
Market Income	c. £0.7m	conditions and future trends	Increased level of voids as a result of the current economic climate, mitigated by new traders coming to the market as we seek to widen the range of services on the market and the cost of business premises is prohibitive for start ups.
Commercial Property Income	c. £7.2m	Officer assessment of current market conditions and future trends	Economic conditions lead to increase in voids, increased level of unrecoverable debts, less signicant 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 loss of ability to charge for Personal Searches following a decision by the Information Commissioner.
<u>HRA</u>	·		
Housing Rent Collection		Budgeted costs based on historic enforcement activity.	Economic climate may require an increase in enforcement activity.

Topic	Quantum	MTS Assumption	Risk
Housing Rents		are imposed in line with guideline rent increases as per the HRA Subsidy Determination, with convergence in 2012/13.	No pre-indication of the Draft HRA Subsidy Determination has been received. To avoid penalty in the subsidy system historically, actual rent increases have needed to follow increases in guideline rents. This may not reflect the economic climate, where imposing large increases on tenants may far exceed increases in pay rates, pensions, etc A change in convergence date could have a detrimental financial impact on the HRA.
Supporting People & Care funding	c. £1.4m	Government and PCT funding will continue as previously received	Provision of Floating Support to transfer to anew provider from 2011. Care Services re-tendered in August 2010, with outcome anticipated in November 2010. A reduction in funding will lead to a proportional increase in overheads across other HRA services. This will be quantified as part of the 2011/12 budget process once the tender outcome is clear.
HRA Review		until 2011/12 at the earliest, although 2012/13 is a more realistic timescale. The council await	

Appendix T

Significant Events

Topic	Indicative Value	2010/11	2011/12	2012/13	2013/14	2014/15
Spending Review	£12.4m	SR 2010	Future frequency to be agreed			
VAT Partial exemption	c. £500k if breached		Limit breached in year of Mercury Abatement works			
Elections	n/a		5 May 2011: City	3 May 2012: City	2 May 2013: County	1 May 2014 City
National Census	n/a	Census date: 27 March 2011	Census results may feed into the government funding settlement for 2013/14 and will inform the next Spending Review			
CLG / Treasury Review of Council Housing Finance	n/a		Voluntary implementation using existing legislation		Implementation through new legislation	
Pension Fund Triennial Actuarial Review	+/- 1% GF £ 219,000 HRA £ 85,000	Triennial revaluation on position at 31 March 2010	First anticipated change in employer contributions resulting from revaluation		Triennial revaluation on position at 31 March 2013	First anticipated change in employer contributions resulting from revaluation
Refurbishment of Brandon Court	c. £3.6m	Works start September 2010	Anticipated completion			

Topic	Indicative Value	2010/11	2011/12	2012/13	2013/14	2014/15
Cherry Hinton Hall Park Redevelopment	c £1.0m	Stakeholder consultation	Heritage Lottery bid	Improvement works		
Zion Baptist Church	c. £3.5m	Works underway	Building completion and hand back by January 2012			
Lion Yard	£1.8m		Phase 1+ Phase 2			
Mercury Abatement	c. £1.5m			Net revenue savings used to payback initial investment by 2024/25		
Temporary & Casual Staff management	£2.0m					
ICT Contract	c. £2.0m pa		2 year contract extension from July 2011		Contract expires June 2013	
Leisure Contract Renewal	c. £0.6m pa	Leisure contract extension from October 2010		Start options appraisal for full tender	Leisure Contract expires September 2013	
Decent Homes	c. £4.5m	complete by March	Planned works to maintain zero non- decent homes			

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