



To: Executive Councillor for Finance and Resources

Report by: Head of Finance

Relevant scrutiny committee: Strategy & Resources 10 October 2016

Wards affected: All Wards

## **Medium-Term Financial Strategy (MTFS) October 2016**

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### Key Decision

#### **1. Executive Summary**

- 1.1 This report presents and recommends the budget strategy for the 2017/18 budget cycle and specific implications, as outlined in the Medium-Term Financial Strategy (MTFS) October 2016 document, which is attached and to be agreed.
- 1.2 This report also recommends the approval of new capital items and funding proposals for the Council's Capital Plan, the results of which are shown in the MTFS.
- 1.3 At this stage in the 2017/18 budget process the range of assumptions on which the Budget-Setting Report (BSR) published in February 2016 was based need to be reviewed, in light of the latest information available, to determine whether any aspects of the strategy need to be revised. This then provides the basis for updating budgets for 2017/18 to 2021/22. All references in the recommendations to Appendices, pages and sections relate to the MTFS Version 1.
- 1.4 The recommended budget strategy is based on the outcome of the review undertaken together with financial modelling and projections of the Council's expenditure and resources, in the light of local policies and priorities, national policy and economic context. Service managers have identified financial and budget issues and pressures and this information has been used to inform the MTFS.

## 2. Recommendations

The Executive Councillor is asked to recommend to Council:

### General Fund Revenue

- 2.1 To agree the budget strategy and timetable as outlined in Section 1 [pages 1 to 2 refer] of the MTFS document.
- 2.2 To agree incorporation of the budget savings and pressures identified in Section 4 [pages 13 to 15 refer]. This provides an indication of the net savings requirements, by year for the next 5 years, and revised General Fund revenue, funding and reserves projections as shown in Section 5 [page 16 refers] of the MTFS document.

### Capital

- 2.3 That the Council allocates £20m in the Capital Plan for investment in a new programme of commercial property acquisition with the emphasis on security of assets and their income stream, subject to the MTFS October 2016 being approved;

and:

- 2.4 Authority is delegated to the Head of Property Services to identify and invest in suitable commercial property up to £20m (inclusive of acquisition costs) in consultation with the Executive Councillor for Finance and Resources, the Chair and Opposition Spokesperson for Strategy & Resources Scrutiny Committee and the Head of Finance.
- 2.5 To note the changes to the Capital Plan as set out in Section 6 [pages 17 to 21 refer] of the MTFS document and agree the new proposals:

Ref.	Description	2016/17 £000
	<b>Proposals</b>	
SC631	Grand Arcade car park LED lights	194
SC622	Grafton East car park LED lights	137
SC629	Abbey Pools air plant upgrade	46
SC630	Abbey Pools solar thermal upgrade	49
SC625	Lammas Land kiosk improvements	20
SC623	Environment and cycling improvements in Water Street and Fen Road	50

<b>Ref.</b>	<b>Description</b>	<b>2016/17 £000</b>
PR038	Investment in commercial property	20,000
Misc	Section 106 miscellaneous	1,084
	<b>Total Proposals</b>	<b>21,579</b>

## **Reserves**

- 2.6 To agree changes to General Fund Reserve levels, with the Prudent Minimum Balance being set at £5.31m and the target level at £6.37m as detailed in Section 7 [pages 22 to 25 refer].

## **3. Background**

### **Medium-Term Financial Strategy**

- 3.1 The purpose of this report is to outline the overall financial position of the Council and to consider the prospects for the 2017/18 budget process within the context of projections over the medium-term. The detailed analysis undertaken to fulfil this is presented in the MTFS October 2016 document appended to this report.
- 3.2 The document considers the General Fund revenue position and the Council's overall Capital Plan.
- 3.3 Revenue forecasts are presented for the 5-year projection period through to the year 2021/22, demonstrating the sustainability of the Council's financial planning with reference to the level of reserves held throughout this period.
- 3.4 The report considers the effects of external factors affecting budget preparation, including the overall economic climate, and external funding levels which can reasonably be expected; as well as the existing commitments of the Council.
- 3.5 Recommendations for approval of specific revenue and capital costs, as identified, are included.
- 3.6 The analysis undertaken leads to a recommended integrated financial strategy for the 2017/18 detailed budget-setting process.

## **4. Implications**

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

## **5. Background Papers**

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

MTFS Working Papers on the 2016/17 and 2017/18 files

## **6. Appendices**

MTFS October 2016: 2016/17 to 2021/22 Document

## **7. Inspection of papers**

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

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Version 1  
Strategy &  
Resources

# General Fund Medium-Term Financial Strategy

October  
2016

2016/17 to 2020/21

Cambridge City Council



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# Foreword by the Leader of the Council and the Executive Councillor for Finance and Resources

Every year at this time the City Council carries out a review of finances to help plan the budget for the next year. In the face of continuing cuts in government grant and the need to maintain vital services and support to the residents of Cambridge, we have this year evolved that review into a the Medium Term Financial Strategy (MTFS). This document looks ahead several years and plans how to manage our finances and provide the services and support our city needs.

## **Uncertainty**

The need for a strategy is vital given the year on year reduction in government grant, to zero in 2019/20, and the potential threats to other revenue sources. Large elements of the Council's income comes from the New Homes Bonus system and from our share of business rates. The government consulted on possible changes to these earlier this year but we now have a new Prime Minister and Cabinet who may have a different approach and come to different conclusions from their predecessors, thereby adding to the uncertainty. They have already abandoned the George Osborne plan to move the national budget into surplus by 2020.

Another major problem for the council is the low level of income from bank balances we hold. In recent years inflation has often been higher than interest rates, creating a loss in real value of those balances as well as lower levels of income from them. The recent cut in interest rates may be followed by a further reduction and there is a risk that interest will be charged on money held in bank accounts.

In the face of these uncertainties a strategy is required which protects the council's financial future and the services that our residents rely on. Fundamental to the strategy are developing ways of running the council more productively and establishing ways which make us less reliant on government funding. We will thereby be more certain to have the finances to achieve our objectives.

## **Efficiency plan**

A key part of the MTFS is the development of an efficiency plan. This reminds us of the vision and objectives this council has set and which need resourcing, and brings together and further develops the range of policies built up over the past few years to cut costs and enhance income. The plan will be submitted to the government in order to secure a funding guarantee for the four years to 2019/20.

The reviews of services and transformation of the way the council is organised and delivers services has enabled major savings in costs. That work will continue towards the objective of improved productivity and doing more with less.

In working towards more independence from the government the strategy does not seek isolation. The benefits of working together with other councils are bearing fruit in reducing costs through sharing the management and delivery of certain services. There is potential for further development of these relationships once the initial set have bedded in and the benefits both financial and non-financial have been proven.

The council has built up land and property holdings over many centuries and in many cases the value and return from these assets has been enhanced by schemes to develop the property for better rewards. These provide an income stream that many other councils lack. Additional development and investment in these holdings has been very successful in strengthening the value and return on these assets. Further development and acquisitions are planned making use of cash holdings. Rather than leave money languishing in the bank earning almost nothing, it will be made to work to provide returns at higher levels. Some of this will enable energy efficient transformation of council buildings and a welcome reduction in carbon footprint as well as lower energy bills. In certain areas the council acts in a very entrepreneurial manner developing and running commercial services and making available capital for investment in developing such services forms part of the strategy.

The council's land and buildings are our tangible assets but there is also our staff who work for us at all levels either directly providing services or backing them up with administrative and support work. Their direct knowledge of the services they provide and the systems they operate is an important resource, and the elements of the efficiency plan involve making best use of that knowledge by further enabling and empowering our officers.

## **Objectives**

Faced with a range of uncertainties in the next few years the move from a Mid-year Financial Review to a MTFS with its efficiency plan is an important step. It provides for planning ahead towards being more productive and less reliant on external funding while



maintaining and developing services. It also embraces the financial objectives of this council: sound and prudent financial management, the minimisation of the need for cuts to services, and investment in a fairer and more equal city.

**Cllr Lewis Herbert - Leader of the Council**

**Cllr Richard Robertson – Executive Councillor for Finance and Resources**

# Section 1

## Introduction

### Background

The Medium-Term Financial Strategy (MTFS) for the General Fund (GF), known in previous years as the Mid-year Financial Review or MFR, is part of the forecasting and budget setting process which leads to the Budget Setting Report (BSR) being presented to Council in February each year. At this time the Council Tax level for the following financial year is set.

The MTFS sets out the council's financial strategy over the medium-term based on a range of assumptions and forecasts. This document takes the council's existing financial strategy and, if necessary, amends the key assumptions on which it is based. The previous year's 'direction of travel', as set out in the BSR, is revised in the light of factors such as national and local policy changes, current and forecast economic indicators and new legislation.

The GF MTFS incorporates a review of the current year's budget position and updated projections for the 5 years from 2017/18 to 2021/22. These demonstrate the effects of any changes in assumptions made and their impact in terms of savings requirements. A key part of the MTFS process is the identification of:

- Items which require immediate action or approval
- Items which provide context for decisions on the strategy or process:
  - The level of spending reductions required
  - Resources to be made available for funding the capital plan
  - The level of GF general reserves

### Budget consultation

Cambridge City Council has carried out a residents' survey in 2016. The residents' survey included questions on priorities for the council's budget in 2017/18, alongside questions on: satisfaction with the council and the services it provides; how the council should communicate with residents and businesses; and how residents and businesses would prefer to engage with the council. Some of the satisfaction questions were drawn from a

standard set of questions developed by the Local Government Association to allow benchmarking against other local authorities, while other questions were similar to previous residents surveys carried out by the council, to allow comparison with results from previous years. A postal questionnaire was sent to a random sample of 4,400 Cambridge residents, with the aim of receiving a robust sample.

Findings from focus groups have been explored in more depth through two supplementary workshops. The first workshop focused on residents on low incomes, who tend to be under-represented within City Council consultations, and explored whether their views are similar or different to those expressed by respondents to the postal survey. The second workshop focused on local businesses, and explored which services they think should be prioritised in the council's budget for 2017/18, and whether their preferences for communication and engagement methods are similar to those expressed in the postal survey.

The findings from the consultation will inform the decisions that councillors make about the about the council's budget for 2017/18, as well as the Council's approach to communications and its developing digital strategy.

## Timetable

Key dates and decision points are set out below:

Date	Task
<b>2016</b>	
10 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
20 October	Council considers both GF and HRA MTFS reports
<b>2017</b>	
5 January	Budget Setting Report (BSR) published
23 January	BSR considered by Strategy & Resources Scrutiny Committee
26 January	The Executive consider and recommend the BSR and Council Tax level to Council
13 February	Special Strategy & Resources Scrutiny Committee to consider any budget amendment proposals
23 February	Council approves Budget Setting Report and sets the level of Council Tax for 2017/18

# Section 2

## Policy context, priorities and external factors

### Local policy context and priorities

#### Annual Statement

The [Annual Statement](#) for 2016/17 was agreed in May 2016 and sets out the local policy context and priorities for the council.

The Annual Statement reflects and informs the council's Corporate Plan. The Leader's Foreword to this MTFS supplements the Annual Statement and Corporate Plan by setting a direction of travel for the council which responds to the future financial outlook.

#### Partnership working

The council works in partnership with a range of other bodies where this can bring additional benefits to the people who live work and study in our area, especially when this leads to a pooling of resources and skills to achieve a common aim.

#### City Deal

The City Council is working with Cambridgeshire County Council, South Cambridgeshire District Council, the University of Cambridge and the Greater Cambridge Greater Peterborough Local Enterprise Partnership to deliver infrastructure, housing and skills targets as agreed with Government in the [Greater Cambridge City Deal](#). The deal consists of a grant of up to £500 million, to be released over a 15 to 20 year period, expected to be matched by up to another £500million from local sources, including through the proceeds of growth.

The Greater Cambridge City Deal Board is engaging organisations and the public through the summer and autumn 2016 on proposals for tackling congestion in Cambridge. The proposals are intended to reduce peak time congestion, freeing up buses to run more rapidly and reliably, helping employees get to work quickly and efficiently. The package

that has been put forward contains eight elements, some of which may have an impact on the City Council.

Following the public consultations, details of the package are due to be decided on in January 2017, so at this stage it is not possible to predict the precise nature or extent of their impact on the City Council. They can, however, be anticipated to have an impact on patterns of usage (and potentially therefore income) at the council's city centre car parks, as well as potential impacts on how and when city council vehicles move around the city to deliver services, and potentially through the proposed work place parking levy.

The service and financial impact of the proposed measures, including arrangements for essential vehicular access, will become clearer in 2017 and beyond and will be factored into the council's financial planning in more detail as the impacts become clearer.

## **Shared services**

The council currently shares some services with neighbouring councils and is working with these councils to develop other shared services where it makes sense to do so. The benefits of working together include improvements in service delivery, efficiencies and greater resilience. Shared services for Waste and Recycling, Legal, ICT, Building Control, Housing Development Agency, CCTV and Payroll are operational, with additional collaborations for Garage and Fleet, Planning and other back office services planned.

## **Devolution**

Cambridge City Council, along with Peterborough City Council and the other councils in Cambridgeshire have negotiated a devolution deal for Cambridgeshire and Peterborough with the government. The deal would see powers and funding devolved from central government to the area. Following a consultation with residents across Cambridgeshire and Peterborough, the deal is subject to approval by the Secretary of State. The City Council, along with all other councils involved, will decide whether to proceed at meetings in late October.

The deal covers the potential transfer of a wide range of resources and powers for infrastructure, housing, economic development, employment and skills from the government. To access the funding and to be able to make decisions more locally, the councils in Cambridgeshire and Peterborough would need to set up a new body called a Combined Authority and have an election for a directly elected Mayor to chair the Combined Authority.

The deal will provide a new £20m annual fund for the next 30 years (£600m) to support economic growth, development of local infrastructure and jobs and £100m for affordable, rented and shared ownership homes across the area. Cambridge will benefit from a grant of £70m for investment in council housing given the high level of house prices in the city. The council plan to fund and deliver at least 500 new council homes using this money.

The council, along with its partners, will be required to fund the set up and first year of operation of the Combined Authority and Mayoralty. Thereafter, it is expected that the ongoing administrative costs of the new authority would be funded through an additional precept (Council Tax) levied by the authority, although other funding sources may be available at the time. No allowance has been made for the set up and first year costs in the figures presented in this report, as they are not yet quantifiable.

## External factors

### **EU Referendum vote to leave / Brexit**

The outcome of the EU referendum, which took place on 23 June 2016, was a vote for the United Kingdom (UK) to leave the European Union (Brexit). This heightened the levels of uncertainty that existed before the vote, led to a change in Prime Minister and Cabinet, and speculation on the timing and consequences of negotiations to leave.

These higher levels of uncertainty were immediately reflected in volatility in financial markets and a sharp drop in the value of the pound. Financial indicators have stabilised since the result, but many questions remain. The medium and longer term economic consequences of Brexit cannot be predicted at this point in time, and will depend on the outcome of trade negotiations with Europe and other major trading nations.

Economic commentators generally agree that the UK will see lower growth than had been expected, with businesses being reluctant to invest in the UK and some industries relocating to mainland Europe. As a result the government has abandoned its policy to return government finances to surplus by 2020. Lower taxation take, pressures to spend former EU funds on the NHS and replacing grant funding received from the EU make it unlikely that the funding pressure on local authorities will be eased.

### **Inflation rates**

The base rate of inflation used to drive expenditure assumptions in the GF financial forecasts is the Consumer Price Index (CPI). Previously the base level of inflation included

within forecasts was 2% reflecting the Government target for CPI. However, the Bank of England's August 2016 forecast, which incorporates their view of the impact of the Brexit vote on inflation, predicts a sharp increase in CPI. We have therefore revised our assumptions to align with the Bank of England's forecasts, see Section 3. It should be noted that CPI forecasts may be subject to considerable revision in the coming months as the effect and timing of Brexit become clearer. Rates used will be reviewed again for the BSR in February 2017.

### **Interest rates on deposits**

The council lends its cash balances externally on a short-term basis, with a view to generating a return that can be spent on delivering council services whilst managing both security and liquidity of the cash. On 4 August 2016, the Monetary Policy Committee of the Bank of England lowered the base rate from 0.5% to 0.25% in response to increased uncertainty and the worsening economic outlook following the EU referendum outcome. Rates available to investors are expected to reduce further before recovering in the longer term. As a result, our assumptions relating to the rates at which we can lend out our cash balances have been reduced, as noted in Section 3.

### **Interest rates on external borrowing**

The Council has no GF borrowing or existing plans to borrow.

## **National policy context**

### **Government spending announcements**

The government published the Budget on 16 March 2016. The following announcements included in the budget will impact on the council and therefore require consideration:-

- Overall growth forecasts were reduced, putting pressure on the 2019/20 target for eliminating the deficit and requiring £3.5bn of additional efficiency savings
- Some of these savings could technically be required from local government, although the 2016/17 local government finance settlement offered certainty of funding for four years for those councils publishing an efficiency plan
- Small business rate relief will apply to a greater number of businesses, but the effects of this will be funded by central government

- Proposals for the review of business rates were published, including more frequent business rates revaluations and a switch from RPI to CPI for inflation of the business rates multiplier.

Since the Brexit vote and the change of Prime Minister and Cabinet, there have been a number of relevant announcements, but no emergency budget or equivalent. The Chancellor's Autumn Statement is likely to be the first opportunity for a coherent package of fiscal proposals to be set out in response to the changes in economic outlook for the country. However, the following announcements give some indication of current government thinking:-

- The government has abandoned its policy to return government finances to a surplus by 2020. It is possible to infer from this announcement that further cuts in public spending are unlikely, at least until 2020
- Devolution will remain a government priority.

## **Local government finance**

### **2017/18 and future years**

The local government finance settlement for 2016/17 also provided indicative figures for the three following years. However, considerable uncertainty remains for 2017/18 and beyond, as the government is consulting on changes to New Homes Bonus (NHB) and business rates, and a full revaluation of business properties is to be done for April 2017.

As part of the provisional local government finance settlement on 17 December 2015, it was announced that authorities producing an efficiency plan could fix certain elements of the settlement for the 4 years, 2015/16 to 2019/20. These elements are Revenue Support Grant (RSG), Transitional Grant and Rural Services Delivery Grant. Only RSG is relevant for the City Council and the settlement effectively phases this grant out over the 4-year timeframe.

In addition, business rates tariffs and top-ups in 2017/18, 2018/19 and 2019/20 will not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.

Little guidance has been provided on what the plan should contain, except as follows. It should:-



- Cover the full 4 year period
- Be locally owned and driven
- Show how greater funding certainty can bring about opportunities for further savings
- Be open and transparent about the benefits it will bring to the council and the community
- Show collaboration with local partners and link to devolution deals, as appropriate

The council's efficiency plan is set out in Section 8 of this MTFs.

This MTFs therefore assumes that the level of Settlement Funding Assessment (SFA) will be as indicated in the 2016/17 settlement, included in the February 2016 BSR and as shown below. There is considerable uncertainty relating to SFA for 2020/21 and 2021/22, as this is beyond the current parliamentary term and after the implementation of 100% business rates retention. The overall SFA has therefore been assumed to remain at 2019/20 levels.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Revenue Support Grant (RSG)</b>	1,104	571	-	-	-
<b>Business rates baseline</b>	3,986	4,104	4,259	4,387	4,518
<b>Business rate tariff adjustment / negative RSG</b>	-	-	(24)	(152)	(283)
<b>Total SFA - per 2016/17 finance settlement</b>	<b>5,090</b>	<b>4,675</b>	<b>4,235</b>	<b>4,235</b>	<b>4,235</b>

## New Homes Bonus

The New Homes Bonus (NHB) was launched in 2010 as a non-ringfenced payment to all local authorities based on the number of new homes added each year within its area. The eligible amount is then paid for each of a period of 6 years.

A cut of approximately two-thirds of the funding available for NHB was announced in the 2015 Spending Review, followed by a technical consultation on the future of the scheme. The outcome of that consultation is awaited. In the absence of any further information, projections have been updated in line with housing trajectory figures, **assuming no changes to the way NHB is calculated. In practice, reductions in total NHB receipts could be seen**

**from 2017/18 onwards.** For illustrative purposes, the impact of one possible scenario is outlined in the final paragraph in this section.

NHB receipt estimates, based on projections of future housing completions and empty homes brought back into use, are shown below, along with current commitments.

<b>Description</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Confirmed NHB funding at February 2015 BSR</b>	(4,176)	(3,441)	(2,878)	(1,587)	-
<b>Add</b>					
Confirmed NHB receipts for 2016/17	(1,360)	(1,360)	(1,360)	(1,360)	(1,360)
Estimated NHB receipts for 2017/18	(1,726)	(1,726)	(1,726)	(1,726)	(1,726)
Estimated NHB receipts for 2018/19	-	(2,004)	(2,004)	(2,004)	(2,004)
Estimated NHB receipts for 2019/20	-	-	(1,726)	(1,726)	(1,726)
Estimated NHB receipts for 2020/21	-	-	-	(1,573)	(1,573)
<b>Potential New Homes Bonus Total</b>	<b>(7,262)</b>	<b>(8,531)</b>	<b>(9,694)</b>	<b>(9,976)</b>	<b>(8,389)</b>
<b>Commitments against NHB</b>					
Funding for officers supporting growth e.g. within planning	785	785	785	785	785
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564
Public Realm Officer - Growth X3782	35	35	-	-	-
Direct revenue funding of capital	1,075	1,075	1,075	1,075	1,075
Contribution to City Deal Investment and Delivery Fund	3,631	4,266	4,847	4,988	4,195
Contribution to A14 mitigation Fund	-	-	1,500	-	-
<b>Total commitments against NHB</b>	<b>6,090</b>	<b>6,725</b>	<b>8,771</b>	<b>7,412</b>	<b>6,619</b>
<b>NHB uncommitted</b>	<b>(1,172)</b>	<b>(1,807)</b>	<b>(923)</b>	<b>(2,564)</b>	<b>(1,771)</b>
<b>% NHB used to support service delivery (revenue and capital)</b>	<b>34%</b>	<b>29%</b>	<b>25%</b>	<b>24%</b>	<b>29%</b>

Along with partners, the Council has committed 50% of NHB funding each year to a City Deal Investment and Delivery Fund. If NHB reduces, it is this contribution that would be impacted first. Reductions greater than these amounts may require savings in revenue or capital spending, with the spending listed above being considered against other spending priorities.

It can be seen from the table above that service delivery spending represents less than a third of projected NHB, so would not be impacted by cuts of up to two thirds. **One of the options consulted on which achieved a reduction in funding of two-thirds, is to reduce the payment period for NHB from six years to two. Applying this, with a taper to achieve the reduction, indicates that continued funding for all listed commitments can be maintained by eliminating the uncommitted portion of NHB and limiting contributions to the City Deal Investment and Delivery Fund. In this case over the four years to 2020/21 contributions to the fund suffer a reduction of 68% from £16.8m to £5.4m and uncommitted NHB retained by the council falls from £5.6m to £0.4m.**

# Section 3

## Review of key assumptions

Budget forecasts presented in the February 2016 Budget Setting Report were based on a number of key assumptions, for example levels of general and pay inflation, interest rates, future funding requirements and Council Tax levels.

These key assumptions have been reviewed taking account of changes in external factors, government announcements, latest forecasts and circumstances. The table below highlights where assumptions have been retained and where changes have been made for the purposes of forecasts presented in this document.

Forecast assumptions for future government grant funding and the prudent minimum balance and target level of the GF Reserve are included in more detail in sections 2 and 7 of this report respectively.

Key area	Assumption	Comment / Sensitivity
Pay Inflation	Pay progression cost estimate plus: 2017/18 – 1.0% 2018/19 – 1.0% 2019/20 – 1.0% and 2.0% thereafter	Reflects the agreed pay increase for 2017/18, Government guidance for the following two years, then provides for an increase thereafter (reduced from 2.5%).
Employee turnover	3%	In general, employee budgets assume an employee turnover saving of 3.0% of gross pay budget. Specific vacancy factors are applied where experience indicates that a different vacancy factor is more applicable.
General inflation (CPI)	2017/18 – 1.9% thereafter 2.4% (previously 2%)	Updated central provisions have been made as appropriate for fuel, electricity and gas based on current knowledge of these markets or revised contractual commitments.  The same inflation factors are applied to Central and Support Services as for direct services.

<b>Key area</b>	<b>Assumption</b>	<b>Comment / Sensitivity</b>
Major contracts	Inflation per contract	Major contracts and agreements, in term, are rolled forward based on the specified indices in the contract or agreement
Income and charges increases	2.0%	Income and charges – general assumption of 2.0% ongoing, but specific reviews of all charges required by committees. Property rental income based on detailed projections and rent reviews.
Capital funding contributions	£1.8m	Capital funding contributions at base level of £1.8m per annum with feasibility budget of £82-£94k.
Council Tax increase	2017/18 £5.00 2018/19 onwards 2.0%	Council Tax increase £5.00 for a Band D property in 2017/18 giving approximately £56k more than a 2% increase in the year.
Government grant (SFA)	Indicative levels of grant as notified through the final local government finance settlement in early 2016.	The council's efficiency plan will be accepted by government and these grant levels confirmed.

# Section 4

## Review of budgets and savings targets

### 2015/16 outturn

A favourable variance of £2,479k after approved carry forward requests of £485k was recorded on net service spending in the GF for 2015/16. After variances on government funding, statutory capital accounting adjustments, contributions to/ from earmarked reserves and the application of direct revenue funding for capital have been taken into account, the overall net effect was an increase in the GF reserve of £2,893k.

Whilst the variance on net service spending was spread widely across the council and various categories of income and expenditure, over £1.5m was due to over achievement of income targets. Total budgets for staff and agency workers were underspent by more than £700k (2% of budget). Other variances were generally small, and in the context of savings being generated by the ongoing transformation programme, it was felt that limited benefit would be gained by reviewing these in detail.

### 2016/17 budgets

Departmental budgets are regularly monitored and action is taken where necessary to bring over spending in line with budgets. Where it looks likely that the annual budget will not be spent in full, this is kept under review to ensure that the service spends only what is necessary to deliver its aims and objectives. However, variance from 2016/17 budgets requires consideration of the impacts on future savings requirements and budgets.

A summary of these impacts and other identified pressures and savings are given in the table below and they have been included in the revised projections for the GF and saving requirements given in Section 5.

Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Pressures:</b>						
Reductions in interest receivable as a result of lower interest rate expectations	-	165	165	165	165	165
Members allowances	-	47	47	47	47	47
<b>Total pressures</b>	<b>-</b>	<b>212</b>	<b>212</b>	<b>212</b>	<b>212</b>	<b>212</b>
<b>Deliverable savings and increased income:</b>						
Office accommodation strategy savings	-	-	(60)	(60)	(60)	(60)
Savings arising from the change to LED lighting in car parks	-	(46)	(46)	(46)	(46)	(46)
<b>Total deliverable savings</b>	<b>-</b>	<b>(46)</b>	<b>(106)</b>	<b>(106)</b>	<b>(106)</b>	<b>(106)</b>
<b>New proposal and re-phasing:</b>						
Additional contribution to Sharing Prosperity Fund	200	-	-	-	-	-
Park Street multi-storey car park reduction in income during redevelopment delayed for one year	-	(560)	160	370	30	-
<b>Total new proposal and re-phasing</b>	<b>200</b>	<b>(560)</b>	<b>160</b>	<b>370</b>	<b>30</b>	<b>-</b>
<b>Total changes to future indicative budgets</b>	<b>200</b>	<b>(394)</b>	<b>266</b>	<b>476</b>	<b>136</b>	<b>106</b>
<b>Changes to base assumptions</b>	<b>(276)</b>	<b>(517)</b>	<b>(444)</b>	<b>(338)</b>	<b>(429)</b>	<b>(692)</b>
<b>Total changes</b>	<b>(76)</b>	<b>(911)</b>	<b>(178)</b>	<b>138</b>	<b>(293)</b>	<b>(586)</b>

Applying these budget savings and pressures gives an indication of the net savings requirements by year for the next 5 years, assuming that savings are delivered in the year that the requirement is identified. The requirement for net savings is then adjusted using GF reserves to create a consistent profile across the period, whilst leaving in place the planned overachievement of savings in 2017/18. Following all these changes the net savings requirements total £2.2m.

Description	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>BSR 2016 - Current Savings Target (new savings each year)</b>	<b>174</b>	<b>336</b>	<b>1,347</b>	<b>1,713</b>	<b>800</b>
Previous year savings not achieved / (over achieved)		(737)	-	-	-
Changes to base assumptions	(517)	73	106	(91)	(264)
Proposals and rephasing	(560)	720	210	(340)	(30)
New pressures in year	212	-	-	-	-
New deliverable savings found in year	(46)	(60)	-	-	-
<b>Savings still to be found</b>	<b>(737)</b>	<b>332</b>	<b>1,663</b>	<b>1,282</b>	<b>506</b>
Use of reserves to smooth savings through adjustment to base expenditure	-	228	(1,103)	(722)	54
<b>Savings still to be found</b>	<b>(737)</b>	<b>560</b>	<b>560</b>	<b>560</b>	<b>560</b>



# Section 5

## General Fund – Expenditure and funding

The following projection of GF expenditure and funding results from applying the recommendations included in this report:-

Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Expenditure</b>						
Net service budgets	20,276	18,574	19,819	19,646	19,715	20,136
Capital accounting adjustments	(5,423)	(5,423)	(5,423)	(5,423)	(5,423)	(5,423)
Capital expenditure financed from revenue	3,831	1,798	1,798	1,786	1,786	1,786
Contributions to earmarked funds	9,166	7,068	7,072	6,770	8,552	6,965
Revised net savings requirement	-	737	(560)	(560)	(560)	(560)
<b>Net spending requirement</b>	<b>27,850</b>	<b>22,754</b>	<b>22,706</b>	<b>22,219</b>	<b>24,070</b>	<b>22,904</b>
<b>Funded by:</b>						
Settlement Funding Assessment (SFA)	(5,864)	(5,090)	(4,675)	(4,235)	(4,235)	(4,235)
Locally Retained Business Rates – Growth Element	(800)	(800)	(800)	(800)	(800)	(800)
Other grants from central government	-	0	0	0	0	0
New Homes Bonus (NHB)	(6,323)	(7,262)	(8,531)	(9,694)	(9,976)	(8,389)
Appropriations from earmarked funds	(1,409)	0	0	0	0	0
Council Tax	(7,353)	(7,766)	(7,962)	(8,161)	(8,366)	(8,576)
Contributions (from) / to reserves	(6,102)	(1,836)	(739)	671	(693)	(904)
<b>Total funding</b>	<b>(27,851)</b>	<b>(22,754)</b>	<b>(22,707)</b>	<b>(22,219)</b>	<b>(24,070)</b>	<b>(22,904)</b>

\* Net service budgets include savings and pressures identified in Section 4.

# Section 6

## Capital plan

### Approved plan

The capital plan was approved by council in February 2016. Since then projects carried forward from 2015/16 of £16,445k have been added and further net changes of -£21k have been approved through area committees (s106) and urgency processes.

Approved since BSR	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
<b>Approved at BSR Feb 2016:</b>							
Programmes	1,185	312	300	-	-	-	1,797
Projects	1,638	251	36	-	-	-	1,925
<b>Sub-total</b>	<b>2,823</b>	<b>563</b>	<b>336</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,722</b>
Provisions	794	572	220	56	487	-	2,129
<b>Total</b>	<b>3,617</b>	<b>1,135</b>	<b>556</b>	<b>56</b>	<b>487</b>	<b>-</b>	<b>5,851</b>

<b>Changes approved and adjustments made in year:</b>							
Programmes	885	-	-	-	-	-	885
Projects	3,907	-	-	-	-	-	3,907
<b>Sub-total</b>	<b>4,792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,792</b>
Provisions	11,059	573	-	-	-	-	11,632
<b>Total</b>	<b>15,851</b>	<b>573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,424</b>

<b>Current approved plan:</b>							
Programmes	2,070	312	300	-	-	-	2,682
Projects	5,591	251	36	-	-	-	<b>5,878</b>
<b>Sub-total</b>	<b>7,661</b>	<b>563</b>	<b>336</b>	<b>-</b>	<b>-</b>	<b>-</b>	8,560
Provisions	11,807	1,145	220	56	487	-	<b>13,715</b>
<b>Total</b>	<b>19,468</b>	<b>1,708</b>	<b>556</b>	<b>56</b>	<b>487</b>	<b>-</b>	<b>22,275</b>

# Mid-year capital spending proposals

In addition to projects already approved (and included in the above Current Plan), the tables below list proposals that have been endorsed by the Capital Programme Board and are now proposed for funding, with the exception of PR038, where individual investments have yet to be identified. All items have assigned existing funding sources with only two impacting on Capital Funding Available (as indicated).

Ref.	Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	<b>Approved since BSR Feb 2016:</b>							
SC621	20 Newmarket Road <b>(required use of the £51k funding available)</b>	125	-	-	-	-	-	125
SC607	Fleet Maintenance and Management Service at Waterbeach	46	-	-	-	-	-	46
	<b>Total Approved since BSR Feb 2016</b>	<b>171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171</b>
	<b>Amendments since BSR Feb 2016:</b>							
	<b>Costs (and funding) revised:</b>							
PV529	Amended scheme costs (mainly 125 Newmarket Road) and rephasing into 2015/16	(61)	-	-	-	-	-	(61)
SC611	Grafton East car park roof repairs <b>(released funding)</b>	(75)	-	-	-	-	-	(75)
	<b>Transferred from Plan to PUD:</b>							
UD030h	Romsey - Town Square Public Realm Improvements (\$106)	(56)	-	-	-	-	-	(56)
	<b>Total Adjustments since BSR Feb 2016</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21)</b>

Ref.	Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	<b>Proposals</b>							-
SC631	Grand Arcade car park LED lights	194	-	-	-	-	-	194
SC622	Grafton East car park LED lights	137	-	-	-	-	-	137
SC629	Abbey Pools air plant upgrade	46	-	-	-	-	-	46
SC630	Abbey Pools solar thermal upgrade	49	-	-	-	-	-	49
SC625	Lammas Land kiosk improvements	20	-	-	-	-	-	20
SC623	Environment and cycling improvements in Water Street and Fen Road	50	-	-	-	-	-	50
PR038	Investment in commercial property	20,000	-	-	-	-	-	20,000
Misc	Section 106 miscellaneous	1,084	-	-	-	-	-	1,084
	<b>Total Proposals</b>	<b>21,579</b>	-	-	-	-	-	<b>21,579</b>

The prioritisation scores for the six proposed schemes are set out below:

Prioritisation category	SC607 - Grand Arcade car park LED lights	Sc622 - Grafton East car park LED lights	SC629 - Abbey Pools air plant upgrade	SC630 - Abbey Pools solar thermal upgrade	SC625 - Lammas Land kiosk improvements	SC623 - Environment and cycling improvements in Water Street and Fen Road
Statutory requirement or business critical	No	No	Yes	Yes	No	No
Alignment with council objectives	0.7 out of 5	0.7 out of 5	1.7 out of 5	1.7 out of 5	0.7 out of 5	2.6 out of 5
[Degree of alignment scored against objectives in Annual Statement, then averaged. 0 = no alignment, 5 = will deliver this objective in a value-added / innovative way with additional benefits for the council]	(Scores 5 on 'Tackling climate change, and making Cambridge cleaner and greener)	(Scores 5 on 'Tackling climate change, and making Cambridge cleaner and greener)	(Scores 5 on 'Tackling climate change, and making Cambridge cleaner and greener and 'Protecting our city's unique quality of life')	(Scores 5 on 'Tackling climate change, and making Cambridge cleaner and greener and 'Protecting our city's unique quality of life')	(Scores 4 on 'Protecting our city's unique quality of life')	
Financial impact	1=revenue savings	1=revenue savings	0=cost neutral	0=cost neutral	0=cost neutral	0=cost neutral
Delivery risk – project planning	Low	Low	Low	Low	Medium	Low
Delivery risk – project complexity	Medium	Medium	Medium	Low	Medium	Low

If all the above proposals are accepted, the effect of these schemes, along with schemes already approved in year on the level of unapplied capital funding available is shown in the following table.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
<b>BSR Feb 2016:</b>							
Spend	3,617	1,135	556	56	487	-	5,851
Funding	(3,668)	(2,683)	(2,104)	(1,842)	(2,273)	(1,786)	(14,356)
<b>Funding available and unapplied</b>	<b>(51)</b>	<b>(1,548)</b>	<b>(1,548)</b>	<b>(1,786)</b>	<b>(1,786)</b>	<b>(1,786)</b>	<b>(8,505)</b>
<b>Changes approved and adjustments made in year:</b>							
Spend	15,851	573	-	-	-	-	16,424
Funding	(15,875)	(573)	-	-	-	-	(16,448)
<b>Funding available and unapplied</b>	<b>(24)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24)</b>
<b>Proposals:</b>							
Spend S106	1,084	-	-	-	-	-	1,084
Funding S106	(1,084)	-	-	-	-	-	(1,084)
Spend other (net)	20,496	-	-	-	-	-	20,496
Funding other (net)	(20,496)	-	-	-	-	-	(20,496)
<b>Funding available and unapplied</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revised capital funding availability</b>	<b>(75)</b>	<b>(1,548)</b>	<b>(1,548)</b>	<b>(1,786)</b>	<b>(1,786)</b>	<b>(1,786)</b>	<b>(8,529)</b>
<b>Memo: 5% top-slice of 'BSR 2015 funding available' for feasibility budget (revenue)</b>	<b>66</b>	<b>82</b>	<b>82</b>	<b>94</b>	<b>94</b>	<b>94</b>	<b>512</b>

# Revised plan

If the above proposals are approved, the revised capital plan will be as follows:

MTFS Proposals	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
<b>Current approved plan total (as above):</b>	<b>19,468</b>	<b>1,708</b>	<b>556</b>	<b>56</b>	<b>487</b>	<b>-</b>	<b>22,275</b>
<b>Changes proposed:</b>							
Programmes	20,803	-	-	-	-	-	20,803
Projects	776	-	-	-	-	-	776
<b>Sub-total</b>	<b>21,579</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,579</b>
Provisions	-	-	-	-	-	-	-
<b>Total</b>	<b>21,579</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,579</b>
<b>Proposed plan:</b>							
Programmes	22,030	312	300	-	-	-	22,642
Projects	7,240	251	36	-	-	-	7,527
<b>Sub-total</b>	<b>29,270</b>	<b>563</b>	<b>336</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,169</b>
Provisions	11,777	1,145	220	56	487	-	13,685
<b>Total</b>	<b>41,047</b>	<b>1,708</b>	<b>556</b>	<b>56</b>	<b>487</b>	<b>-</b>	<b>43,854</b>

Work continues to develop a number of larger schemes to be brought forward for funding approval through the Budget Setting Report in February 2017 and beyond. These schemes will draw on capital funding available and reported above, expected capital receipts and potentially internal and external borrowing as appropriate for the scheme. These larger schemes are likely to include the redevelopment of Park Street Car Park, the redevelopment of Mill Road Depot and development at Cambridge Fringe North East.

# Section 7

## Risks and reserves

### Risks

The council is exposed to a number of risks and uncertainties which could affect its financial position:-

- Savings plans may not deliver projected savings to expected timescales;
- Assumptions and estimates, such as inflation and interest rates, may prove incorrect;
- The actual impact and timing of local growth on the demand for some services may not reflect projections used;
- The economic impact of the United Kingdom leaving the European Union may impact some of the council's income streams such as car parking income, commercial rents and planning fee income;
- Funding from central government (SFA, NHB and other grants) may fall below projections;
- Increases in council tax and business rates receipts due to local growth may not meet expectations;
- Business rates appeals, which may be backdated to 2010, may significantly exceed the provision put aside for this purpose;
- The business rates revaluation, due to come into effect in April 2017 may reduce business rates receipts;
- The impact of 100% business rates retention, coupled with any additional responsibilities handed down to the council at that time, may create a net pressure on resources;
- New legislation or changes to existing legislation may have budgetary impacts;
- Unforeseen capital expenditure, such as major repairs to offices and commercial properties, may be required;

- The implementation of proposals to tackle congestion in Cambridge may adversely impact car parking income and the delivery of services that rely on officers travelling around the city. The council may also become subject to a work place parking levy;
- The council may have to contribute to costs associated with the implementation and administration of devolution proposals, including the establishment of a combined authority; and
- The council may not be able to replace time-limited funding for commitments to maintain open spaces associated with growth sites, or implement alternative arrangements for their maintenance.

# Reserves

## General Fund reserve

The GF reserve is held as a buffer against crystallising risks and to deal with timing issues and uneven cashflows. As such, the level of the reserve required is dependent on the financial risks facing the council which will vary over time. Therefore, the prudent minimum balance (PMB) and target level of the GF reserve has been reviewed in the light of current risks. Detailed calculations of these amounts are provided in Appendix B.

As a result, the following changes are recommended and have been included in the calculations of net savings requirements in this report.

General Fund reserves	£m
February 2016 BSR	
- Target level	6.16
- Minimum level	5.13
September 2016 MTFS – Recommended levels	
- Target level	6.37
- PMB	5.31

The table below shows current and projected levels of the GF reserve.



Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Balance as at 1 April (b/fwd)</b>	<b>(16,012)</b>	<b>(9,909)</b>	<b>(8,074)</b>	<b>(7,334)</b>	<b>(8,006)</b>	<b>(7,312)</b>
Total Contribution (to) / from reserves	6,102	1,836	739	(671)	693	904
<b>Balance as at 31 March (c/fwd)</b>	<b>(9,909)</b>	<b>(8,074)</b>	<b>(7,334)</b>	<b>(8,006)</b>	<b>(7,312)</b>	<b>(6,409)</b>

## Earmarked and specific funds

In addition to the GF reserve, the GF maintains a number of earmarked or specific funds which are held for major expenditure of a non-recurring nature or where the income is received for a specific purpose, see Appendix C.

A review of the purpose and use of these funds was undertaken during 2014/15. A number of the funds were discontinued and balances released. These funds are now subject to annual review as part of the MTFs to ensure that principles agreed at the time are applied:-

- Major policy-led funds, such as the Sharing Prosperity Fund (SPF) and the Climate Change Fund, will be retained.
- Selected Repairs and Renewals (R&R) Funds – for vehicles and Bereavement Services – will be retained.
- Any other reserves will only be held as required for statutory or accounting purposes, or to record balances held by the council for other organisations or partnerships.
- Uncommitted balances will be moved to the GF reserve, and funds closed when all committed balances are spent.

Type of earmarked or specific fund	Balance at 31 March 2016 £000
Major policy-led funds	7,472
R&R funds	2,143
Statutory and accounting reserves	4,717
Shared / partnership funds	2,212
Other – to be closed once committed balances are spent	1,243
<b>Total</b>	<b>17,787</b>

The uncommitted balance of £90k on the efficiency fund has been transferred into the transformation budget. The following funds are recommended to be released:-

<b>Earmarked or specific fund</b>	<b>Balance at 31 March 2016 £000</b>	<b>Notes</b>
Consultation programme	37	Close - to be funded from existing budgets as required
Cambridge LSP funding	23	Close - old balance, no longer required
Mapping poverty research	4	Close - to be funded from existing budgets, as required
Kick about site	47	Close - old balance, no longer required
HPDG 2009/10	3	Close – old balance, no longer required
Specific revenue grants earmarked reserve	4	Close - old balance, no longer required. Part of the larger fund
Project facilitation fund	33	Uncommitted balance
<b>Total</b>	<b>151</b>	

The balance on the SPF is substantially committed. It is therefore proposed to transfer £200k from GF reserves to the SPF to enable further projects supporting the council's Anti-Poverty Strategy to be funded.

# Section 8

## Budget strategy and efficiency plan

### General Fund savings requirements

The February 2016 BSR identifies the need to find £174k of ongoing net savings in the GF in 2017/18. This amount is after the application of £103k 2016/17 savings identified in excess of that year's requirement and £532k of net new pressures in 2017/18 already identified in BSR 2016. Current financial projections, taking account of revised assumptions and incorporating all changes proposed as part of this GF MTFS show that work remains to be done to balance the budgets for 2017/18 and beyond, with additional net savings of £2.2m to be found in the next five years.

Description	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Net savings requirement (BSR Feb 2016)	174	336	1,347	1,713	800
Contribution to savings target (Section 4)	(911)	224	(787)	(1,153)	(240)
<b>Revised (MTFS) net savings requirement</b>	<b>(737)</b>	<b>560</b>	<b>560</b>	<b>560</b>	<b>560</b>

### General Fund budget strategy

#### The budget process

The GF budget process for 2016/17 will remain broadly similar to that for previous years, working within an overall cash limit designed to meet known financial pressures.

The updated base model used to prepare this report has driven the recommendations in respect of the 2017/18 budget process and provided indications of the level of savings required to meet both current and anticipated spending needs.

The GF MTFs has highlighted:

- An on-going pressure arising from a reduction in interest rates earned on cash balances;
- Higher than previously expected levels of inflation on expenditure;
- Increased levels of risk and uncertainty in a number of areas, with both direct and indirect impacts on the finances of the council. Direct risks include current consultations on business rates and NHB. Indirectly, the current negative economic outlook could impact planning and parking income and increase the demand for the council's services;

## Identification of further savings

The council has a record of identifying and delivering savings, through both service reviews and improvements in value for money obtained over all categories of spending. These approaches to finding and delivering savings will continue, but it is expected that the value of new savings found will decrease over time as services become leaner and more cost effective.

Therefore, the council has embarked on a long term programme of transformation which will make fundamental changes to the way the council delivers services and interacts with residents, tenants and other parties. This approach is set out in the following efficiency plan.

# Efficiency plan 2016 to 2020

## Introduction

In December 2015, as part of the provisional local government finance settlement, a four year funding guarantee was offered to councils that submit an efficiency plan for the four year period commencing 2016/17. The following sections set out the City Council's approach to transforming its services and delivering savings and efficiencies for its residents, services users, businesses and visitors to the city.

Each year, the council publishes an [Annual Statement](#). In his introduction, the Leader of the Council refers to developing our 'Plan for 2020', which will 'set out a clear long term strategic direction for the council and for Cambridge, 'our city of considerable magic'.

The seven aims or objectives within the statement form the basis of the [Corporate Plan](#), setting out how the vision and strategic direction will be delivered. These objectives are:-

- Delivering sustainable prosperity for Cambridge and fair shares for all
- Tackling the housing crisis and delivering our planning objectives
- Making Cambridge safer and more inclusive
- Investing in improving transport and tackling congestion
- Protecting our city's unique quality of life
- Protecting essential services and transforming council delivery
- Tackling climate change, and making Cambridge cleaner and greener.

## Major initiatives

Political control of the council changed in May 2014. The resulting change in aims, objectives and policies, alongside projected reductions in local government funding, provided impetus to the development of a three pronged approach to service review and savings delivery: the transformation programme, the extension of collaborative working with local partners, and investment to provide regular income streams.

## The transformation programme

The council has formally set up the programme, with a programme manager, business change manager and programme office, to deliver projects under the following three themes:-

- **Deliver inclusive and easy to use services for all** – protecting core services that residents need and value and ensuring fairness;
- **Transforming how we deliver services** - working with our committed staff team and other partners;
  - **Shared services**
  - **Internal service reviews**
- **Making the best use of all our assets** - reinvesting all available Council resources to maximise financial return and benefits for city residents, and making existing assets work harder too.
  - **Commercialisation**

- **Investment for income**
- **Challenging avoidable capital commitments**

The projects form a complex and cross-cutting transformational change programme. Many of these transformational projects are 'back-loaded' with the aim of producing significant, but not instant, efficiencies. However it is only by taking this more fundamental approach that we can ensure the council will deliver the savings it needs to make into the longer term, whilst developing a new style and shape of organisation which is sustainable and fit for the new environment we find ourselves in.

Following a detailed review of earmarked funds which released £12.1m, funding for transformation has been provided from reserves. Resourcing to support the programme office and deliver each project is subject to on-going review and approval as the programme develops.

### **Shared services**

The council is developing a suite of shared services with neighbouring councils in Cambridgeshire. Whilst the delivery of savings is important, other expected benefits include service resilience, improvements to service delivery, better use of buildings through co-location, and the sharing of specialist staff, including key managers and directors. Initially, shared services were implemented as opportunities arose, but now shared governance arrangements and a partnership agreement are in place between the City Council, South Cambridgeshire District Council and Huntingdonshire District Council.

Existing shared services include Waste and Recycling, ICT, Legal and Building Control and other smaller services. Once the partners have reviewed the operation of these services and ensured that they are well established there will be an opportunity to consider the potential for further shared services to be formed. These are likely to include Planning, Garage and Fleet, Finance, HR and Internal Audit.

### **Internal service review**

The council undertakes a continuing programme of internal service reviews, ensuring that all services are reviewed on a cyclical basis. Considering the level of efficiency savings already generated from services, particular emphasis is now being placed on reviewing service specification levels, ensuring that the service we provide meets identified needs, is lean, fit for purpose, and without costly and unnecessary variations and additions.

The council has developed a **digital transformation strategy** which underpins the delivery of all services by investing in technology to manage demand, reduce costs and transform links with customers. The strategy is designed to underpin and enable the Council's transformational journey by providing the link between the aims of the Council and the ICT required to deliver those aims. The benefits of better technology for our customers and staff include greater choice and flexibility in how our services are delivered to our communities. It also enables us to work smarter not harder, to help us work better in the partnerships we have across the city and make what can be tough jobs that bit easier.

This strategy will support the Council services to direct their customers to appropriate and targeted channels and improve the customer experience and meet the growing needs to provide cost effective and efficient services. The council seeks to make the most of opportunities in the way it designs and delivers services helping to ensure everyone who wants to have the chance to benefit from these changes and putting the customer at the heart of everything we do.

Therefore implementing a successful digital transformation strategy will not only contribute to increased efficiency but there will be longer term benefits for both the residents and the council.

### **Commercialisation**

The council runs a number of services on a commercial basis, including off street car parking, bereavement services and trade waste. Further opportunities are being sought to increase entrepreneurial delivery in these services and others. The drive towards commercialisation will be led by the newly-appointed Head of Commercial Services, and includes the provision of maintenance and MOT testing for HGVs from the council's re-sited and enlarged fleet maintenance facility. All services have been tasked with exploring or extending their income generating opportunities, with potential identified for further commercialisation in bereavement services, environmental health and planning.

### **Investment for income**

Funding released from earmarked reserves supplemented with money from general reserves has been made to 'work harder'. This is particularly important given the recent reduction in interest rates in the UK. £8.5m has been used to purchase commercial property to add to the council's portfolio, producing an annual return in excess of 6%. It is proposed that a further £20m will be allocated from reserves for a new programme of acquiring additional commercial property, with the emphasis on the security of the assets and their income stream, while enhancing revenue.

Following a review of reserves and capital plans, a further £8m is to be used to establish an Invest for Income Fund, with work currently in progress to identify appropriate investments to make a reasonable return. Particular emphasis will be put on these being in areas of sustainable energy and commercial services in keeping with the existing activities of the council. Such projects are more difficult and take longer to develop than purchasing property but will widen the way the council's investments serve the community as well as further diversifying the investment portfolio.

The council has lent £7.4m to Cambridge City Housing Ltd (CCHC), a company wholly-owned by the council. CCHC provides housing at sub-market rents to tenants who are unable to afford market rents within the city. This investment provides the council with a better return than bank deposits and other treasury investments, as well as helping to address housing need.

#### **Challenging avoidable capital commitments**

The council has examined its approval process for GF capital schemes, introducing more rigorous challenge to the prioritisation and planning of projects. New processes are designed to ensure that schemes are specific, well-planned and deliverable to stated timescales. Schemes on the existing GF capital programme were challenged and over £10m of capital funding released as a result.

Further work is underway to scrutinise all GF schemes approved and being planned to ensure that they meet current priorities and requirements, and that they represent the best use of the funding available.



# Appendix A

## Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
<b>Capital-GF Projects</b>								
PR030e	Cavendish Rd (Mill Rd end) improvements: seating & paving (S106)	J Richards	7	0	0	0	0	0
PR030f	Bath House Play Area Improvements (S106)	D O'Halloran	107	0	0	0	0	0
PR031i	Perse Way Flats Play Area (S106)	A Wilson	2	0	0	0	0	0
PR031k	St Luke's Church: grant for refurbishment of community facilities (S106)	J Hanson	8	0	0	0	0	0
PR031l	Landscaping and play area improvements on green on Bateson Road (S106)	J Parrott	26	0	0	0	0	0
PR031m	Install play equipment at Dundee Close, Discovery Road and Scotland Road play areas (S106)	J Parrott	24	0	0	0	0	0
PR032g	Cherry Hinton Rec Ground pavilion refurb. (S106)	I Ross	297	0	0	0	0	0
PR032h	Trumpington Bowls Club Pavilion Ext. (S106)	I Ross	2	0	0	0	0	0
PR032l	Grant to improve community facilities at Lutheran Church on Shaftesbury Road (S106)	J Hanson	45	0	0	0	0	0
PR032m	Grant to improve the community room facilities at Rock Road Library	J Hanson	16	0	0	0	0	0
PR032o	Nightingale Park Community Green Space (S106)	G Belcher	22	0	0	0	0	0
PR032r	Install junior fit kit at Accordia development (S106)	A Wilson	15	0	0	0	0	0
PR033c	Public Art element of improvements to the entrances at Histon Rd Rec (S106)	N Black	2	0	0	0	0	0
PR033f	Histon Rd Rec Ground Improvements (S106)	A Wilson	14	0	0	0	0	0
PR033m	Benches on Carisbrooke Road green and next to Coton footpath near Wilberforce Road (S106)	A Wilson	3	0	0	0	0	0
PR033n	Shelly Row play area improvements (S106)	A Wilson	50	0	0	0	0	0
PR033o	Refurbishment of Christ's Piece's Tennis Courts and Fencing (S106)	I Ross	59	0	0	0	0	0
PR033q	Additional play equipment, benches and landscaping at Christ Piece's play area (S106)	A Wilson	15	0	0	0	0	0
PR034c	Drainage of Jesus Green (S106)	A French	6	0	0	0	0	0
PR034d	Public Art - 150th and 400th Anniversary (Cambridge Rules) (S106)	N Black	112	0	0	0	0	0
PR034n	Cambridge Gymnastics Academy: grant for warehouse conversion into gym facility (S106)	I Ross	65	0	0	0	0	0
PR034p	Cambridge 99 Rowing Club: grant for kitchen facilities (S106)	I Ross	5	0	0	0	0	0
PR034q	Cambridge Canoe Club: additional boat and equipment store (S106)	I Ross	8	0	0	0	0	0

# Appendix A

## Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
PR040a	Public art grant - Big Draw event 2015, Chesterton (S106)	N Black	1	0	0	0	0	0
PR040b	Public art grant - Rock Road library community garden (S106)	N Black	7	0	0	0	0	0
PR040c	Public art grant - Creating my Cambridge: Clicking to Connectivity	N Black	15	0	0	0	0	0
PR040d	Public art grant - Twilight at the Museums 2016: Animated Light Projection (S106)	N Black	14	0	0	0	0	0
PR040e	Public art grant - Cambridge Sculpture Trails leaflet (S106)	A Wilson	3	0	0	0	0	0
PR040f	Public art grant - Syd Barrett (S106)	S Tovell	2	0	0	0	0	0
PR040g	Public art grant - Chesterton mural (S106)	S Tovell	1	0	0	0	0	0
PR040i	Public art grant - History Trails (S106)	S Tovell	5	0	0	0	0	0
PR040j	Public art grant - Sounds of Steam (S106)	S Tovell	5	0	0	0	0	0
PR040k	Public art grant - Mitcham's models at Christmas (S106)	A Wilson	1	0	0	0	0	0
PR040l	Public art grant - Newnham Croft stained glass window (S106)	S Tovell	5	0	0	0	0	0
PR040m	Public art grant - public art at North Cambridge Academy (S106)	S Tovell	5	0	0	0	0	0
PR040o	Public art grant - 'The place where we stand' (S106)	S Tovell	3	0	0	0	0	0
PR040p	Public art grant - Life in Trumpington (S106)	S Tovell	1	0	0	0	0	0
PR041b	Grant to Cambridge Gymnastics Academy for trampolines and foam pit in gym (S106)	I Ross	75	0	0	0	0	0
PR041d	Grant to Camrowers and CRA Boathouse (S106)	I Ross	250	0	0	0	0	0
PR042A	Improved access to Hodson's Folly (S106)	S Tovell	9	0	0	0	0	0
SC034o	Netherhall School: supplementary grant for gym and fitness suite facilities (S106)	I Ross	219	0	0	0	0	0
SC391	La Mimosa Punting Station	P Doggett	2	0	0	0	0	0
SC410	Mill Road Cemetery	D Peebles	10	0	0	0	0	0
SC469	Vie Public Open Space (S106)	S Tovell	7	0	0	0	0	0
SC540	Electronic Market Management Software	D Ritchie	2	0	0	0	0	0
SC548	Southern Connections Public Art Commission (S106)	R Hobbs	24	11	21	0	0	0

# Appendix A

## Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
SC560	Guildhall & Corn Exchange Cap Schemes RO AR9	D Kaye	63	0	0	0	0	0
SC570	Essential Structural/Holding Repairs - Park Street Multi Storey car park	S Cleary	17	0	0	0	0	0
SC571	Procurement of IT System to Manage Community Infrastructure Levy	S Saunders	20	0	0	0	0	0
SC588	NW Cambridge Development Underground Collection Vehicle	M Parsons	265	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Queen Anne Terrace Car Park	S Cleary	299	20	15	0	0	0
SC596	Replacement Air Cooling Systems	W Barfield	127	0	0	0	0	0
SC597	Empty Homes Loan Fund	Y O'Donnell	200	0	0	0	0	0
SC601	Replacement Telecommunications & Local Area Network	T Allen	325	0	0	0	0	0
SC604	Replacement Financial Management System	C Ryba	242	0	0	0	0	0
SC605	Replacement Building Access Control System	W Barfield	73	0	0	0	0	0
SC607	Fleet Maintenance & Management Service at Waterbeach	D Cox	91	0	0	0	0	0
SC608	Improvements to Gwydir Enterprise Centre	D Prinsep	200	0	0	0	0	0
SC609	Electric Pest Control Van	Y O'Donnell	22	0	0	0	0	0
SC612	Car parking control equipment at multi storey car parks	S Cleary	570	0	0	0	0	0
SC613	Dedicated wi-fi frequency for Cambridge CCTV cameras	M Beaumont	25	0	0	0	0	0
SC614	Redeployable CCTV camera stock	M Beaumont	60	0	0	0	0	0
SC615	Cherry Hinton Grounds Improvements Phase 2 (S106)	A Wilson	180	220	0	0	0	0
SC616	General Fund Property Acquisition for Housing Company	D Prinsep	2,114	0	0	0	0	0
SC617	Grant for gym changing rooms and new health suite at Kelsey Kerridge (S106)	I Ross	40	0	0	0	0	0
SC621	20 Newmarket Road - commercial property	D Prinsep	125	0	0	0	0	0
SC622	Grafton East car park LED lights	S Cleary	137	0	0	0	0	0
SC623	Environment and cycling improvements in Water Street and Fen Road	A Wilson	50	0	0	0	0	0
SC624	Dudley Road play area improvements (S106)	A Wilson	40	0	0	0	0	0

# Appendix A

## Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
SC625	Lammas Land kiosk improvements	J Ogle	20	0	0	0	0	0
SC626	Grant for community facilities at Rowan Humberstone Centre (\$106)	A Wilson	71	0	0	0	0	0
SC629	Abbey Pools air plant upgrade	I Ross	46	0	0	0	0	0
SC630	Abbey Pools solar thermal upgrade	I Ross	49	0	0	0	0	0
SC631	Grand Arcade car park LED lights	S Cleary	194	0	0	0	0	0
<b>Capital-GF Projects</b>			<b>7,240</b>	<b>251</b>	<b>36</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital-Programmes</b>								
PR010a	Environmental Improvements Programme - North Area	J Richards	135	50	50	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	178	36	36	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	124	36	36	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	167	48	48	0	0	0
PR010di	Environmental Improvements Programme - Riverside/Abbey Road Junction	A Wilson	31	0	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	349	0	0	0	0	0
PR020	ICT Infrastructure Programme	R Ward	100	0	0	0	0	0
PR023	Admin Buildings Asset Replacement Programme	W Barfield	212	0	0	0	0	0
PR024	Commercial Properties Asset Replacement Programme	W Barfield	144	0	0	0	0	0
PR027	Replacement of Parks & Open Space Waste/Litter Bins	D Blair	48	0	0	0	0	0
PR028	Litter Bin Replacement Programme	D Blair	114	0	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (\$106)	K Laws	155	112	100	0	0	0
PR037	Local Centres Improvement Programme	J Richards	27	0	0	0	0	0
PR037a	Local Centres Improvement Programme - Cherry Hinton High Street	G Richardson	193	0	0	0	0	0
PR038	Investment in commercial property portfolio	D Prinsep	20,000	0	0	0	0	0
PR039	Minor Highway Improvement Programme	J Richards	53	30	30	0	0	0
<b>Capital-Programmes</b>			<b>22,030</b>	<b>312</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital-GF Provisions</b>								

# Appendix A

## Capital Plan 2016/17 to 2021/22

Ref.	Description	Lead Officer	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
PV007	Cycleways	J Richards	324	100	100	0	0	0
PV016	Public Conveniences	A French	30	0	0	0	0	0
PV018	Bus Shelters	J Richards	110	0	0	0	0	0
PV033B	Street Lighting	J Richards	81	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	2	61	0	0	0	0
PV221b	Lion Yard - Contribution to Works Phase 2	P Doggett	74	300	0	0	0	0
PV529	Upgrade facilities at 125 Newmarket Road	D Greening	(36)	0	0	0	0	0
PV532	Cambridge City 20mph Zones Project	J Richards	241	0	0	0	0	0
PV549	City Centre Cycle Parking	J Richards	182	0	0	0	0	0
PV554	Development Of land at Clay Farm	S Walston	527	659	120	56	487	0
PV564	Clay Farm Community Centre -Phase 2 (Construction)	A Carter	5,782	0	0	0	0	0
PV583	Clay Farm Commercial Property Construction Costs	D Prinsep	295	25	0	0	0	0
PV594	Green Deal	J Dicks	2,510	0	0	0	0	0
PV595	Green Deal - Private Rental Sector	J Dicks	1,655	0	0	0	0	0
<b>Capital-GF Provisions</b>			<b>11,777</b>	<b>1,145</b>	<b>220</b>	<b>56</b>	<b>487</b>	<b>0</b>
<b>Total GF Capital Plan</b>			<b>41,047</b>	<b>1,708</b>	<b>556</b>	<b>56</b>	<b>487</b>	<b>0</b>

# Appendix A

## Capital Plan Funding

Description	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)
<b>External Support</b>						
Developer Contributions	(7,829)	(343)	(121)	0	0	0
Other Sources	(4,600)	(50)	(50)	0	0	0
Prudential Borrowing	0	0	0	0	0	0
Specified Capital Grants (SCG)	0	0	0	0	0	0
Supplementary Credit Approvals (SCA)	0	0	0	0	0	0
<b>Total - External Support</b>	<b>(12,429)</b>	<b>(393)</b>	<b>(171)</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>City Council</b>						
Developer Contributions	0	0	0	0	0	0
Direct Revenue Financing (DRF) - GF Services	(82)	0	0	0	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(3,831)	(1,798)	(1,798)	(1,786)	(1,786)	0
Earmarked Reserve - Capital Contributions	(2,349)	0	0	0	0	0
Earmarked Reserve - Climate Change Fund	(370)	0	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(1,161)	(20)	(15)	0	0	0
Earmarked Reserves - Technology Investment Fund	(2)	0	0	0	0	0
HRA Capital Balances	0	0	0	0	0	0
Internal Borrowing - Temporary Use of Balances	(20,527)	(659)	(120)	(56)	(487)	0
Other Sources	0	0	0	0	0	0
Prudential Borrowing	0	0	0	0	0	0
Usable Capital Receipts	(371)	(386)	0	0	0	0
<b>Total - City Council</b>	<b>(28,693)</b>	<b>(2,863)</b>	<b>(1,933)</b>	<b>(1,842)</b>	<b>(2,273)</b>	<b>0</b>

<b>Total Available Finance</b>	<b>(41,122)</b>	<b>(3,256)</b>	<b>(2,104)</b>	<b>(1,842)</b>	<b>(2,273)</b>	<b>0</b>
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# Appendix B

## General fund reserves – calculation of Prudent Minimum Balance (PMB) and target level

Description	Level of risk	Amount at risk £	Risk £
Employee costs	Low	30,252,130	60,504
Premises costs	Low	9,183,800	36,735
Transport costs	Low	868,050	3,472
Supplies and services	Low	18,549,960	27,825
Grants and transfers	Low	40,724,500	40,725
Grant income	Low	48,862,600	48,863
Other income	High	47,843,550	717,653
Miscellaneous	Low	696,190	1,044
Total one year operational risk			936,821

### Allowing three years cover on operational risk

**2,810,464**

General and specific risks	Amount (£)	Probability (%)	
Unforeseen events	2,000,000	25%	500,000
Legal action - counsel's fees	100,000	50%	50,000
Data Protection breach	300,000	50%	150,000
Capital project overruns	100,000	50%	50,000
Project failure / delays to savings realisation	1,000,000	75%	750,000
Cover for lower level of earmarked and specific reserves	1,000,000	100%	1,000,000

### General risks

**2,500,000**

### Prudent Minimum Balance

**5,310,464**

Target (PMB + 20%)

**6,372,556**

**Operational cost risk profiles**

			Low	Medium	High
Employee costs	30,252,130	overspend	1.00%	2.00%	3.00%
		probability	20.0%	15.0%	10.0%
		<b>amount at risk</b>	<b>60,504</b>	<b>90,756</b>	<b>90,756</b>
Premises costs	9,183,800	overspend	2.00%	4.00%	6.00%
		probability	20.0%	15.0%	10.0%
		<b>amount at risk</b>	<b>36,735</b>	<b>55,103</b>	<b>55,103</b>
Transport costs	868,050	overspend	2.00%	4.00%	6.00%
		probability	20.0%	15.0%	10.0%
		<b>amount at risk</b>	<b>3,472</b>	<b>5,208</b>	<b>5,208</b>
Supplies and services	18,549,960	overspend	1.00%	2.00%	3.00%
		probability	15.0%	10.0%	5.0%
		<b>amount at risk</b>	<b>27,825</b>	<b>37,100</b>	<b>27,825</b>
Grants and transfers	40,724,500	overspend	1.00%	2.00%	3.00%
		probability	10.0%	7.5%	5.0%
		<b>amount at risk</b>	<b>40,725</b>	<b>61,087</b>	<b>61,087</b>
Grant income	48,862,600	overspend	1.00%	2.00%	3.00%
		probability	10.0%	7.5%	5.0%
		<b>amount at risk</b>	<b>48,863</b>	<b>73,294</b>	<b>73,294</b>
Other income	47,843,550	overspend	5.00%	10.00%	15.00%
		probability	15.0%	12.5%	10.0%
		<b>amount at risk</b>	<b>358,827</b>	<b>598,044</b>	<b>717,653</b>
Other	696,190	overspend	1.00%	2.00%	3.00%
		probability	15.0%	10.0%	5.0%
		<b>amount at risk</b>	<b>1,044</b>	<b>1,392</b>	<b>1,044</b>



# Appendix C

## Principal earmarked and specific funds

Fund	Balance at 1 April 2016 £000	Planned contributions £000	Planned Commitments £000	Uncommitted balance to end of 2021/22 £000
City Deal Investment and Delivery Fund <sup>1</sup>	(1,985)	(25,089)	27,074	0
Sharing Prosperity Fund <sup>2</sup>	(625)	(200)	825	0
Climate Change Fund	(347)	(120)	464	(3)
Asset Replacement Fund	(1,000)	(6,000)	6,027	(973)
Bereavement Services (Trading & Asset Replacement Fund) <sup>3</sup>	(551)	(1,346)	1,713	(184)
Council Tax Earmarked for Growth	(427)	0	427	0
Efficiency Fund	(217)	0	217	0
Development Plan Fund <sup>4</sup>	(255)	(252)	507	0
Office accommodation strategy fund	0	(3,896)	3,721	(175)
Property Strategy Fund	(21)	0	21	0
Invest for Income	(6,500)	(1,500)	8,000	0
Project Facilitation Fund	(73)	0	73	0
<b>Total</b>	<b>(12,001)</b>	<b>(38,403)</b>	<b>49,069</b>	<b>(1,335)</b>

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<sup>1</sup> subject to future requirements (assumption is 100% committed)

<sup>2</sup> subject to any post budget approvals

<sup>3</sup> subject to retention of over performance against budget (assumption £nil)

<sup>4</sup> subject to final costs of current plan and estimate of Local Plan work commencing 2020